

# THE ECONOMIST

"Were all nations to follow the liberal system of free exportation and free importation, the different States into which 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 preventive of a dearth, but the most effectual preventative of a famine, so would the freedom of the exportation and importation be among the different States into which a great continent was divided."—ADAM SMITH.

## INDEX TO VOLUME CXXXVI

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(L) = LETTER TO EDITOR

(R) = BOOK REVIEW  
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## QUARTERLY INDEX

## Defence or Encirclement

THE manifest intention of the new British policy of the past three months—the construction of a viable Peace Front—is to keep the peace. But its immediate effect has been to give rise to an Anglo-German war of words. And, when words run high, blows may easily follow. Dr Goebbels is now telling his public that Great Britain to-day is making a fresh attempt to "encircle" Germany; that this is a repetition of something which she did once before, during the ten years ending in 1914; that this previous British "encirclement" of Germany was the main cause of the war of 1914-18; and that such a calamity is the natural consequence of such a policy. In Dr Goebbels' usage of the term, "encirclement" means a hostile, aggressive and wholly illegitimate manoeuvre. It means an attempt, on the part of one of the victim country's neighbours, to enlist as many other neighbours as possible in a common attempt to make life impossible for the victim-country by depriving it of that *Lebensraum* in the world—that elbow-room for moving and breathing—which is every country's natural right.

There are two reasons why this myth of encirclement must be removed. In the first place, it is being used by the German propaganda machine to make the German people ready to fight. If the lie could be exposed, the risk of war would be sensibly lessened. And, secondly, if it proves impossible to lighten the present dark-

ness of the German people, it is still necessary to prove our case before the conscience of the world. It is for these reasons that during the past few weeks Lord Halifax and Mr Chamberlain have been devoting the greater part of their public speeches to protestations that our designs are in no way aggressive against Germany or aimed at cramping her existence.

But there is a right way and a wrong way to make such protestations. The speeches made by the Foreign Secretary and the Prime Minister three weeks ago were in the wrong vein. By laying the greater stress on the efforts we would be prepared to make to reach our accommodation with Germany, if only she would show reason, they aroused fears among our allies (and hopes in the Wilhelmstrasse) that "appeasement" was being revived. That lesson has apparently been learned and in the two statements of British policy that have appeared this week the promise of generous treatment for a peaceful Germany has been admirably blended with the firmest resolve to resist aggression.

The earlier of these two statements was the Note sent to Berlin in reply to the denunciation of the Anglo-German Naval Treaty by Herr Hitler two months ago. That denunciation was justified by the Fuehrer on the ground that Britain was aiming at encirclement and had showed that she held the view "that, in whatever part of Europe



Germany might be involved in warlike conflict, Great Britain must always be hostile to Germany." The Note contradicts both these assertions flatly. To describe British policy as one of encirclement, it says, "is without any justification, and indicates a misunderstanding and misreading of British purposes which must be corrected." British policy is designed merely to allay the anxieties that Germany herself has created, and Britain's new engagements "could only become effective if the countries concerned were the victims of aggression." As for the German denunciation of the existing Naval Agreement and the offer to negotiate a new one, the spirit of the British answer is given in the final sentence of the Note. "His Majesty's Government desire to know how the German Government would propose to ensure that any action in the shape of denunciation or modification of the new Agreement during the term of its validity should carry the consent of both parties."

The shafts of this Note apparently went home, if one can judge by the volleys of abuse by which it was greeted in Dr Goebbels' Press. We are writing before the German reaction to Lord Halifax's speech on Thursday night has become apparent, but it is probable that the scream will be still shriller, for Lord Halifax gave an exposition of the British case so forceful and convincing that it is calculated to enrage those whose interest it is to muddy the waters of truth. His answers to the German charges were brief and to the point. As for encirclement, "Germany is isolating herself, and doing it most successfully and completely." And as for the demand for an adequate *Lebensraum*, the problem "is not solved simply by acquiring more territory. That may, indeed, only make the problem more acute. It can only be solved by wise ordering of the affairs of a country at home, and by adjusting and improving its relations with other countries abroad."

Lord Halifax made it perfectly clear that there would be no desire in England to monopolise the wealth of the British Empire. He offered an extension to other colonial territories of the mandatory principle, with its corollary of the open door. But these offers were followed by the comment without which they would merely raise the spectre of appeasement. "Unless all countries are at one in really wanting a settlement, discussions will not take

you very far, and they may easily do more harm than good. It is impossible to negotiate with a Government whose responsible spokesmen brand a friendly country as thieves and blackmailers and indulge in daily monstrous slanders on British policy in all parts of the world."

This is what has needed to be said by a British Foreign Secretary for many months past, and in spite of the inevitable burst of fury in Germany, it can do nothing but good. The more immediate need of the moment, increased by every fresh item of news from Germany, is not to promise generosity for good behaviour, but to make it clear beyond any doubt that aggression will be met with force. There is every sign that Herr Hitler is playing for another Munich and it is essential to show him that he cannot get it. Here again Lord Halifax's speech was beyond criticism. "It is idle," he said, "to cry peace where there is no peace, or to pretend to reach a settlement unless it can be guaranteed by the reduction of warlike preparations and by the assured recognition of every nation's right to the free enjoyment of its independence."

A recent German writer has expressed the opinion that Britain's greatest weakness is on the moral side—in her desperate anxiety to be sure that she is not laying herself open to attack on moral grounds. The events of 1938 showed how effectively a subtle propaganda could play upon this desire for fair play. But Germany herself has now solved the British moral problem. Britain has never been more peaceful, and never more ready to fight. "None of Britain's formidable array of strength," said Lord Halifax, "will be called into play except in defence against aggression. No blow will be struck, no shot fired. Of the truth of that, everyone in this country is convinced. I believe myself that most people in other countries really accept it in spite of the propaganda that dins into their ears the contrary. What is also now fully and universally accepted in this country, but what may not even yet be as well understood elsewhere, is that, in the event of further aggression, we are resolved to use at once the whole of our strength in fulfilment of our pledges to resist it." It has taken a very long time to bring the Government to this very necessary conclusion. It is their duty now to stand firmly on the position they have taken up.

## Laggard Recovery in America

THE course of American business activity never did run smooth. Nor has it ever run on orthodox lines. Erratic unpredictability is not a quality that the American conjuncture has assumed only since it came under the ministrations of the New Deal. But its fluctuations have certainly been more abrupt and less rational during the last few years. No completely satisfying explanation has ever been given, for instance, of the very sudden reversal of recovery in the autumn of 1937, long before it appeared to have reached its maturity. Until the last few months the most reasonable explanation of this 1937-38 "recession" was that it was a temporary interruption in the upward march of recovery; such interruptions are familiar (there was one in 1924 and another in 1927 in the great "New Era" boom), and it was only the severity of this recession that was remarkable. This theory appeared to be confirmed by the resumption of recovery twelve months ago. But since the beginning of 1939 this new recovery—the "re-recovery" as the Americans call it—has faltered and given ground, long before it had attained the peak levels of 1937, let alone those of 1929. It is true that in the last few weeks there have been signs of a new improvement—a re-re-recovery, as it were—but it is too early to say whether they are prophetic or deceptive. And in any case there is no assurance that 1939's improvement will

go much further than 1938's. There is *prima facie* evidence for the belief that each new peak is lower than the last.

In these circumstances it is hardly surprising that there should be a mood of discouragement in the United States. The mood will be familiar to those Englishmen who remember the years of the 1920's when Great Britain, alone of the nations of the world, seemed to be incapable of making progress; and the subsequent course of economic history in this country might serve as a cure for American pessimism. That pessimism is, for the moment, taking the shape of asserting that the United States, being a "mature economy," is incapable of finding sufficient outlet for its savings. The theory is familiar enough on this side of the water; indeed, it is of English origin. It is perfectly true that in a community whose standard of living (and, therefore, standard of saving) is high, but which is failing to expand in numbers as rapidly as before, there is a tendency for the volume of capital that is invested to fall short of the savings that the public would wish to make, with the result that the savings run to waste, purchasing power is limited and unemployment is created. It is also perfectly true that the pace of expansion of the United States is now very much smaller than it used to be. Out of these materials the theorists of the New Deal have constructed

the doctrine that it is the duty of the Government to repair the deficiency in the private investment of capital by sponsoring the public investment of capital. The advocacy of public works is, of course, nothing new. But the latest development, as exemplified in the President's proposals made public on Thursday of last week, has two novel features. In the first place, an attempt is made to silence the objections of those who are alarmed by the series of enormous Treasury deficits. It is intended that the new long-term programme of "investing" \$3,680 millions over a period of years shall be carried out by autonomous corporations on the analogy of the Reconstruction Finance Corporation and the Export-Import Bank; the Treasury will be liable only for a contingent guarantee of these corporations' obligations. And, secondly, in contradistinction to all the "emergency" programmes of the last six years, this one is designed for permanency.

The merits and demerits of public works as a temporary expedient have been argued many times, and this is not the place to add to the controversy. But the difficulties attending any large-scale programme of public works are such that they should not be regarded as anything but a substitute for private investment. The justification for a permanent programme of public works (over and above what would normally be required, or could normally pay for themselves) can only be established if there is a permanent deficiency of private investment. And though the reasoning of the "mature economy" doctrine is sound, the conclusions that America, in her present mood of economic defeatism, is drawing from it are woefully exaggerated. If America is a "mature" economy because the growth of population is slowing down, how much more "mature" is Great Britain, where the growth of population has almost stopped? And yet Great Britain has just emerged from a period of five years during which the rate of material progress was as high as, or higher than at any previous period.

The truth is that the volume of private investment of capital that will be undertaken is not an absolute figure. It depends, for one thing, on the rate of interest at which money can be borrowed. It also depends, more importantly, on the apparent profitability of investment. There is no difficulty on the first score in America: money is very cheap and very plentiful. But there is serious discouragement to investment under the head of profitability. There is an inadequate volume of investment, and therefore an excessive volume of unemployment, because it is not made worth while to sink money in fixed capital—in a word, because profits are too low.

It would be much easier to accept the defeatist doctrine of a permanent insufficiency of private investment in America if any convincing attempt had been made to investigate and remove the causes of its present unprofitability. It is true that the complaints of the business men themselves are of little assistance. Their chief grievance relates to taxation, and though the present system of taxation in America has many features that are injurious to business enterprise, it is very unlikely that they have had a major effect on the volume of new investment. Similarly, it is difficult to take very seriously the allegation that the "anti-business" attitude of the Administration has prevented much new enterprise, though it is possible that business is choking of its own bitterness. There was an impres-

sive volume of "confidence" in the early months of 1937, even though Mr Roosevelt had then just been returned to office with an enormous majority. And lastly (to cite the third main item in the current commination of the New Deal) though there are obvious dangers in a chronic deficit, the level of interest rates in the market would not seem to indicate that the size of the Treasury's borrowings has either cast doubts on the Government's credit or monopolised the supply of credit.

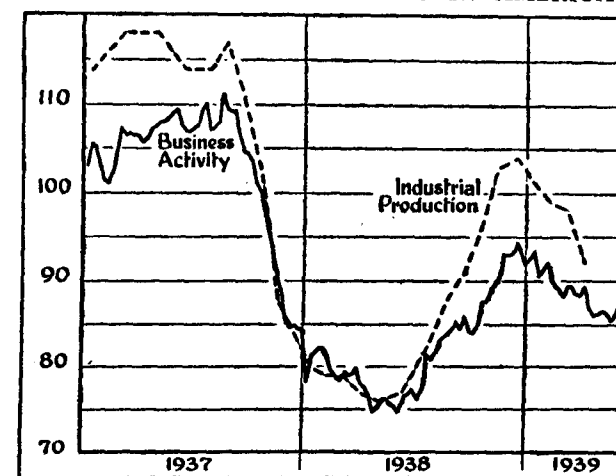
To the outside observer, in fact, it seems that the unprofitability of investment in America to-day is not mainly due to any of these causes (and still less, of course, to any politically-inspired "strike of capital"), but to a simple factor which, as our New York correspondent pointed out last week, receives amazingly little attention—namely, the extreme costliness of new investment. In American industry generally, and more especially in the construction industries, the cost of labour has been forced up to a very high level. This has been done in pursuance of what used to be called the Doctrine of High Wages and is now better known as the Purchasing Power theory. It is a wholly admirable endeavour to raise the purchasing power of the people, and though the wage-earners are only half the people, they are the economically dominant element. But it is questionable whether the best way of increasing the

purchasing power of the workers is always to raise their rates of wages. Between 1929 and 1938 the average hourly earnings of American workers (according to the figures of the National Industrial Conference Board) increased by 23 per cent. Relatively to the movement of average wholesale prices, the increase was no less than 49 per cent. But payrolls—the total amount of money paid out in wages—fell, according to the official index, by 18½ per cent. in the same period. To place two figures in juxtaposition is not to prove that the one is the cause of the other. But it is at least suggestive that, while wage-

rates in Great Britain rose over the same period by less than a third of the American increase, British payrolls (so far as they can be calculated) increased by 20 per cent. instead of the American fall of almost the same proportion—and this in the country which is the more "mature" of the two. These figures present, at the very least, a case for investigation. They suggest the possibility that, as a result of shorter hours and correspondingly increased hourly wage-rates (and it is the hourly rate of wages, not the daily or weekly earnings, that determines labour costs) the cost of capital goods has been pushed up so high that the payrolls of the working class as a whole are not sufficient to support them. It does not pay to provide houses, machines and other capital equipment for the working man because he has made them too expensive for his own means.

In the past six years most of the recipes in the economic cook-book have been tried at least once. We have had the depreciation of the dollar and the deliberate enhancement of the price of silver, the fostering of monopolies through the N.R.A. and their prosecution by the Department of Justice, fiscal economy and deficit financing, pump priming and yardstick building, public works and work relief. The only remedy that has not been tried is a sustained attempt to lower the costs and encourage the expansion of the capital goods industries whose coma is, by common consent, the root cause of the laggardness of recovery. It might be worth trying.

RECESSION AND RECOVERY IN AMERICA



The "Industrial Production" curve represents the Federal Reserve Board's index, corrected for seasonal fluctuations (1923-25 = 100). The "Business Activity" curve represents the *New York Times* weekly index (computed normal = 100).

## Telling the World

THE British Government's entry into the war of words with the decision to organise propaganda in answer to that of the Axis Powers is a step of far-reaching importance. If taken with resolution it will do much to strengthen the forces working against war; the means and method therefore merit the closest attention. Beyond the certainty that propaganda is special pleading the thing itself is not easy to define; extremists define propaganda in the wide Platonic sense necessary to their ends and see in it a training in attitudes, "that particular training in respect of pleasure and pain which leads you always to hate what you ought to hate, and to love what you ought to love"; while for liberal-minded people propaganda is an evil thing, at worst a pack of lies, at best a means of promising in the future what you have not done in the past and would rather not do in the present. Between these two viewpoints there exists a variety of more or less favourable opinion: the commonest, perhaps, that propaganda is a form of denigration practised only by your neighbours, or that, when practised by yourself, only a way of convincing your victim that the occasion of your blandishments hurt you as much as it hurt him, and that, come what may, you acted with the best of intentions. The latter view seems to have a wide currency in the Far East just now.

With the menace of German—and to some extent Italian—propaganda to the goodwill of our foreign friends and to the sanity of thought of the German people itself, it is academic to discuss the rights and wrongs of what the British Government has decided to call "foreign publicity"; and this was well expressed by Sir Kingsley Wood at last Monday's meeting of the Empire Press Union. The Government—and the public—regard it as imperative that misrepresentations shall be explained and lies refuted: specifically, that *Einkreisungspolitik* shall be shown to exist only in the minds of Dr Goebbels and his propaganda ministry. We are determined that our efforts at maintaining peace shall not go astray, if we can help it, for lack of understanding among those who would be our enemies in war; and, although we are late in the field, and have much ground to make up, we know that in affairs such as this it is sometimes well to speak second. Disinterestedness is at a premium these days.

Broadly speaking, there are two kinds of "foreign publicity": special and incidental. Except in times of war we have never had much of the first, never gone much out of our way to explain ourselves; but our incidental propaganda has always been active and widespread. It still is, only nowadays we are living on our capital. We are content to hope that other people will believe us to be what we ourselves would like to think we were, great, noble and peace-loving. There is a tendency for us to expect other nations to live up to our, and not their, idea of the past. We are doing, or were until lately, almost nothing to silence those insidious voices which say that Britain is the same as she always was, rapacious, small-minded, self-seeking, with the modern difference that her teeth are drawn or decaying. We have established a commonwealth which nears the status of a world-order, yet we allow the dictators to put forth unchallenged their myth that the whole world groans beneath the weight of the British Empire, that all stand to gain by its collapse. It is much to ask an impoverished Central European, for instance, to feel for the British Empire that same mixture of chivalrous awe and sound commercial respect which we experience. It is therefore high time that we told him more about ourselves.

In doing this we have one outstanding advantage; namely, that our (contrary to the dictators') version of the facts is probable, has the ring of truth about it. For in pro-

paganda it is safe to make one basic assumption, and that is that you will never convince a man against his own inclination, convince him, that is, so that he stays convinced. As Mr Aldous Huxley might say, you must have the right context; unless apt social and political conditions exist, propaganda as a means of suasion is useless. Building on the common knowledge, therefore, that Britain is a satisfied power wanting nothing but peace in which to magnify the blessings her rule has bestowed over a quarter of the globe (or, as some would say, to digest her ill-gotten plunder), British propaganda has a long start on that of less satisfied (or satiated) rivals. No matter how much the Germans spend in the Balkans they will never convince more than a tiny minority of Yugoslavs, or Bulgars, or Greeks, that Britain is an aggressive Power, just as nowadays they will never convince these hardheaded peoples that Germany herself is not a potential aggressor.

All we have to do, as Northcliffe remarked during the war, is to tell the truth: and we have to make it sound too good not to be true. On the whole, we shall find people disposed to believe us. As far as the evidence goes, and it is understood to be considerable, this is strikingly borne out by the success of the B.B.C. broadcasts in German, where complete objectivity has been the watchword.

The new Foreign Publicity Department, under the direction of Lord Perth, will co-ordinate and extend existing information and propaganda agencies. It will supersede the Vansittart Committee, which had advisory functions in the matter of propaganda, and it will include that section of the Foreign Office News Department which in the past has concerned itself with foreign publicity; further, it will co-ordinate with its own the activities of the British Council. Such matters as supervision of the B.B.C.'s foreign language broadcasts will come within its purview, together with any similar agencies which may exist or be in contemplation. Given intelligent direction, the Foreign Publicity Department should command both energy and opportunity, though at the beginning its main task will be one of co-ordination. At present most Government Departments employ one or more trained publicity experts (it is worth noting that nearly all of them came to Whitehall from Fleet Street) whose task goes little further than the issue of "hand-outs" and the staving-off of over-inquisitive newspapermen. In this respect the Foreign Office leads, with Downing Street and the Treasury close at its heels: each of these has a staff of experts who perform an invaluable daily task, and perform it very well.

In considering what the Foreign Publicity Department ought to do and where it should do it, the point of departure is strictly budgetary. There is no question yet of a full Ministry of Propaganda. The supplementary estimate to be presented to Parliament this month may be expected to show, compared with the sums being spent by other countries, a paltry total. The British Council, for instance, has an income of about £250,000, which is about a quarter of the sums being spent by Italy and France, and four per cent. of what Dr Goebbels is alleged to be spending. The first call must be for the Press, on making and using foreign press contacts, on bringing foreign journalists to London, on helping those who are actually *en poste* here. The British Council, formed in 1934 and enlarged in 1938, is doing excellent work within its limited means; parties of Norwegian, Danish, Turkish, and Roumanian editors have already been entertained here, and parties from Spain and Portugal are due to arrive within the next few weeks. Numbers of articles, photographs, and items of information are being circulated to the Press of foreign countries, mainly in Eastern and South-Eastern

Europe, in the Near East, and in Latin-America, and it is understood that a high percentage of these articles are accepted by the newspapers to which they are sent. Second in importance in the Council's activities is educative and visual propaganda, though here again we are spending hundreds where the Germans are spending thousands. Every year the Council sends out (the figure is rising) 170,000 newspapers and periodicals, and 33,000 books, to clubs, institutes, universities, libraries. In every direction it is significant that the demand far exceeds the supply. The scores of Anglophil societies, spontaneous and unaided from abroad, which cling to their premises in many parts of the world (there were 35 in Czecho-Slovakia and there are 22 in Yugoslavia) are at last receiving aid from England. Opportunities for learning English are being extended (there are 4,500 pupils of the new British Institute at Athens); lecturers, theatre shows, book exhibitions, and the like are some of the means of visual propaganda which are being used. There are at the moment 154 foreign students in the United Kingdom subsidised by the Council; and other schemes are also going ahead. Except in a few cases—such as that in which a distinguished English lady undertook to exhibit knitted textiles to Balkan audiences whose curiosity was less than their sense of sartorial tradition and a good deal more than their purchasing-power—the British Council has shown an admirable capacity for seeing the facts and then grappling with them. It remains for the Government to back up what is already being done by judicious expenditure on the display which impresses the common man with no special interest in Britain. Less modest diplomatic quarters, the setting up of tourist offices (during the summer on the Dalmatian Coast, for instance) which shall do something to rival those of the Axis countries, more generous provision of newspapers and infor-

mative literature, means to combat German and Italian subsidised news agencies; these are some of the ways in which money could usefully be spent.

There is, indeed, a scope limited only by the amount of money the Government means to spend. In deciding what that amount shall be the Government will presumably be guided by the consideration that the Foreign Publicity Department is not a Ministry of Propaganda, though it may be the "near-war" embryo of one; and that its task shall therefore be limited strictly to the passing-on, and not include the "creation," of news. This point is of vital importance. For it is obvious that as soon as war breaks out truth, served to-day in the search for objectivity, will, as usual, be the first casualty. By extension, the Foreign Publicity Department might be suspected of a tendency in that direction, and it will be one of Lord Perth's greatest responsibilities to see that this is not so. It is good that Mr Chamberlain has made it clear, once and for all, that there is to be no tampering with Press freedom. For although propaganda (or publicity) is not necessarily a distortion of the truth, you cannot tell the whole truth by it, even if you wish to, for propaganda is essentially a comparative affair, a watering down and a toning-up, an appeal for sympathy, or indignation, or connivance. From the point of view of the body politic as much as from that of the working journalist, propaganda organisations apart from their purely informative functions are a thorough-going nuisance and a standing discouragement to conscientious work. With the reservation that its functions will remain in strict accordance with those laid down by Mr Chamberlain, the new Department may be heartily welcomed. It can do no harm, after all, unless our foreign policy falls again on evil days: and it may do a very great deal of good.

## Social Services and the Family

BURKE'S famous lament that the future of English policy was about to be given over to "sophisters and calculators" was prophetic if unflattering. Now, a century and a half later, the calculators are in charge. Pre-eminently, this is an age of statistics. As the ambit of governmental control and supervision has expanded, the figures put out in Blue Books and White Papers have grown mightily in volume; and in Parliament itself the Latin tag and the Greek epigram have given place to the index number and the annual average. To an increasing degree the tests of political action have come to be, not the criteria set by social theories or philosophical arguments, but the yardsticks of facts and figures.

Nor has this trend been anything but clear gain. There can be no sounder basis for policy-making than fact-finding; and it would be very wide of the mark now to share Burke's alarm lest the process of government by statistics should prove inhuman or soulless. As the inimitable PEP reminded us early in June\* the foundation of the present English statistical tradition was laid by investigators seeking to find out the causes of poverty; and it would not be incorrect to claim that the entire structure of our public social services depends upon the continued flow of figures about the condition of the people, in the files and reports of Government departments and in the social and economic surveys made and published under the auspices of universities and other voluntary bodies. Indeed, it is the interpretation of data already disclosed, in order to answer various vital social questions still unsettled, that is immediately needed; and this is precisely the sort of task that Dr P. Ford, Secretary of the Economics Section of the

British Association, has set himself in a brief book just published.† He asks the question: what have been the repercussions of social services—that is of the State's assuming a high degree of responsibility for the maintenance of the poor and unfortunate as well as the aged and impotent—upon the family and the responsibilities of its members? The reply is not found in theories but in statistics: in the files of the Unemployment Assistance Board, in the Five Towns surveys made by Professor Bowley in 1913-14 and 1923-24, in the survey of Southampton made by Dr Ford himself eight years ago and in the New Survey of London Life and Labour carried out just before the depression.

The question posed is important in two ways. It is the kind of question which is important in a general sense because so far we know much less about the poor than we do about their poverty. We know, for instance, that, when an investigation was made in 1928, close upon a tenth of London's working-class families appeared to be living below a poverty-line set by a computed standard of their minimum needs; but we do not know, except for scattered inferences, what the consequence of this fact, and of the further fact that the State stepped in to help, was upon the families.

The query has a specific importance, too. Broadly, it has been the purpose, and to a large degree the successful achievement, of certain sorts of social services as well as of trade unions to protect working people against economic insecurity due to low earnings and unemployment. Indeed, they have set up a standard for workers' incomes quite different from the basis of wage-payments; their object is that these incomes should be sufficient to meet the needs of

\* "Planning," June 13, 1939. A Survey of Social and Economic Surveys.

† "Incomes, Means Tests, and Personal Responsibility." By P. Ford. P. S. King. 86 pages. 5s.



the recipients and their families. Yet, the operation of the capitalist industrial system still rests upon the premise that free movement of workpeople from place to place according to the current requirements of the economy is secured by changes in earnings; and it is important to inquire to what extent social services do tend to impair this flexibility by lessening the need for personal initiative and family responsibility—if only because this is the charge most commonly levelled against extensions of State aid.

It is with these points in mind that Dr Ford has gone to the figures of household income contained in samples of the civic surveys and of the U.A.B. case records of recent years. He contrasts the experience of the "normal" families of the civic surveys with the U.A.B. families; and, by examining the make-up of households, their incomes and needs, he tries to find out to what extent there is pooling of resources in families to support their members and to what degree social services (apart from insurance benefits and general services such as free education) have weakened mutual responsibility.

The findings are significant; and lend little backing to the view that the tendency of State aid to selected sections of the population is to debilitate family obligations. Had that been the result of social services, one could have expected to find that the number of families in which a contribution to the family income is made by the junior members was falling as social service expenditure rose. The father (or other head of the family) would be looking to the State for the help it was formerly the duty of the sons and daughters living at home to provide. But no such tendency is visible. Between a third and a half of the heads of normal families received some income from other earners' wages at all the different dates of the surveys' inquiries. And this proportion has actually increased appreciably over the period since 1914 although the families receiving some social service income rose from a tenth of the total in Northampton in 1914 to a seventh in 1924 and in London to a fifth in 1928. Between one-third and a half of the U.A.B. families examined (at scattered recent dates) were entirely dependent upon social service income, but even in depressed Consett nearly two-fifths of the unemployed heads of families had some income from supplementary earners; and in Reading, Warrington and Walsall about half of the heads (of U.A.B. families) were so helped. In London in 1928 a twelfth of the heads of normal working-class families were without wages and themselves dependants. Nor were the contributions from supplementary earners unimportant in amount: in 1914, for example, the income so received in the average working-class family in Northampton was not far short of half the head's own income and in Stanley it amounted to a quarter; in 1924 the proportion in Northampton was roughly the same as ten years before, and in Stanley it had risen to a third—even though the proportion of social service income had risen on the average from less than one per cent. of the household income to something like five per cent. Clearly the State has helped the family as a whole, without loosening its ties of mutual obligation.

There is a host of these illustrations, all relating either

to normal working-class families, increasingly aided by social services—at least by those varieties that are paid not in cash but in kind, such as school milk, meals and medical treatment, maternity and child welfare schemes, general health services and so on—or to families in receipt of actual unemployment assistance in cash. The social service income of the normal working-class family in London in 1928 was 4s. a week. But there are no facts to suggest that with the intervention of the State the obligation of members of the same household to help each other has waned. Indeed, the reverse is rather true: "pooled economic security" (as Dr Ford calls it) has grown in working-class households *pari passu* with State aid; and in the unemployed families examined between two-fifths and two-thirds of the heads of households were aided by members of their families, and over a tenth by persons in the house outside the actual family.

The picture painted by these scattered samples is one of abiding family ties, of tenacious self-help and mutual assistance. The truth is that the effect of social service assistance has been to strengthen this strong tradition—even to strain it to the uttermost—rather than noticeably to weaken it. Ever since Tudor times, two devices have been used to make collective aid consonant with individual responsibility. On the one hand, the aid given must not raise the recipient's income to the level of his earnings in normal work; on the other, help is only given on condition that the applicant has first used what savings or property he has for his current maintenance, and also that the members of his family or his household have contributed to the best of their ability to the support of him or his dependants. These twin principles of "less eligibility" and the "means test" have effectively prevented, and still prevent, social service contributions from sapping the enterprise and initiative that are reckoned morally and economically indispensable; and the much-criticised means tests for unemployment and public assistance—in themselves not in any way novel because they derive from sixteenth century poor law practice and are accompanied by similar tests for all sorts of medical services—carry this safeguard to the limit because they impose the obligation to contribute upon almost all members of the household, and not simply, as in earlier statements of legal liability, upon grandparents, parents and children. This is far-reaching when it is realised that in, say, Southampton in 1931, something like a quarter of normal working class households included more than natural families; and that in 1924 in Warrington, "with its array of nephews, nieces and relatives-in-law," over a third of the households were more than families. One striking fact which demonstrates the autonomous strength of family and household obligations is that attempts to evade the responsibilities imposed by the new means tests by moving to another household have been nearly negligible: samples show that in 10,000 applications for assistance at Swansea there were five such cases, 500 in 40,000 in Durham and 25 out of 50,000 in Birmingham. Nor is it without significance in this connection that 82 per cent. of the persons whose claims for unemployment assistance (transitional benefit) were disallowed in 1931 on technical grounds were supported by other than public means.

The truth is that social services like unemployment and public assistance, with their means tests and wage-stops, operate harshly rather than leniently upon the family. So long as a large fraction of normal wages and earnings remain below the level of minimum family needs this will continue to be the case; and, if individual initiative and enterprise are to be further stimulated in the future, it will not be by curtailing State aid, but by extending the range of insurance against economic security and devising means to meet essential family requirements directly. Capitalism is not yet in any real danger of losing its efficiency because of its humanitarianism.

## NOTES OF THE WEEK

**New Instructions to Moscow.**—Sir William Seeds and Mr Strang received, on Wednesday, fresh instructions on the way in which they were to approach M. Molotov after his refusal last week of the Anglo-French proposals then offered to him. These instructions were at the same time communicated to the French Government, and the French Ambassador in Moscow, M. Naggiar, is expected to receive from Paris his own instructions (that is, assent to the British proposals or a modification of them) early enough to enable another meeting with M. Molotov before the end of this week. The new instructions are understood to give the Russians the full "substance" of those guarantees against "indirect aggression" in the Baltic which they are known to require. It is the Russian thesis that British drafts of an agreement have never yet made it crystal clear that Russia is to be completely her own judge of when her security is threatened, directly or indirectly, in the Baltic as Britain and France are of their own interests in the West. The last British proposal, it is reported, left room for some doubt whether, in such an event, the Russians were offered immediate and automatic assistance or merely consultation. It is with this point that the new instructions are concerned: if it is now made clear that the commitment is automatic and specific, the chief obstacle to agreement (assuming the Soviet desire for one) will have been removed. The negotiations have now dragged along for over three months, they are a perfect example of the way in which the mere passage of time can take the bloom off an excellent idea, and unless speedy agreement is reached we may be approaching the point when the Soviet Government will cease to see decisive advantage in a pact. The Soviet object from the first, at least on their own showing, has been to enter their influence on European politics so as to avert war: we are now in the position that an alliance with Russia may no longer serve to secure the peace, as it would have done so easily in past years. The Nazis may be now beyond rational calculations, and the conclusion of an agreement between London and Moscow the mere hastening of the fateful blow. This, of course, is not to say that a pact should not be concluded, for if Hitler has decided for war, Britain, France and Russia will still need each other's aid. But it does mean that every delay in obtaining agreement, from now onwards, is more than ever to be regretted.

**The Preparations in Danzig.**—The news of German activity in Danzig is more and more disquieting. It was clear from the beginning that, if they meant to bring the Free City back into the Reich at whatever cost, the Nazis had two alternatives: to attempt the outright annexation of Danzig and its adjoining territory, or, less certain as a cause of war, to use the Danzig Senate and the local Nazis as means of provoking the Polish authorities into retaliatory police or military measures, and then to rely for eventual success upon Europe's reluctance to go to war. We now know, as we have long suspected, that the second course has been chosen: the Free City is loud with the noise of imported S.A. and S.S. men and their firing-practice, the barracks are full of those who are to form a *Freikorps* on the Sudeten model; and all this is against a background of rumour and anxiety. Economically the Danzig Nazis are doing what little they can (for without Poland they would soon be as destitute as the unfortunate Memellanders) to provoke Polish irritation; bank credits, for instance, are now subject to special regulations. The Poles, meanwhile, are keeping very calm: their only retort so far has been to hold a "Marine Week" at Gdynia with the slogan that "we shall never allow ourselves to be driven from the Baltic." From the military point of view they are in

a strong position to command the Danzig territory if disorders break out. They have a substantial body of troops at the border town of Tszew, the last bridgehead on the Vistula before the river reaches the sea (hence the rumours that the Germans are preparing pontoon bridges further downstream), and with their heavy guns on the Westerplatte peninsula and at Gdynia they can clear the port whenever they have a mind to. Against these dispositions the activities of a *Freikorps* would have a merely propagandist value.

**Warning Voices.**—Along with this tension in Danzig, and largely contingent upon it, must be set other and equally alarming news: that Herr Hitler has ordered the harvest in east and south-eastern Germany to be reaped earlier than usual; that in M. Daladier's opinion, expressed before the Chamber of Deputies on Tuesday, "we stand at the beginning of a troubled and tormented summer" and "the situation of Europe and of the world has never been so grave for the past twenty years"; that in the no less authoritative opinion of Mr. Churchill, during the next three months "tension in Europe would be most severe"; that summer mobilisations are already in preparation. If, despite the Peace Front and its determination to resist aggression, the Germans mean to go on with their plans for Danzig, then there can scarcely be any alternative to war. The German calculation may well be that the Poles will not immediately resist a *coup* in Danzig, that the Peace Front could not become effective as a military machine until German troops were across the Corridor and into Upper Silesia, and that the Western Powers would then prefer to negotiate rather than to continue battering away at Germany's western defences. It is needless to add that such a course of events would be no more disastrous to ourselves than that which might be anticipated thereafter for the breaking up of the British Empire. If we mean to defend the world order as it now stands, fighting for Danzig will be the symbol of our determination, and the starting point.

**The Motor Tax Retained.**—There is a limit to Sir John Simon's readiness to make concessions. Last week the Chancellor of the Exchequer withdrew his new duty on films, and gave way to strong pressure for the

### THE WORLD OVERSEAS

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retention of the present duty on patent medicines. It is not undesirable that a Chancellor should be thus willing to meet well-founded grievances; and there was hope in the motor industry that Sir John's complaisance would be extended this week to their objections to his proposal to raise the horse-power tax from 15s to 25s. In the event, however, he was adamant; he refused either to remit the increase or to amend its incidence; and his frank plea was that he needed the money. The proceeds of the increase in a full year will be £11,500,000, and it would take an increase of 3d. in the income-tax to cover its withdrawal. The trouble is that the horse-power tax is itself a bad tax, discriminating as it does against the types of large or medium-sized car suitable for export. Sir John admitted this, but his invitation to the industry to present proposals for a new formula for its assessment ignored the fact that it is the duty of the Chancellor himself to better the imposts he charges, as well as the further fact that all the capital equipment and tools of the industry are now designed exclusively to manufacture engines according to the present formula. The tax has been mishandled, too. Originally, its purpose was to furnish a fund for the improvement of roads, but ever since Mr Churchill's depredations of the fund in the 'twenties for other uses the implied bargain has been officially forgotten. All this is not to say that Sir John was wrong on Tuesday. The effects of the tax upon the motor industry will not be nearly so fatal as has been widely claimed. There will be an eventual shift among home purchasers to cars of smaller horse-power, and production for export will, in time, be somewhat checked. But it is very unlikely that the total activity of the industry will be appreciably checked. Indeed, it is far from assured that what might have been a secondary objective of the increase in duty in these days of national preparedness, namely, to damp down the manufacture of civil vehicles in order to assist production for military purposes, will be served in any noticeable degree at all. In any case, it is the production of new cars not the use of old ones that is germane to the need to absorb some part of the industry's plant and labour for arms work; and the point was well made by Sir John's Parliamentary critics that, for this reason, he might have exempted old cars from the increase. His answer was probably conclusive; to exempt cars more than two years old would cost the Exchequer £8 millions in a full financial year.

A.P.D.—The precise details of the Armament Profits Duty, the establishment of which was moved in the Commons on Monday by the Chancellor of the Exchequer, are still not clear. Its likely yield is unknown, which does not matter much since it is a political tax not primarily designed to raise revenue. More serious, its scope is still uncertain. It will embrace profits made on supplies for the armed forces, including clothing and equipment, and probably those earned on civil defence materials bought centrally as well. In principle a discriminatory tax, since it singles out arms profits from all other profits for special penalty, it is likely to discriminate still further in its detailed incidence: while military clothing and equipment are included, A.R.P. uniforms may very well be left out, and it is almost sure that food and fuel supplied to the forces will be exempt. Monday's significantly slender attendance in the Commons could summon up little enthusiasm for the tax in any respect. Sir John Simon said that this was only part of the plan to limit arms profits: costing control was already in operation in Air Ministry contracts; and the Minister of Supply would have wide power to fix prices. The House was not impressed, and there was a widespread feeling that the end might have been better served by a much more effective control of contracts than at present prevails, on the one hand, with a general tax on all excess profits, whether derived from arms contracts or not, on the other.

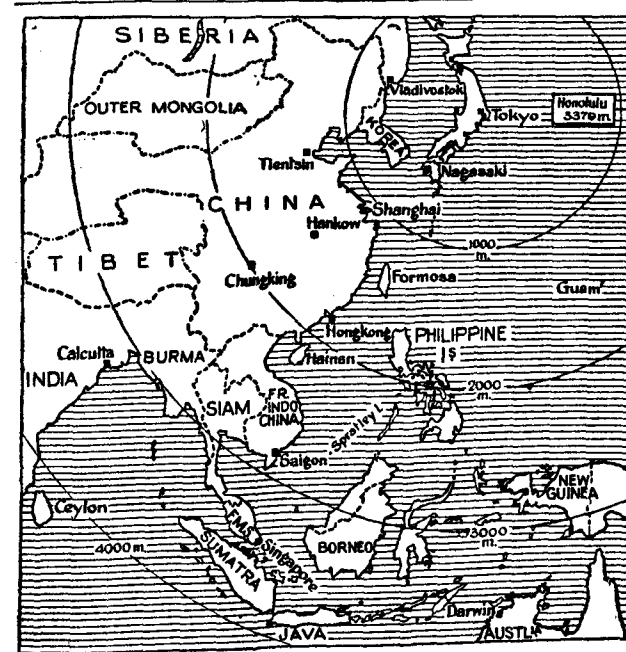
**Rubber into Cotton.**—In the course of the negotiation of the agreement between the United Kingdom and the United States Governments for the exchange of cotton and rubber, several of the objections of the commercial community to the original proposals have been met or countered. Tin and wheat have been excluded from the transaction, and stress has been placed on the fact that exchanged materials will be used exclusively for the building up of war reserves. The agreement itself includes a number of precautions for minimising the market disturbance which the transaction may cause. Thus delivery may be postponed if it is likely to restrict supplies to commercial markets; stocks acquired by the respective Governments may not be liquidated within seven years of the coming into force of the agreement, except in the case of a major war emergency; the amount of rubber which, for the purposes of the agreement, is permitted to be exported under the International Rubber Regulation Scheme, is to be additional to the amount released for normal needs; and in the event of an export subsidy on cotton being subsequently granted by the United States Government additional cotton proportional to the reduction of price below the agreed level will be delivered. In fact, the parties have done what can be done to minimise the dislocation which may be expected to ensue from the direct exchange by two Governments of 600,000 bales of cotton against 80,000 tons of rubber. The difficulties which remain are inherent in any such transaction and cannot be removed by anticipation, careful drafting or any other expedient short of the abandonment of the whole agreement. The highly specialised mechanism of the cotton and rubber markets will not be utilised and the dangers of waste and confusion through imperfect knowledge of the many technical factors involved are thereby increased, despite the promise of the Liverpool Cotton Association to support the plan and the probability that experts from Liverpool and Manchester will go to the United States to classify the material; countries outside the agreement who have disposable stocks of cotton and rubber will be adversely affected; and the predictability of prices will be reduced to the disadvantage of both producers and consumers. Against these disadvantages are to be set the considerable advantages of having emergency stocks of essential materials and the political gains which are presumably to accrue from the transaction.

**British-Japanese Talks at Tokyo.**—The outstanding event of this week in Far Eastern politics is the Japanese acceptance of a British proposal to discuss in the calmer atmosphere of Tokyo a settlement of the Tientsin blockade and the questions which the blockade has raised. This agreement to negotiate was announced after several anxious days in which it seemed that the Japanese, in following their landing at Swatow with further landings at the treaty ports of Wenchow and Foochow, meant to continue with their policy of ousting the British from those parts of China no longer under control of the Chinese. The gross indignities which British subjects have suffered at Tientsin, and the request (which was ignored) that British vessels should leave the threatened treaty ports, all pointed to the Japanese Army having received *carte blanche* from Tokyo. In these circumstances the Japanese Government's decision may seem to be surprising: but it is much less so than a facile reading of it would suggest. Aware of the immense effect of the Tientsin blockade on European and American opinion, the Tokyo authorities were probably of the mind that the affair had gone as far as was politic for the time being—and at the same time they were anxious to derive what bargaining advantage from it that they could. Their adventures in China are not so fortunately attended that they can afford to worsen their position for the pure *Schadenfreude* of damaging the British. They need support for their Federated Reserve Bank and its *parvenu*, the yuan; they need to weaken Chinese morale and strengthen that of their own people by representing that the British have agreed to recognise Japanese superiority in the Far

East. Accordingly they can reasonably conclude that it is worth their while to see how far they can push the British Government in that direction: a resumption of hostilities can always follow a failure to make progress. On the British side the urgent desire to put a stop to the sort of thing that has been happening in Tientsin, and the tense situation in Europe, were sufficient reasons for pressing negotiations on the Japanese. There is indeed a great advantage in moving the focal point from Tientsin to Tokyo and discussions unhurried by insults should much to help matters.

It is emphasised in Whitehall that the proposal of negotiations is in no sense a capitulation. That is doubtless true (although it would have been more manifestly true if the illegal blockade had been called off before the negotiations began) and the Government are presumably hopeful of avoiding appeasement on a continental scale affecting our whole position in the Far East. The Government cannot but realise that there can be no question of conniving at the "new order" in China, nor of withdrawing such support from the Chinese as has been expressed in help for the Chinese dollar and in the facilities provided by the Burma road into Yunnan. In this connection the speech made by Lord Elibank in the House of Lords on Wednesday should serve as a context for our policy, pointing out as it did the disastrous effects on our standing and our trade in the Far East which wholesale appeasement would have. It is certain, however, that the Tokyo authorities will do their utmost to bring up questions of a general nature, and to present the alternative of a long succession of incidents on Tientsin lines: already army representatives are reported to be demanding a minimum programme which includes "co-operation in the economic development of North China." The final agreement, if it comes, will inevitably represent a nice piece of diplomatic manoeuvring, with the British taking good care to counter Japanese insistence with the broad hint that general questions affecting British status must also affect the status of other Powers interested in the Far East. Putting up the umbrella in Japan would mean hauling down the flag in China, and there is no case for either.

**The Anglo-French Conference at Singapore.**—The Singapore conference of the British and French commanders in the Far East, on which we published an



anticipatory note last week, has now duly taken place. Inevitably the conclusions and decisions arrived at have been kept secret, but it is evident that the conference has

been a success, and two of the results of it have been unofficially reported in terms which there seems no reason to doubt. It is said that, in the event of war, the French and British naval forces in the Far East are to be united under a single British command, and that Singapore is to be the common Anglo-French base. These prudent Anglo-French arrangements in advance are not only valuable in themselves: they also provide a framework into which the defence of other threatened territories can be fitted. If war comes, both the Dutch empire in the East Indies and the American dependency in the Philippines will be exposed to the danger of Japanese attack, and for all these outposts of the Western World in the South-Western Pacific Singapore is the natural citadel. Considering the preponderance of the Japanese Navy in the Western Pacific—a preponderance partly due to the proximity of Japan's home bases and partly to the virtual certainty that there will be no war between Japan and the Western Powers in the Far East without a simultaneous outbreak of war in Europe—the best laid schemes of naval defence in the Far East can hardly save the Western Powers from sustaining serious losses in this quarter in the first phase of the hostilities. What is important is to secure that, in the final phase, Japan, even if she has begun by emulating Germany's successes during the first four years of the last general war, shall end by suffering the decisive defeat and overthrow with which Germany met between August and November, 1918. In working towards this strategic result the joint Anglo-French naval base at Singapore will no doubt play a rôle of capital importance.

**Irish Outrages.**—A series of bomb explosions in the West End last Saturday night did much damage to property and injured nineteen people. This was the latest phase of the bid of the Irish Republican Army to rid Ireland of the English, though on this occasion the outrages were associated with the banning of the I.R.A. in Eire itself. There were clashes between the police and I.R.A. sympathisers in Dublin on Sunday when processions were held to commemorate the Irish hero, Wolfe Tone, and it is a little hard for English observers to understand why English lives should be put in danger as the outcome of the I.R.A. minority's resentment against their own Irish Government. Actually, of course, this point was only incidental. The I.R.A.'s campaign is avowedly directed against the retention of the remnants of the British Ascendancy in Ireland, and their simple aim of a free and united native land is not without many friends in this country. Their methods, on the other hand, condemned by Cardinal Hinsley on Sunday as cowardly and criminal, are universally abhorred, even though precautions are seemingly taken by the fanatical saboteurs to minimise the danger to life and limb. Savage



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penalties of imprisonment have, not unexpectedly, done nothing to deter these misguided devotees; but it would be well for them to realise two things. In the first place, dastardly bomb-throwings have no chance at all of winning from the British Government the concessions they are seeking; and, in the second, although the toleration of the English people is unlimited, as was shown when a Wolfe Tone procession marched unmolested to Hyde Park with banners about the release of I.R.A. prisoners only a few hours after Saturday's bombs had scattered Piccadilly and Oxford Circuses and Park Lane with glass and debris—their patience is not. The cries of "lynch him" which led to the manhandling of a guiltless onlooker on Saturday night came from only a small minority of the crowd, but they were a portent. The I.R.A. should reflect that, though their members may be immune by their faith against persecution, their compatriots in London are not so protected against the doubt, suspicion and difficulties that will be their lot if these outrages go on. Their cause is ostensibly the salvation of their people; sought in this way, it may prove to be the occasion for their further fettering.

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**Civil Defence.**—Air raid precautions have not been left out of the general speed-up in defence preparations that has been noticeable in the last few weeks. But, if it is true that a grave emergency is not impossible in the very near future, a lot of ground has still to be gained with extreme speed. So much has been done in Sir John Anderson's brief but fruitful reign that what remains to do stands out in stark relief. The shortage of fighter airplanes and anti-aircraft guns has been made up by Sir John's colleagues. Over a million and a half recruits have been found for national service and most of them for A.R.P. Every part of the country has now something like a complete defence scheme. Within their limits, the Government's evacuation plans have been worked out to the finest detail; and in the great cities outstanding individuals like Mr Herbert Morrison, in London, have done striking work in organisation. But the edifice of civil defence is none the less still gravely incomplete. A large proportion of the shelters contemplated are still on paper or in production; there is no strongly protected shelter in target areas; the recent exercises in Chelsea underlined the complete barrenness of the land in the matter of street protection; and the vexed and vital question of voluntary evacuations remains unsettled. Most important of all, the majority of the population still do not know at all what to do in an air raid. It is this last lack that is most readily remediable; and the plans announced by Sir John Anderson for the distribution of 50 million leaflets, a series of wireless talks and the carrying out of large-scale black-outs and A.R.P. exercises all over the country only intensify the mystery why nothing even approaching adequate publicity has been given to civil defence duties during the years that A.R.P. has been the Government's responsibility. The people must be told exactly what to do; and they must be told at once.

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**The T.U.C. on Workmen's Compensation.**—The test of the effectiveness of any statutory scheme for compensation to workmen and their dependants for injuries sustained in connection with employment, is simply whether it in fact secures adequate compensation in all genuine cases. By this test the present legal provision in this country, which is principally contained in the consolidating Act of 1925, is inadequate. It is common knowledge that numerous cases of hardship occur, through the inadequacy of allowances and the complete evasion of obligation by means of legal technicalities; and the fact that the terms of reference of the Royal Commission now sitting include an instruction to "make such recommendations, whether by way of amendment of the Workmen's Compensation Acts or otherwise, as may appear desirable," is *prima facie* evidence that all is not well. A comprehensive memorandum submitted by the Trades Union

Congress to the Royal Commission last week points out in detail what is wrong. It enumerates such matters as the opportunities which the 1925 Act provides for the defeat of the intention of Parliament to confer a right to compensation, the present unduly narrow definition of "dependants," the pitfalls in the method of computing the amount of compensation, and the pernicious practice of granting lump-sum payments which are nearly always inadequate. The T.U.C. is well qualified to assess the working of the present legal machinery from the standpoint of the workman who is injured, and its judgment is emphatic. It concludes that "the whole system of compensation for industrial injuries is based upon principles which require fundamental revision," and that the necessary changes can only be brought about by the repeal of the Act of 1925. In its place it would substitute legislation based on quite different principles. A State Board to take over the functions at present discharged by private Insurance Companies and a liability on employers to contribute to a State Insurance Fund controlled by the Board are central features of the new proposals. The T.U.C. has in fact been preparing and promoting a measure embodying these points ever since 1925 and its proposals are worthy of detailed examination. The central principle which emerges from the present memorandum is that the injured workman should be enabled to present his case to an independent body in the first instance and not, as at present, forced to appeal to his employer, who is naturally concerned, directly or indirectly, to reduce the compensation to a minimum. Whether it would be necessary, in order to achieve this object, to throw over the whole existing system of insurance against employer's liability, is, however, a matter on which the Royal Commission will require further evidence.

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**The Franco-Turkish Pact.**—Last week we were able to report that the French and Turkish Governments had reached an agreement for the early cession to Turkey of a district, attached to Syria since the peace settlement after the war of 1914-18, which is known in modern Turkish parlance as Hatay and in the old-fashioned Ottoman Turkish terminology as "The Sanjak of Antioch and Alexandretta." This preliminary agreement has been duly followed, on June 23rd, by the signature, in Paris, of a Franco-Turkish pact for mutual assistance against aggression which closely conforms to the Anglo-Turkish precedent. In particular, the Franco-Turkish, like the Anglo-Turkish, instrument includes among its declared aims "the establishment of security in the Balkans," besides being applicable to any "act of aggression which might lead to war in the Mediterranean region." After the signatures had been affixed, the French Minister for Foreign Affairs made a verbal declaration that France had no intention of renouncing, in favour of a third party, the mission that she is carrying out in Syria and the Lebanon—thereby assuring the Turks that they shall not wake up one morning to find that their neighbour beyond the southern frontier of Hatay is neither France, in her capacity as a mandatory Power, nor yet an independent state of Syria, but, instead, one of the members of the Rome-Berlin Axis. The timeliness of this diplomatic transaction in Paris on June 23rd was demonstrated by the publication, on the same day, in an Italian newspaper, of an article on Italy's *Lebensraum*, by an Italian publicist, which had already appeared in a German periodical. Signor Ansaldo has here delimited Italy's "living room" as including the whole basin of the Mediterranean, as well as the Balkan Peninsula up to the right bank of the Danube. It will be seen that this precisely coincides with the area to which the Franco-Turkish and Anglo-Turkish mutual defence pacts apply. When any two countries find themselves alike included (without their leave having been asked) in the "living space" claimed for itself by some third party, this is naturally a strong inducement for the two threatened parties to join forces for their mutual security. The *rapprochement* between Turkey and Egypt which is now making rapid headway is another gift from the same Italian fairy godmother. The Rome-Berlin-Tokyo triangle may yet unite the world in a way that is the exact inverse of its intentions.

**A New Balkan Alignment.**—An illuminating footnote to the comments which have appeared on M. Gafencu's visits to Ankara and Athens is provided by the denials from Bucharest that the Roumanian Foreign Minister went with the intention of signing, or preparing, a military arrangement between Roumania, Turkey, and Greece, which would go beyond the scope of the obligations laid upon them by the Balkan Entente. That M. Gafencu did in fact have something of the sort in his mind seems very probable, and it is unlikely that the Roumanian Government would expect one to conclude that the visit did not mean an "amplification" of previous engagements. On the very face of things it is clear that the Balkan Entente has suffered a sea-change; on the one hand, Yugoslavia is almost encircled by the Axis Powers, and on the other hand Roumania and Greece are guaranteed by the Western Powers and Turkey is actually in alliance with them. "The Balkans for the Balkan peoples," the avowed object of the Entente when it was formed in 1934, can now be made possible only by a resolute forming-up of forces. Balkan references in the Franco-Turkish Pact are significant here. It is natural that they should coalesce round the alignment of Roumania with Turkey and Greece, which, if not an axis, is at least half a circumference. Up to that point M. Gafencu may be expected to have had close and detailed discussions with his Turkish and Greek colleagues: the Balkan problems which will face them in the future will be to appease Bulgaria and, more important still, to convince the Yugoslavs (and particularly the Serbs) that Balkan unity is still a possible objective. It is unlikely that M. Gafencu reached any firm conclusions. For, apart from the provocative interpretation such action might be given in Berlin, there is one excellent reason for not formally extending the obligations of the Balkan Entente to guarantee "external" as well as "internal" frontiers, and that is that Yugoslavia's co-operation cannot now be asked (and could scarcely be given), while at the same time it is important not to increase Yugoslavia's feeling of isolation and thereby drive her further into the Axis camp. But if by his visits to Ankara and Athens M. Gafencu has let it be known in Berlin and Rome that

Axis pressure will only stiffen the formation of a Roumanian-Turko-Greek alignment, he will have done much to help his own policy of neutrality. It may be true, as M. Calinescu said on Wednesday, that Roumania's foreign policy was concerned only "with the defence of our country's frontiers"; it is no less true that unilateral action in the Balkans has a long trail of sad mistakes behind it. When Reichsminister Frank can say in Sofia, as he did last Sunday, that the Germans "know well that the sufferings of the Bulgarian people are also their own," it is clear that Balkan neutrality is possible only by way of Balkan unity.

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**The I.C.C. at Copenhagen.**—The Tenth Congress of the International Chamber of Commerce, on the general subject of "The Necessity for an Economic Order," opened at Copenhagen on Monday of this week. Delegates to the number of 1,347, representing 41 countries, attended. The general tone has been one of optimism qualified by an earnestness which is no doubt ascribable to the clouded political horizon. Representation was sufficiently broad to permit of speeches both for and against economic nationalism, and the measure of irreconcilable disagreement was surprisingly small. Count Conti (Italy) actually turned aside to point out how a policy of autarky could be consistent with the maintenance of foreign trade at an already existing level, although its composition might be drastically altered. But the conclusions summarised by Mr R. P. Jeillett (Canada) and commanding widespread assent were hardly of a type which would commend itself to the main advocates of economic nationalism to-day. They were (1) recognition by creditor nations of the necessity for accepting goods and services from their debtors, (2) consideration of the establishment of trade agreements on broad international lines rather than through bilateral arrangements, (3) recognition of the fact that indiscriminate foreign lending no longer offers a solution to exchange problems and that loans should be solely for internationally productive purposes, and (4) the necessity for concentrated effort to raise world-wide standards of living.

## THE WORLD OVERSEAS

### Indian Railway Finance

FROM many points of view the current year may well prove a crucial period for the Indian railways. They are mostly State-owned, the State investment in them amounting to Rs. 7,600 millions, so that the state of their finances reacts directly and importantly upon the Central Government's budgetary position. The autonomous provinces, too, have under the new Constitution been given a definite interest in railway recovery, since (by Sir Otto Niemeyer's award) any increase in the allocation of income-tax receipts to the provinces is contingent upon the railways resuming their normal rate of contributions to the Central revenues.

The hopes that were held of a rapid recovery in railway receipts during the three years 1937-40 have unfortunately been falsified. Last year's results and the estimates for the current year show a worsening rather than an improvement compared with the position in the period 1937-38. The precise nature of the present difficulties is mainly the consequence of the financial policies pursued by the Indian railways after the advent of the depression in 1930. From that year onwards net receipts fell away sharply, and the railways adopted the practice of postponing their current liabilities and drawing on their reserves. Between 1931 and 1937 it was possible to meet interest charges only at the cost of wiping out the reserve fund, suspending contributions to the State and borrowing from the depreciation fund; and, according to the Convention of 1924, the drawings on the depreciation

fund and the suspended contributions to the State have to be redeemed out of future surpluses.

At the end of March, 1937, when railway revenues had improved sufficiently to remove the need for any further loans from the depreciation fund, unpaid contributions due to the State totalled Rs. 30.29 crores (one crore=10 million); and the small surpluses which began to appear from 1937-38 onwards were appropriated by the State under a three-year moratorium. But this has only enabled the payment of rather less than half the annual contribution; and the Rs. 30.74 crores owed to the depreciation fund has not been diminished. The moratorium expires on March 31, 1940, and the railways are definitely worse off now than they were even in 1937 itself. The accumulated obligations of the ten years from the commencement of the depression will, on April 1, 1940, reach the colossal figure of Rs. 67 crores, or 8.8 per cent. of the capital at charge of the State-owned railways.

The proximate cause of the railways' troubles is, of course, the continued low level of net receipts. During the last three years there has been a remarkable increase in goods traffic, which has brought in even larger gross receipts than before the depression. But passenger traffic has failed to respond to the stimulus of business recovery. Nor has there been any real opportunity to increase net receipts by further cutting down expenditure. During the first two or three years of the depression only were economy measures adopted in earnest.



Expenditure was curtailed, partly by means of genuine economies and, to a larger extent, by postponing essential maintenance, renewals and replacements. Essential expenditure clearly cannot be deferred indefinitely, and the need to overtake arrears of maintenance had already asserted itself by 1935. With the suspension of contributions to the State, the railways felt that they need only find the sums needed to meet interest on capital, which involved merely a book entry with the depreciation fund loan account, and this weakened considerably the incentive to real economy.

The standards of expenditure pushed up by the unbridled optimism of the pre-depression years have, therefore, been left much where they were; and Sir Otto Niemeyer in his detailed review of India's finances laid stress upon the imperative need for a "thoroughgoing overhaul of railway expenditure." Even during the present moratorium period there has been little evidence of any serious effort to meet the situation which will arise when the standstill ends. The trend of expenditure is upward, and on certain of the railways, despite the economies of ten years and attenuated traffic, operating expenses over the period 1938-40 will exceed the peak levels of prosperous years. Detailed estimates for the current year disclosed a deficiency on six out of the nine principal railway systems, even if only the liability to pay interest charges is reckoned in, that is, not counting the contributions due to the State.

Nor is this all. There is also the heritage of idle assets, the increased interest charges left by the extravagant capital expenditures of the pre-depression period and the effects of over-capitalisation since 1924. Indian railway finance, indeed, presents a dismal outlook. With the depreciation fund actually depleted to one-half of its nominal balances and the reserve fund exhausted completely, the railways are quite helpless to meet their financial obligations at the end of the current year.

### Ways Out of the Impasse

There are only two methods of dealing with the situation. One is to face the facts and their implications frankly; the other is to evade them again by continuing the present policy. The unpalatable truth, however, is that this policy has already piled up a liability of Rs. 67 crores. An attempt to cut the Gordian knot early in 1937 by a cancellation of the entire indebtedness had to be shelved as the Railway Member's enthusiasm for the measure was shared by no one outside his department. The Wedgwood Committee also declined to give it their blessings and a temporary escape had to be found in the moratorium plan.

The possibilities of the moratorium procedure have now been almost completely exploited, and further relief, short of radical reforms, can only be obtained by meddling with the depreciation accounting. Under the present system, which has stood the rigorous scrutiny of all Indian and British experts, the annual depreciation charges amount to about Rs. 12½ crores. The idea of dealing with the present *impasse* by accounting manipulation must be very tempting when the only alternative is the rather painful process of financial reorganisation and a vigorous pursuit of real economy. A recent statement of the Railway Board referred to their provisional view in favour of a combined depreciation and general reserve fund to be maintained at a "convenient" figure. It is to be hoped that the severe post-war experience of neglected maintenance and deferred renewals and repairs has not been forgotten and that the mistake of weakening the provision for depreciation will not be repeated.

If the course of drastic reform is favoured by the Government, it will not fail for want of support from the Opposition in the Legislative Assembly. But there is every reason to expect that a proposal for the cancellation of debt would once again be resisted. While the repudiation of the liabilities due to the depreciation loans would, for reasons of financial prudence and fidelity of accounting, be entirely wrong, the remission of the arrears of contributions to the State would not be unfair to the taxpayer or too liberal to the railways. As the needs of the Central Government were fully met from other sources during 1931-38, the taxpayer can afford to waive his claims upon the railways. But an Assembly chagrined at its impotence to exact conformity to its wishes on the part of the Executive, because of the Viceroy's power of certification, is not likely to make this course particularly easy for the Government. But good sense may yet prevail.

This is not to say that the urgency for improving net receipts and resuming the full contributions to the State will assume increased importance in the near future. It will. The majority of the provinces are anxious to implement the Congress programme, and they have embarked on measures like prohibition, which have driven them to find alternative

sources of revenue to make up for the allocations they have lost because of the railways' financial failures. It is but natural that the uncompromising critics of the *ancien regime* should, when in office themselves, hastily embark on measures of economic improvement and social amelioration. They have had to impose new taxes in the face of organised opposition, and their interest in the railway contributions, which indirectly affects their own finances, must remain acute. Even the Central Government itself is feeling the pinch and provision has had to be made this year against an anticipated decline in income.

These considerations invest Indian railway finances with a special social and political significance. Under the present constitutional practice, railway problems must come up for discussion not later than next February, when the Railway Budget debates take place. But plans for the introduction of Federation are still indefinite; and the vastly important railway problems may be obscured by broader issues.

June 4th.

## Preparedness and Public Opinion in France

[FROM OUR PARIS CORRESPONDENT]

It is a striking effort that France has made since M. Daladier took charge; and the increases in taxes and working hours have been well borne. There is no grumbling among the people, but there is a wide revulsion from the stupidity of the armaments race.

The alternative to the piling up of arms is negotiation for a settlement. There is frequent talk about a conference of Powers to revive the collaboration of the States of Europe, but French reactions to this proposal are many and varied. The Communists call for struggle to the bitter end; and, now that the Anglo-French alliance with Moscow is taking shape, they are losing their brief enthusiasm for the League of Nations. The Socialists are divided. The supporters of M. Blum march with the Communists. The followers of M. Paul Faure dream of a comprehensive agreement with all countries, including the dictatorships; and many Conservatives think with them.

But the Paulfaurists and the Conservatives reach the same conclusions from different premises. The Paulfaurists have reverted to the international pacifism of pre-war Socialists, or at least to the collective security idealism of post-war optimism: that is why they favour a conference. The Conservatives, on the other hand, have more practical reasons. They are alarmed about the likely effects of large-scale and continuing armament upon the wealth and social structure of France. Since a conference will have to be held sooner or later (they say), why not hold it now, before instead of after the war?

In brief, the battle between pro-Munich and anti-Munich opinion is still going on. But it is not so bitter and passionate as it was last September, because for the moment at least there is no call to choose at once between peace and war. It is notable, too, that the sense of inferiority that characterised the French people has gone. They feel strong and confident. But it must be admitted also that the current debate about foreign policy is scarcely disinterested; sectional interests and electoral calculations are intertwined with consideration for the national interest.

### A Conference of the Powers?

Nevertheless, the dilemma is a real one. There is no question about the need to arm; it is the readiness to confer that is at issue. It is a matter of conscience; and it is significant that, after having extolled the strength of France's defences, M. Daladier—several days before Lord Halifax first expounded the peaceful ends and open-minded attitude of British diplomacy—spoke of the need to redistribute the world's raw materials.

The Prime Minister's proposal met with a mixed reception. The Communists cried out against the possibility of what they called an economic Munich. The Moderates were sceptical, recalling the failure of the conferences at Genoa in 1921 and at London in 1933.

The truth is that the idea of a conference gets as poor a Press as the burdensome fact of re-armament. There is this difference, however. Re-armament is a tangible burden, and a heavy one, while a conference is no more than an idea, and, as such, it can do no one any harm.

It is interesting to watch the reactions of the main Ministers. M. Bonnet is off in pursuit of his dream of a

conference. M. Reynaud has clearly made ready to take all the measures of economic mobilisation that may be needed as the *tempo* of arms output rises, or in emergency. M. Daladier, deep-rooted Radical that he is, is watching with jealous care over the state of the nation's defences and the morale of the people.

There are domestic reasons for the Cabinet to take heart. Growingly day by day France is harder at work. The franc is steady. In four months 15,000 millions of francs have come back to France, and the influx has not ended. Tax receipts, too, including the new taxes on salaries and arms profits, are now running well above estimate.

The moment is near when, on top of all these other considerations, M. Daladier will have to decide whether to hold or postpone the autumn elections. He has to make up his mind to retain or terminate the system of government by decree. Many argue that, although at the best the regime of armed peace seems likely to last for a long time, the emergency that made government by decree inescapable has passed. The country has found its balance again, and the demand for arms is on the way to solving, for a time at least, the problems of industry.

There are two views. Some contend that to retain the decree procedure indefinitely might do untold harm to France's liberal institutions. Others agree so far, but contend that the task now is to reform those institutions so that the executive may be given greater power in their normal working. After having put France to work, it is necessary to refashion France, they say.

The outcome is M. Daladier's secret. Is he thinking of making the fundamental reform of the State the battle of his Parliamentary career? No one knows.

June 28th.

## Increased Confidence in Canada

[FROM OUR OTTAWA CORRESPONDENT]

WITH the advent of summer, Canadian business has been showing a distinct improvement, and an encouraging advance was recorded in May. According to the Bureau of Statistics, the index of the physical volume of business (base 1926 = 100) was 122.2 in May, compared with 116.7 in April, and was nearly 10 points above the level recorded in May, 1938.

|                          | BUSINESS INDICES |                |                |                 |
|--------------------------|------------------|----------------|----------------|-----------------|
|                          | Week ended       |                |                |                 |
|                          | June 11<br>1938  | May 27<br>1939 | June 3<br>1939 | June 10<br>1939 |
| Car loadings .....       | 68.5             | 76.7           | 74.2           | 69.7            |
| Wholesale prices ...     | 80.3             | 73.5           | 73.5           | 73.3            |
| Bank clearings .....     | 91.4             | 87.8           | 93.9           | 91.6            |
| <b>Total Index .....</b> | <b>107.1</b>     | <b>107.1</b>   | <b>108.4</b>   | <b>107.3</b>    |

For the business gains in May, chief credit is being given to the tour of Their Majesties through the Dominion. Apart from the abnormal spending for which it was responsible and the tourist business which is attracted from the United States, it created everywhere a spirit of confidence. The Royal Tour served to drive disturbing news about the international situation off the front pages of newspapers and to create an impression, perhaps not justified by the actual facts, that the diplomatic outlook had improved. The tour has also had the very beneficial effects of damping down sectional differences, and Their Majesties departed from Canada with the affectionate goodwill of all classes of Canadian citizens and the knowledge that they had done no small service to the Dominion.

### Good Wheat Prospects

Another factor which is cheering the business community is the continuance of optimistic reports about the prairie wheat crop. The latest crop report of the Bureau of Statistics says

Additional heavy rains across the prairie provinces during the past week have further improved crop prospects. The dry areas of North-western Manitoba and South-eastern Saskatchewan received fair benefit from the rains. Temperatures have continued low, holding grasshoppers in check. Cereal crop growth has been slow but favourable.

Only some unforeseen disaster on a major scale can prevent an average wheat crop for the three prairie provinces, and the prospect of the best crop of the present decade is

counted good. With the price of wheat guaranteed on the basis of 70 cents per bushel (No. 1 Northern), there should be a very substantial increase in the purchasing power of Western Canada after August, and this ought to invigorate business all over Canada. It will certainly help the earnings of the railways and elevator companies. Crops in Eastern Canada, too, after a late start, are making up for it, and are likely to be up to the average. Germany has resumed the purchase of large quantities of pulpwood from the maritime provinces, and this business is increasing employment in the woods there.

In the industrial field conditions remain spotty. The construction of airplanes for the British Government has been delayed for some unaccountable reason, but other armament orders are keeping many firms busy and helping the heavy industries which supply materials. The demand for machinery remains good, and the farm implement firms are increasing their scale of operations on the strength of the good crop prospects. But the flour-milling business is less active than it was, as are some of the clothing industries; while cotton manufacturers are operating at a lower level of activity than a year ago, and they complain bitterly of the severe incidence of foreign competition.

The mining industry is still experiencing profitable activity and the following tables show the general advance that has been made in Canada's trade and output:—

| EXPORTS       |            |            |              |            |  |
|---------------|------------|------------|--------------|------------|--|
|               |            | May, 1938. | April, 1939. | May, 1939. |  |
| Copper ...    | ... (cwt.) | 590,169    | 399,044      | 649,101    |  |
| Nickel ...    | ... (cwt.) | 169,086    | 187,541      | 227,643    |  |
| Zinc ...      | ... (cwt.) | 323,174    | 247,563      | 259,724    |  |
| Wood pulp ... | ... (cwt.) | 965,925    | 842,605      | 1,106,520  |  |
| WHEAT ...     | (bushels)  | 3,370,545  | —            | 13,655,266 |  |
| WHEAT ...     | (dollars)  | 3,713,697  | —            | 8,662,068  |  |

| PRODUCTION    |            |            |              |            |  |
|---------------|------------|------------|--------------|------------|--|
|               |            | May, 1938. | April, 1939. | May, 1939. |  |
| Gold ...      | ... (ozs.) | 354,965    | 347,839      | 407,846    |  |
| Silver ...    | ... (ozs.) | 585,160    | 737,686      | 2,053,912  |  |
| Newsprint ... | ... (tons) | 207,768    | 222,843      | 250,015    |  |
| Steel ...     | ... (tons) | 114,855    | 99,752       | 121,300    |  |

The increase in steel output in May was marked, but only 15,706 motor vehicles were produced, compared with 16,891 in April and 18,115 in May, 1938.

May also witnessed a very encouraging gain in Canada's exports. Their total value was \$94,886,852, compared with \$72,791,247 in May, 1938. The largest gains were in wheat, copper and nickel. For the first five months of 1939 the total value of exports has been \$372,763,133, as compared with \$337,371,813 in the first five months of last year.

June 20th.

## Some Portuguese Prospects

[FROM OUR LISBON CORRESPONDENT]

IN spite of hopes raised by the end of the war in Spain, Portugal's trade during the past two months has been almost stagnant. Retailers complain that sales are small and exporters say that foreign demand for Portuguese produce is patchy and exigent. Industrialists, for their part, would like to see the purchasing power of the public strengthened; it

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suits them to forget that this is a peasant population, with roughly 60 per cent. of illiterates. But the solid foursquare growth of Portuguese wellbeing, from 1926 onwards, is directly attributable to the fact that Dr Salazar always bears in mind the mental as well as the material bearing of the peasantry towards economic legislation. The call to "support home industries" could in certain circumstances be perverted into implying the support of home industrialists, who are numerically few and harbour a monopolistic tendency which has to be watched by legislation.

### Cod and Rosin

Fishing off the Newfoundland banks is, after the wine-carrying trade, the oldest maritime industry of Portugal. Before 1930, in spite of this, the bulk of this staple food was imported from Scotland and Scandinavia; and made a heavy drain on sterling balances. To-day native cod fishers provide a full quarter of the nation's supply, so that imports fell from 44,300 tons in 1928 to 35,000 tons in 1937. True, the 1938 figures show an increased importation of 8,000 tons; but this is because of misfortunes to the fleet and poor catches combined with improved demand. More ships and better gear—three modern vessels were added to the fleet which left for the Banks last May—and an increase in hands from 1,169 in 1930 to 2,224 in 1938, have been made possible by corporative action and long-term financial aid. Though it must remain a hard trade, its modern expansion in Portugal has been accompanied by more adequate accommodation afloat and compensation for accident or death among the seamen. For though almost all the shapely schooners now have auxiliary power and even wireless, as well as the services of the Government tender "Gil Eanes," fogs and storms off the Banks still exact their toll in lives and gear, and, as with last season, in ships as well.

For the past five years Portugal's export of resinous products has shown steady expansion, but a sharp drop from the peak prices obtainable in 1937 has caused much discussion among producers. The bigger firms wish to limit production in 1939, pointing out that prices in 1938 were frankly unsatisfactory; the small men, renting or owning pinewoods and producing "medium pale" rosin by what is known as the direct fire process, see no reason to restrict tapping and say that such restriction would inevitably mean much hardship and unemployment, especially if the yield were limited to 50 per cent. of the 1938 figure, which was 85 million kilos gross.

Portugal has 1,200,000 hectares of pinewoods compared with 800,000 hectares in France and 500,000 hectares in Spain. Her woods are for the most part near the coast, and so convenient for shipping; but it is urged that by using old-fashioned methods she does not make the most of her opportunities. Quality, it is said, does not come up to that of the United States products, both as regards rosin and turpentine. This notwithstanding, her 1938 totals brought in an increase of £59,870 for turpentine and £70,890 for rosin, 75 per cent. of which went to Germany, which took 17,006,952 kilos of rosin and 6,795,369 kilos of turpentine, out of total exports of 35,372,375 kilos of rosin and 10,804,145 kilos of turpentine.

June 14th.

## Switzerland's Foreign Trade

[FROM OUR GENEVA CORRESPONDENT]

SWISS foreign trade returns for the first quarter of the year reflected an improved activity in trade and industry, the outstanding feature being the rise in exports of about 8 per cent. over the corresponding period of 1938. During the first three months imports amounted to 398,315,226 francs, compared with 399,920,657 francs in 1938. Exports, however, amounted to 329,818,392 francs, against 306,259,582 francs in the previous year; there has been an important rise in exports of textiles, aniline dyes, aluminium, chemicals, machines and vehicles.

Watchmaking, which had been slack since the beginning of the year, was more active in March, when its exports were 4 million francs higher than in February, but the total of the quarter was, all the same, about 13 millions lower than for

the same quarter of last year. Figures are as follows (in millions of francs):—

|                    | 1938  | 1939  |
|--------------------|-------|-------|
| Watchmaking .....  | 53.8  | 39.9  |
| Silk goods .....   | 21.7  | 24.2  |
| Cotton goods ..... | 28.6  | 32.6  |
| Machines .....     | 46.0  | 60.0  |
|                    | 150.1 | 156.7 |

Trade with Great Britain showed an active balance. British imports to Switzerland reached 25,051,020 francs, compared with 22,518,315 francs in 1938, and Swiss exports to Britain were as high as 43,950,815 francs, as against 34,214,101 francs for last year. Negotiations for a new trade agreement were recently resumed in London, and it is hoped that with their conclusion the trade balance between the two countries will improve. The policy of Switzerland is to develop her commercial exchanges with those countries whose currency is not undervalued and can be freely exported, instead of trading with countries with which it is necessary to conclude clearing arrangements which, in the long run, do not seem profitable.

Trade with the five principal countries was as follows (in millions of francs):—

| Imports from:—            | 1938 | 1939 |
|---------------------------|------|------|
| Germany (Old Reich) ..... | 87.8 | 91.1 |
| France .....              | 50.3 | 64.5 |
| Italy .....               | 25.5 | 28.5 |
| U.S.A. ....               | 36.3 | 26.1 |
| Great Britain .....       | 22.3 | 24.9 |
| Exports to:—              |      |      |
| Germany (Old Reich) ..... | 47.8 | 53.2 |
| Great Britain .....       | 34.1 | 43.8 |
| France .....              | 31.1 | 34.5 |
| U.S.A. ....               | 20.6 | 23.8 |
| Italy .....               | 22.1 | 20.6 |

It is not yet possible to say what influence the Nazi control of Czecho-Slovakia will have on the Swiss economy, but it is expected that our exports to that country will be much reduced.

June 5th.

## German Annexations and Reich Trade

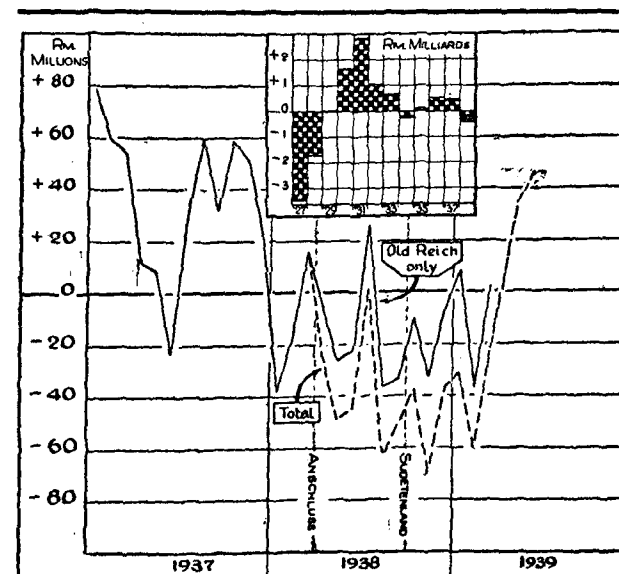
[FROM A CORRESPONDENT]

SINCE March, 1938, the series of annexations—Austria, Sudetenland, Bohemia and Moravia, and Memel—has played havoc with the statistics of Germany's foreign trade. Before any attempt is made to interpret the most recent German trade figures it is desirable to explain the effect of these changes. In April, 1938, after the annexation of Austria, the returns showed separately both the total trade of the new Reich, including Austria, and that of the old Reich without Austria. Thus comparison with the statistics for earlier periods was partially preserved—only partially because trade between Austria and the old Reich, being no longer foreign, went unrecorded.

This method of presentation was continued in October, 1938, after the annexation of the Sudetenland, except that part of the foreign trade of the Sudetenland was included with that of the old Reich and part with that of Austria, and trade between the Sudetenland and the rest of Germany went unrecorded. Thus the balance of trade for the "old Reich only" shown by the continuous line in the chart below, takes account of part of the foreign trade of the Sudetenland from October, 1938, to March, 1939; while the balance for the new Reich represented by the dotted line is that of the total Reich area, as it was successively increased by the annexations of Austria and the Sudetenland.

After March this year a further change occurs: the trade of the "old Reich" is no longer published separately; and the returns now show the foreign trade of the whole of Greater Germany—except the Protectorate of Bohemia and Moravia—that is, the aggregate foreign trade of the old Reich, Sudetenland, Austria and Memel. The foreign trade of the Protectorate, however, though not included in the German returns, is not classified as foreign; and trade between the Protectorate and the rest of Germany is therefore not recorded in the figures; while Slovakia, on the other

hand, is treated as a foreign country in precisely the same way as Great Britain or France.



NOTE.—In the inset diagram the Austrian trade deficit with foreign countries from April, 1938 (plus that of part of the Sudetenland from October), is shown by a special shading.

The chart shows quite clearly the acuteness of Germany's shortage of foreign exchange last year, even when Austria's import surplus is left out of account.

### Improved Balance of Trade

In April this year an appreciable improvement was recorded. The question arises: is this merely the result of statistical juggling? The answer is: No. The export surplus for April, the last point but one on the dotted line, was Rm. 35 millions, while in March there was a deficit of Rm. 23½ millions, or, excluding trade with Czecho-Slovakia, Rm. 15½ millions. Thus between March and April there was a substantial improvement of Rm. 45 millions. This improvement was reached by a decline in imports greater than the decline in exports. Even imports of raw materials were down in April compared with March; imports declined mainly from Europe, while exports declined mainly to Asia and Africa. Taken in general, the improvement was the result of the balancing of a smaller trade with individual countries. Provisional figures for May show increases in both imports and exports compared with April and a further improvement in the favourable balance of trade to Rm. 47 millions, as shown in the chart.

Moreover, the surplus of Rm. 82 millions obtained in April and May is not the only egg in the German nest. There is another in Czecho-Slovakia, for the Protectorate of Bohemia and Moravia (not included in the returns) has a considerable export surplus in trade with foreign countries.

June 28th.

## Japan's Changing Economy

[FROM OUR TOKYO CORRESPONDENT]

PROMINENCE is being given to the plan of price control drawn up by the newly reorganised Price Committee. The chief points of the plan are the fixing of fair prices; the limiting of control to the three categories of munitions materials, raw materials for export industries, and necessities of life; and the fixing of wages and cost of services. In order to secure an effective administration, control will be concentrated in the hands of a Price Board under the presidency of the Minister of Commerce and Industry, and this Board will be given wide powers by the National Mobilisation Act.

The new plan has been conceived as a comprehensive whole, and will consolidate all partial measures which are to be taken in various sectors of activity. The forces which would otherwise work against the artificial control of prices will be reduced to a minimum; and the report of the Price Committee suggests the extension of control, for instance, to profit inflation and income inflation, the principal factors contributing to a rise in prices.

So far, so good, but the Committee has apparently been disinclined to recommend internal regimentation in its fullest form. It has copied rather freely the German methods of economic control, but without adopting the Nazis' weapon of compulsion. Price regulations have so far proved a success, although we are told much that they have been circumvented through illicit trafficking at higher prices. But it will become increasingly difficult to administer them without a complete industrial conscription after the manner of the Nazis.

The upward trend in commodity prices continues, if at a slower pace. The Bank of Japan's index of wholesale prices for April registered a rise of 0.5 per cent. during the month, a number of uncontrolled articles contributing to this advance. The cost of living is rising with undiminished severity. The Bank's index of retail prices for the middle of April advanced by 1.9 per cent. on that of a month ago.

### In Finance and Commerce

On the financial side expenditure continues to rise. In the Budget estimates for 1939-40, approved by the Diet, estimated expenditure totals 4,804.5 million yen, including supplementary defence and civil estimates of 1,109.8 million yen. Besides these ordinary estimates, war expenditure of 4,605 million yen was also voted. The total national expenditure for the fiscal year 1939-40 (excluding the overlapping items between the ordinary and war Budgets) amounts to no less than 8,870 million yen, of which 5,650 million yen is to be borrowed. This net total is over 1,000 million yen higher than the comparable figure for the fiscal year just closed.

Included in Bills passed by the Diet is the Bank Notes Act, authorising an increase in the fiduciary issue from 1,700 million yen to 2,200 million yen; the Capital Employment (Amendment) Act, which entails absolute control over the creation of any new enterprise by individuals and non-industrial corporations, even with their own funds; and the Rice Dealings (Control) Act, which aims at the suppression of speculative dealings in this staple foodstuff and the stabilisation of its price. A fourth Bill which has gone through the Diet is the Japan Airways Company Act, providing for compulsory merger of the air lines in the State-aided enterprise known as Japan Airways, Limited, a hundred million yen company with Government representation on the board. As with price control, each of these measures means a step further in State regimentation, now at an advanced and elaborate stage.

According to Mitsui Gomei Kaisha's half-yearly analysis of the profit and loss accounts of Japanese joint-stock industrial undertakings, the aggregate net earnings of 1,000 companies for the six months ended December last amounted to 657 million yen, an increase of 43.3 million yen on those earned by the same concerns in the preceding half-year.

Imports in March, valued at 281.9 million yen, increased by 21 million yen, or 8 per cent., compared with March, 1938; while exports, valued at 283.3 million yen, rose by 42.7 million yen, or 17.8 per cent. In the first three months of this year imports show an increase of 86.4 million yen, or 13 per cent., to 757.4 million yen, compared with the corresponding period of last year, and exports an expansion of 84.7 million yen, or 14 per cent., to 689.7 million yen.

A Japanese saying has it that there can never be bumper crops for three consecutive years, and this year may be a bad one for agrarian Japan. Apart from the vagaries of nature, a shortage of labour and fertilisers is being more acutely felt by the farming community, and the year's outlook is, in any case, not so promising. Here again the Government has intervened, this time by framing a scheme to encourage increased production of rice and other farm products by way of subsidy and other devices. The Government has also been forced to reverse its policy of the curtailment of cocoon output, for a rapid increase in demand for silk has far outstripped the supply of cocoon.

June 7th.

## The OCEAN

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## Letters to the Editor

### Anglo-American Barter Proposals

TO THE EDITOR OF THE ECONOMIST

SIR,—There are probably few people who do not give general welcome to the accumulation of war stocks of rubber and cotton in the United States and this country, as this scheme should give some measure of extra protection against unpleasant eventualities. Such criticism of the rubber part of the scheme as has emerged is due to the fact that world stocks are apparently adequate to prevent a runaway price, and that an increase in such stocks may easily hold the price of the commodity down. Hence rubber producers will be facing some burden while the advantages of the scheme redound to the whole community.

There are certain things which do not seem to me to be open to dispute. First, the rubber-producing industry can obtain all the rubber that could possibly be required from its plantations in case of emergency. What is uncertain is whether the shipping facilities to move this rubber from the East would be available.

Second, stocks inside the regulated areas, i.e. in the East, are about 50,000 tons above normal at their current level of 120,000 tons, while stocks outside the regulated areas are small at 400,000 tons. The most important thing to consider, in my opinion, is the location of such stocks as do exist, and I feel that, in the first instance at least, the major part of the 80,000 tons which is to go to America should be drawn from stocks in the East. This rubber could be shipped now with ease, cheapness and speed. We all know that international events can move extremely rapidly, and speed may possibly be the essence of the problem. By shipping stocks in the first instance we should be assured of a more speedy return to satisfactory conditions for rubber producers; and we should be assured that the utility of the commodity would be greatly increased by virtue of its better location in the event of hostilities.

I do not think that there is a very strong case for increasing stocks in America by an increase in the production quota while we leave a heavy stock in the Far East which might be of relatively small value in the event of hostilities—except to the eastern end of the "Triangle."

I remain,

Yours faithfully,

HIGH WICK.

### Bulgarian Claims for Frontier Revision

TO THE EDITOR OF THE ECONOMIST

SIR,—In your issue of May 6th you publish an article by a Correspondent in Sofia dealing with the position and territorial claims of Bulgaria. Your Correspondent states that Bulgarian claims on Yugoslav Macedonia are no longer considered "actual," and that Bulgaria claims at present only

Southern Dobrudja and a corridor to the Aegean through Western Thrace, pleading economic necessity for both claims. As regards particularly the Thracian corridor, the plea is that "under the existing dispensation, Bulgarian seaborne trade can reach the Mediterranean only with Turkey's tacit consent."

Concerning the claim for a corridor through Thrace to the Aegean Sea, it should be stated forthwith that the argument of economic necessity is—like so many similar arguments put forward in recent years—a mere disguise for an unjustified desire for territorial expansion at the expense of another country—Greece, in this case. Historic and actual data prove beyond any doubt the Greek character of Thrace. The Greek character of Thrace was fully recognised at the Peace Conference, and has never been questioned since, even by Bulgaria herself. The demand for a Thracian corridor is based on economic grounds.

But is the economic plea itself really tenable? It should be recalled that countries like Austria, Czecho-Slovakia, Hungary and Switzerland, with a greater economic activity than Bulgaria and without any direct outlet to the sea, have never claimed a corridor through foreign territory; they have been contented to carry on their trade through the normal facilities accorded to them by their neighbours. Bulgaria is actually much more favoured by nature than any of these States; she possesses two magnificent ports on the Black Sea, whereas Roumania, with a much larger trade, has only one port. Yet Roumania does not seem to suffer from the lack of a corridor to the Aegean. Bulgaria's seaborne trade "can reach the Mediterranean only with Turkey's tacit consent." But the same is true of Roumania and Russia, and yet these two countries do not seem to be anxious for free access for their trade to the Mediterranean through Turkish waters.

The Allied and Associated Powers after the War, with the prompt agreement of the Greek Government, wished to assure to Bulgaria an economic outlet to the Aegean. It was stipulated in the treaties of Neuilly and Sèvres that such an outlet should be given. If this provision has not yet been put into force, it is through no fault of Greece. Each successive Greek Government since the War has approached the Bulgarian Government of the time with proposals for putting into effect the Treaty provisions. The Government of the late M. Venizelos went even further. Realising that the construction by Bulgaria of a new port in Thrace, in accordance with the provisions of the Treaties, on a territory to be leased in perpetuity by Greece, would be a costly proposition, and of small, if any, help to Bulgarian trade, whose natural outlets, as regards Central and Eastern Bulgaria were the Bulgarian ports of Varna and Bourgas, and as regards Western Bulgaria was Salonica, he offered to the Bulgarian Government a free zone in Salonica (which possesses a large port, well equipped, and has important railway connections) on the same conditions as the Yugoslavian free zone in the same port. Unfortunately, the Bulgarians have each time eluded, by one pretext or the other, the generous terms and sincere offers of Greece. It was not an economic access to the Aegean Sea that they wanted, but territorial aggrandisement.—Yours faithfully,

Athens.

D. E. PROTECDICOS.

[We would point out that our correspondent in Sofia was merely reporting the view of the Bulgarian Government, with which we do not necessarily concur.—EDITOR.]

### Official Publications

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

Trading Accounts and Balance Sheets, 1937. 2s. net.

Report of Rhodesia-Nyasaland Royal Commission. Cmd. 5949. 7s. 6d. net.

Report of Committee set up to Consider Certain Correspondence between Sir Henry McMahon and The Sharif of Mecca in 1915 and 1916. Cmd. 5974. 9d. net.

Twenty-eighth Report of the Development Commissioners, being for the year ended the 31st March, 1938. 3s. net.

Report of the Chief Registrar of Friendly Societies for the year 1937. Part 2. Friendly Societies. 2s. net.

Navy Appropriation Account, 1937. 2s. net.

## Books and Publications

### Shorter Notices

"International Economics." By R. F. Harrod. Cambridge Economic Handbooks: Nisbet and Cambridge University Press. 5s. xii+208 pages.

This is a completely revised edition of a book which first appeared in 1933. The early part, dealing with the direction and scope of international trade, follows the same classical lines as in the first edition, and the only important revision deals with the change in the relative prices of the various factors of production when international trade takes place. The principal alterations are in the chapter on "The Balance of Trade," which has been wholly rewritten, and in two new chapters on "The Trade Cycle" and "A Reformed World," where the Keynesian theory of employment is introduced into international trade problems for the first time. Using the "multiplier" argument, Mr Harrod considers in turn (a) the current exchange of goods and services, (b) other current items such as interest and debt payments, and (c) the accumulation and movement of capital. Coming to the trade cycle, Mr Harrod argues that the volume of a country's exports is much more important in its effects on activity than its trade balance, and that efforts must be made to reduce fluctuations in capital outlay if the cyclical movement is to be combated. He concludes that "both employment and an even balance can only be seconded if the authorities (a) have freedom to allow the exchanges to move and (b) are prepared to regulate the volume of capital outlay by artificial means." A section on exchange equalisation funds has been added to the chapter on "Foreign Exchange" and the argument regarding "Tariffs" has been restated in terms of the newer theory.

"We Saw it Happen." By Thirteen Correspondents of the "New York Times." Harrap. 372 pages. 8s. 6d.

This book, whose topical and international flavour is apparent in its title, covers subjects ranging from the social life of Hollywood to polar exploration. Most illuminating of all is Mr Ferdinand Kuhn's "The British Way," which gives an American view of the British people preserving its complacency on the brink of economic collapse and international disaster.

"Broomhall's Corn Trade Year Book, 1939." By G. P. Broomhall. (London) "Corn Trade News," St. Mary's Chambers, St. Mary Axe, E.C. 164 pages. 10s. 6d.

The usual summaries of the statistics of output, shipments, stocks and prices of the important cereal crops have been brought up to date in this new issue of the valuable Corn Trade Year Book, which contains a chronology of the main events in the cereal year from April, 1938, to March, 1939.

### Books Received

A History of Bolshevism. By A. Rosenberg. (London) H. Milford. 250 pages. 5s. net.

The Directory of Insurance Brokers and Claims Assessors, 1939. (London) A. P. Cawley & Co. 140 pages. 4s. net.

Agrarian China. Selected Source Materials from Chinese Authors. (London) Allen & Unwin. 258 pages. 10s. 6d. net.

Labour in the West Indies. By W. A. Lewis. (London) Fabian Society. 44 pages. 1s. net.

Principles of the Mathematical Theory of Correlation. By A. A. Tschuprow. (Edinburgh) William Hodge & Co. 194 pages. 12s. 6d. net.

A Short History of English Work and Trade. By R. Cruise. (London) University Tutorial Press. 276 pages. 2s. 9d. net.

State Banks for India. By A. L. Qureshi. (London) Macmillan. 248 pages. 12s. 6d. net.

How Strong is Britain? By Count Pückler. (London) Routledge. 263 pages. 7s. 6d. net.

Riches and Poverty. By Gordon Schaffer. (London) Gollancz. 96 pages. 1s. 6d. net.

Some Influences that Made the British Administrative System in India. By M. Ruthnaswamy. (London) Luzac & Co. 660 pages. 21s. net.

Land Utilization in Australia. By S. M. Wadham and G. L. Wood. (London) H. Milford. 360 pages. 21s. net.

The Coming Struggle for Latin America. By C. Beals. (London) Jonathan Cape. 381 pages. 10s. 6d. net.

A Study in English Local Authority Finance. By J. Sykes. (London) P. S. King. 307 pages. 12s. net.

## A CENTURY OF BANK RATE

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# THE BUSINESS WORLD

## The Gold Reserve

THE latest semi-annual statement on the position of the Exchange Equalisation Account, showing that position with the usual three months' time lag, has just appeared. It reveals that at the end of last March the Exchange Account held gold to the amount of 49,490,000 ounces, or, taking the gold for the sake of convenience at the conservative valuation of £7 an ounce, to the value of £366.2 millions. A direct comparison of the latest figure with that shown in the previous statement would lead to the most erroneous conclusions, since in the interval the gold holding of the Account has been fortified by the transfer last January of 46 million ounces of gold from the Issue Department of the Bank of England. The effect of this transfer will, however, disappear if we base our comparison, not on the figures of the Exchange Account's holdings, but on those of the aggregate reserve of the Account and the Issue Department together. The full comparison of the statements so far published is given below:—

| (in million ounces or £ millions) |            |            |            |            |            |
|-----------------------------------|------------|------------|------------|------------|------------|
|                                   | March 1937 | Sept. 1937 | March 1938 | Sept. 1938 | March 1939 |
| Gold in Exchange Account          | 26.67      | 39.85      | 42.54      | 21.68      | 49.49      |
| Issue Department                  | 73.84      | 76.84      | 76.84      | 76.84      | 30.46      |
| Total                             | 100.51     | 116.69     | 119.38     | 98.52      | 79.95      |
| At £7 an ounce                    | £703.57    | £816.83    | £835.66    | £689.64    | £559.65    |

Allowing for the transfer of gold from the Bank to the Account early this year, it will be seen that the drain of gold from this country, apparent in these figures since March, 1938, continued—but at a much slower tempo—during the six months to March 30th last. The extent of the exodus during this period amounted to 18,570,000 ounces. Taking an average price of gold over this period of 148s. 6d. an ounce, this represents a net adverse balance on our total international payments account—whether on current trade or capital account—of about £138 millions. This figure, though rather larger than had been generally estimated, cannot be deemed surprising if we bear in mind the extent of the exodus of foreign short-term funds from London which occurred at the time of the Munich crisis and which reached its climax after the Munich agreement, i.e. in the early days of October. The previous half-yearly statement of the E.E.A. had provided ample demonstration of the effect on our gold reserves of the flight of hot money. That factor was to remain the dominant influence in the foreign exchange market for several weeks after the September storm had blown over, and was again to re-assert its dominance in the latter part of March with the sudden development of the Albanian crisis. The losses of gold suffered by the E.E.A. at the beginning and end of the half-yearly period covered by the latest statement probably account for the bulk of the £138 millions in question. Nor can there be much doubt that it was the movement of capital which took the paramount responsibility for this loss. One imperfect and far from complete measure of this capital factor is provided by the movements of clearing bank deposits over the period in question. These continued their decline in the closing months of 1938, falling from £2,268.8 millions in September to £2,248.6 millions in November. Again, the declining tendency made itself felt in the first quarter of this year—though in this instance the movement is partly explainable in terms of the usual encroachment on banking deposits caused by the seasonal surplus of Government income over expenditure and the corresponding fall in the floating debt.

Since the end of March the net changes in the gold holding of the E.E.A. cannot have been appreciable. At no

time during the past three months has the pressure on sterling been severe, and there have been weeks when the Account must have been a persistent though moderate buyer of gold on balance, its sales in the open market being smaller than its automatic purchases of newly mined metal. One may, therefore, take the latest figures of gold in the Account as an approximation of the position to-day.

It is interesting to view the reduction in the gold holding shown by the latest half-yearly statement in the light of two sets of criteria by which current changes in the gold position of the E.E.A. are often estimated, namely, the size of the tap issue of Treasury bills and the net inflow or outflow of gold revealed by the customs returns over the period in question. The application of the tap bill comparison is simplified in this instance by the fact that over the six months in question, i.e. from September 30th to March 30th last, the total of Treasury bills outstanding hardly changed on balance. At the beginning of this period it stood at £871.5 millions, and at the end at £868.2 millions. Within this stability, however, there was a considerable variation in the distribution of the bills as between the tap and the tender issues. The bills issued through the weekly tender fell over this period by £160 millions, namely, from £526 millions to £366 millions, while the tap issue rose by £156.7 millions, from £345.5 millions to £502.2 millions. This changed distribution accords, though it does not exactly tally, with the changes in the gold holding of the E.E.A. As gold was sold and sterling purchased by the Account to the amount of about £138 millions during this period (ignoring, of course, the Bank of England transfer) an equivalent amount of bills previously issued to the market was withdrawn and replaced by tap bills lying dormant in the E.E.A.

The fact that there is no exact correspondence between the two phenomena is explained by the intrusion of another and quite independent determinant of the variations in tap bills, namely, the operations of Government departments in the gilt-edged market. These were probably small during the six months in question. There is, however, a more important complication for which allowance must be made in the operations effected in the open discount market on behalf of the E.E.A. During recent months it has become increasingly apparent that the sterling resources gained by the E.E.A. as gold was being lost were not utilised to take up tap bills and thus reduce the weekly offerings of bills, but were immediately put into general credit circulation by open-market purchases of Treasury bills. This was done in order to circumvent the immobilisation of credit in public deposits at the Bank of England which would otherwise tend to occur when pressure on sterling was being offset by Exchange Account operations. The result was that, for a time at least, part of the bills held by the E.E.A. were bills which had been issued through the weekly tender and ranked as such. After a three months' lag at the most this discrepancy should be corrected. But within that period, and given the persistence with which the new technique is being utilised, it is quite possible for substantial discrepancies to occur between movements in the gold holding of the E.E.A. and the appropriate adjustments in the tap Treasury bill issue.

Even bigger discrepancies are found when comparing the changes in the E.E.A. gold holding in the six months to March 30th last and the net outflow of gold from this country in that period. During these six months we imported £61,898,000 and exported £235,655,000 of gold, leaving a net export surplus of £173,757,000. Of the total exports, as much as £218,476,000 went to the United States. The explanation of the discrepancy is readily found

in the departure from London of considerable amounts of gold previously held here on foreign account. Both in the September crisis and again last March the threat of war caused appreciable dishoarding of gold, the proceeds of such sales being for the most part transferred into dollars. The gold thus sold provided for long periods the bulk of the offerings in the open market and fed the arbitrage traffic with New York, which is reflected in the enormous exports to the United States during this period. The ban on forward gold dealings had the same effect, since between the beginning of this year and the end of March it led to a steady liquidation of the stock of gold held against forward sales—probably amounting to over £50 millions. Moreover, the transfer to New York of

Central Bank gold previously held in London, but sent across the Atlantic for greater security, also helped further to swell the gold export figures. Those losses during the half year to March 30th are, therefore, far smaller than the evidence of tap bills and of net gold exports might superficially suggest. When due allowance is made for the capital nature of the counterpart of this gold efflux, it will readily be admitted that the loss gives no ground for alarm or apprehension. At the end of March the gold remaining in the E.E.A. and the Bank of England was worth £594 millions at the current market price. Given the departure from London of the bulk of the "hot money" held here on foreign account, the present gold holding provides a most reassuring backing for the currency.

## Building Society Finance

THE survey of the building society movement, which is published with this issue of *The Economist*, has coincided with the closing Committee stages of the Building Societies (No. 2) Bill. New legislation for building societies is not so frequent that it should go unregarded by those who employ the societies as a repository for their savings or those many thousands who are now in the process of repaying advances made by the societies for the purchase of houses. Indeed, it is 65 years since any substantial legislation affecting building societies was passed. And Mr Justice Bennett's decision in the case of Bradford Third Equitable Benefit Building Society *versus* Borders (which was discussed in *The Economist* of February 18th) virtually declared that the most recent development of building society practice—the taking of collateral security in the form of the builders' pool—could be brought within the four corners of the Victorian statute. Friendly society leaders and the paternal liberalism of Parliament in the 'seventies laid sure foundations for the movement's enormous expansion more than fifty years later.

Yet the time had clearly come for a review of building society legislation in the light of modern conditions. For one thing, the law regarding collateral security, despite Mr Justice Bennett's *obiter dictum*, clearly needed to be stated. Other consequences of the Borders case—and indeed of building society development over the past decade—were due for revision. Perhaps if the movement itself had been able to conduct its affairs with the same degree of mutually-shared responsibility as, say, the joint-stock banks, some of these factors might not have arisen. But an important section of the movement found itself unable to accept self-imposed limitations designed to prevent reasonable competition from developing into an unbridled drive to obtain business. Large-scale estate development provided opportunities for a type of "tied-house" mortgage finance in which only one society might be interested. Estates came to be regarded as the prime responsibility of the particular building society concerned; the builder, with whom the society's relations under the collateral scheme had inevitably to be close, became a subsidiary quantity in the mortgagor's mind; and in some cases the limits of prudent lending practice were strained to the utmost.

Such disadvantages are the price of progress in an imperfect world, and it would be a bold man who would argue that the price was excessive. The great majority of mortgagors are satisfied with their property. Despite much justifiable criticism of building standards, the speculative builder has provided the benefits of light, air and modern plumbing at a price within the range of artisan incomes. The results are plain enough from the figures given in the survey. Within a decade the societies' assets and their joint liability to shareholders and depositors have each increased nearly two and a half times; their mortgage advances last year were little short of double those recorded in 1929.

In short, the responsibilities of the movement had become so great that no doubt could be permitted regard-

ing their legal power to use the device of collateral security in their advance business. At the same time, what the societies were unable to achieve through common agreement has been written into the Bill with legal force. Restrictions will be enforced on the conduct of business which is backed by the acceptance of collateral security—business which the legal draftsmen have preferred to describe as a "continuing arrangement" in the Bill. The question of agency and the payment of commissions is to be more strictly defined; the responsibilities of building society directors regarding the valuation of properties offered as security for mortgage advances are re-stated with emphasis; and in future every mortgagor will know if additional security is being taken by the society making the advance.

On such points few would disagree. But the progress of the Bill through Committee (which is reviewed in some detail in an important article in the survey) has revealed

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the conviction that something further should be done to protect the mortgagor against misconception regarding the value of his house, and against the risk of bad building. One amendment, carried against the Government's advice, which now stands part of the Bill, would require building societies to disclose, at least three days before a mortgage deed was signed, particulars regarding the society's valuation of a property, the purchase of which was contemplated by an intending borrower. A later Government amendment, evidently intended to replace the first, provides for the disclosure of similar information after the loan has been transacted. The societies have rebutted the suggestion that they should be made responsible for defects in housing construction, on the logical principle that a lender cannot be made responsible for the quality of the assets which the borrower offers to him as security. And this week, at a late stage of the Committee proceedings, the Minister of Health has introduced his proposals for certification of houses, with the object of improving building standards and of protecting house purchasers against loss caused by any defection from these standards.

Whether these proposals will assist the house purchaser depends on a number of considerations, involving problems of building costs, and the willingness of builders to encourage the scheme. But the position of building societies in relation to building standards does not really begin and end at the question of warranty, and in opposing any suggestion that they should be made responsible for building standards, the movement has run some risk of pursuing a negative attitude. Doubtless, this impression is wrong, for the societies could not really afford to stand aloof from the interests of those who borrow from them. Borrowers are usually members, and the roots of the movement are buried deep in the principles of mutuality. Although the house purchaser must take ultimate responsibility for his purchase, it would be idle to pretend that he is closely informed, as a principal, of the details of his transaction. Full property surveys would add considerably to the cost of acquiring his house, and the society's information can hardly be made available to each and every intending borrower. But is there no *via media*, by which the advisory services of the movement might be extended further in a genuine attempt to assist the borrowing members of a mutual society? The new scheme of certification may be a step in this direction.

Most of the emphasis during the past year has been on the problems of building societies and their borrowers. But political crisis has also affected the societies' creditors and shareholders. To-day, the societies are again inviting the subscription of new shares on a liberal scale; the restrictions of recent years are being removed fairly extensively. The movement once again has been reminded of the necessity for liquidity, for although building society investors are not easily frightened out of their shares and deposits, some increased volume of withdrawal

has been disclosed during recent months. Despite the increasing part which repayment of past mortgages now plays in building society finance, the movement must still increase its share and deposit capital in order to maintain its financial equilibrium. Yet, while an individual mortgage may be contracted for as long as twenty years, both classes of capital are subject to withdrawal at quite short notice. And while the societies have been engaged in rapidly expanding their mortgage commitments, some, at least, have not taken sufficient care to ensure that their margin of liquid assets was proportionately maintained. Although the absolute total of assets has grown from £412.6 millions to £657.9 millions, between 1932 and 1938 for the 108 societies included in our survey, their cash holdings have actually diminished from £16.8 millions, to £12.4 millions, or from 4.1 per cent. to 1.9 per cent. of the total. Including investments, liquid assets represent 9.5 per cent. of total assets for the leading societies.

These figures make no allowance for bank overdrafts, which can surely be regarded as the worst type of regular building society finance. For the societies included in our survey, the total of bank loans increased last year from £2,576,800 to £3,314,400. In fact, the time is overdue for fuller consideration of the societies' basic problem—which is to develop a new source of semi-permanent finance, and at the same time to improve average liquidity. Mr Walter Harvey, in his recent speech as chairman at the Building Societies Association conference has suggested that a society's mortgages are the correct counterpart of its shares—the equity security, in short—while investments and cash should be related directly to deposits for their special security. Granted this separation, Mr Harvey suggests that quickly realisable securities and cash covering 25 per cent. of the deposit liability would be ample.

Doubtless, this suggestion, if implemented, would increase the attractiveness of deposits as a form of prior security. But already deposits are favoured by opportunities for prior withdrawal, which acts as a counterpart to their lower interest, and a minimum ratio of liquid securities to deposit liabilities, though it would be advantageous, might not be sufficient in itself to encourage the provision of finance on longer term. The precise form of semi-permanent capital for the movement—whether in time deposits or non-withdrawable shares—must be left for expert consideration. Thus, there will remain problems in plenty even when the Bill has passed all its stages. The long-term problems of housing demand, interest rates, the trend of population, and broad questions of monetary policy—all these have an intimate bearing upon present decisions affecting building society finance. The leaders of the movement are thus charged with great responsibilities. The present Bill, coupled with the critical, but not unfriendly, attention of the general public towards building society affairs may encourage them in their task.

## Finance and Banking

**U.S. Senate and the Monetary Bill.**—The bill for extending the monetary powers vested in the President of the United States—powers which lapse on Friday of this week—has received severe manhandling by the Senate. The power to devalue the dollar, which by the proposed legislation was to be extended until 1941, has been repealed. In addition, the Monetary Bill during its passage through the Senate acquired two amendments relating to silver, one raising the price paid by the U.S. Treasury for domestic

### A. R. P.

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metal from 64.64 cents per ounce to 70½ cents and the other forbidding the Treasury to make further purchases of foreign silver after July 1st. These adverse votes were the result of a "deal." The Senators representing the silver States gave their support to the Republicans bent on curbing the special monetary powers of the President as the price for getting their own amendment increasing the official price paid for domestic metal. The Administration has of course refused to accept these amendments and the Monetary Bill as amended by the Senate has now gone back to a joint committee of the House and the Senate. It will require immense energy and hustle if some reasonable compromise is to be hammered out in time to be dovetailed into the special powers which are lapsing at this very moment. The refusal of the Senate to extend for another two years the powers of the President to change the gold parity of the dollar must obviously be interpreted in terms of political

prejudice and not of constructive monetary policy. If the Senators had their way it must be assumed that the dollar would once again be tied to a rigidly fixed gold parity. The reaction of operators in the foreign exchange markets to this particular vote was to sell dollars and buy gold on the theory that if he was going to be deprived of his devaluation powers President Roosevelt might exercise them while they were still his. The President has already set these fears at rest and the flurry in dollars—which was very well handled by the Exchange Equalisation Account—rapidly subsided.

**The Break in Silver.**—Of far greater immediate practical importance was the amendment decreeing the end of purchases of foreign silver as from July 1. The fear of such a development had been entertained by the silver market for some weeks past and was reflected in the discount on the American shipping parity at which silver has been quoted in London. That discount widened appreciably after the news of the amendment reached London. To add to the uncertainty and confusion of the market the U.S. Treasury then took it upon itself to decree three successive reductions in the price paid for imported silver from 43 to 38 cents. These reductions are perhaps an attempt on the part of the United States Administration to strengthen their case for continued purchases of imported silver, the arguments in favour presumably strengthening as the price paid for the silver falls. Or they may be the signal for a definite retreat from the Silver Purchase Act. That amazing piece of legislation was launched on the wave of inflationary fervour which swept the Administration after the devaluation of the dollar. The case for it has disappeared now that the U.S. banking system is glutted with excess reserves. If the policy embodied in the legislation has lasted as long as it has, it is due wholly to the terrifying vested interest in silver created by the absorption of the metal since the Act came into force. If the signal for the retreat has sounded, the silver market is plunging into a chaotic period of transition that will last until a price level has been found at which the demand in a free market will absorb all the silver on offer.

**External Reactions.**—The London silver market has reacted to these successive cuts in the U.S. import price by adjusting its quotation to a level at or below the shipping parity indicated by the lower dollar price. Despite the size of the fluctuations thus produced, there has been surprisingly little business. The slump has caused no appreciable concern or difficulty as operators have for some time past kept on the bear tack, given the prevailing and well-advertised uncertainties on the future of American silver policy. This absence of concern has not, however, extended to the producing countries, where the threat of a cessation of official American purchases must be viewed with some alarm. This is specially the case in

Mexico, a country which is not only the largest single producer of silver but for which the proceeds of silver exports have constituted an essential element in the balance of international payments. The United States has been taking about 5,000,000 ounces of Mexican silver a month, and the threat of a suspension of these purchases has already led to the abandonment of the peso-dollar peg of 5 pesos to the dollar maintained by the Bank of Mexico, and to a substantial depreciation of the peso in the free market. Canada, which by agreement with the United States has been selling 1,200,000 ounces of silver a month, is also an interested party. The position of the Chinese Government is also involved, since most of its credits hitherto raised in the United States have been secured by sales of silver to the Treasury. There are still ample stocks of demonetised silver in Chinese official reserves which were no doubt destined to swell the stocks of the U.S. Treasury as the need for raising dollar credits arose. Finally, Japan, with her eyes on the \$50 millions of Chinese silver held in the Tientsin concession, can hardly fail to feel some disappointment and apprehension at the sight of a steadily falling American price for the metal and at the fear that American purchases may be withdrawn altogether from the international silver market.

**New Zealand's Needs.**—No more candid or better balanced comment on the financial difficulties of New Zealand could be desired than that made by Lord Balfour of Burleigh, chairman of the National Bank of New Zealand, at the annual meeting of the bank held in London this week. The position of the London funds, having deteriorated to the point reached last November, obviously called for drastic remedial action. Control of the exchanges was one of the available alternatives and, far from condemning its utilisation, Lord Balfour suggests that it has not been used strictly enough. The result is that hopes of an immediate rebuilding of London balances have been frustrated and that the trading banks have been forced in self-defence to ration exchange to their clients. This being the case, it is evident that the immediate and urgent problem confronting New Zealand goes beyond the £17 millions maturity at the end of the year and the financing of the re-armament expenditure to be incurred in Great Britain. In addition to this a substantial amount of fresh credit must be made available if, in the words of Lord Balfour, "serious dislocation of trade, amounting indeed to a commercial default, is to be avoided." This is plain speaking by someone who is admirably placed and fitted to speak on this subject. Commercial default by New Zealand would only be at one remove less disastrous than default on the external debt. It is only by facing boldly up to this ugly reality that the immediate problem of New Zealand can be viewed in its true light. The New Zealand Government must play their part by tightening up the import control machinery and stopping every loophole for the export of capital. But whatever can be done in this direction cannot, in Lord Balfour's opinion, avoid the emergence of a very difficult trade position for the next six months.

## MONEY MARKET NOTES

### The Money Market

CONTRARY to custom, the last week of June has seen excitement chiefly centred in the foreign exchange and bullion markets, and business in Lombard Street has been very quiet. As had been expected the discount market syndicate concentrated all its applications at last week's Treasury Bill tender for bills to be taken up on July 1st. The chief surprise as regards the tender was the lack of outside demand, as bills dated July 1st will this year fall due for repayment on September 30th and might have been considered, therefore,

a very popular maturity. Political fears were probably mainly responsible for the big drop in applications to an

|                                | June 30, 1938 | June 22, 1939 | June 29, 1939 |
|--------------------------------|---------------|---------------|---------------|
| Bank Rate .....                | 2½            | 2½            | 2½            |
| London Deposit Rate ..         | 2½            | 2½            | 2½            |
| Short Loan Rate .....          | 1             | 1½            | 1½            |
| Clearing Banks .....           | 1-2           | 1½-2          | 1½            |
| Others .....                   |               |               |               |
| Discount Rates .....           | 17½-21½       | 25½-27½       | 24            |
| Treasury bills .....           |               |               |               |
| Three months' bank bills ..... | 9½            | 15½           | 24            |

\* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. 2½ per cent. 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.

amount which gave a margin of only £10.7 millions over the amount on offer and allotted. The discount market, therefore, obtained a big allotment, amounting to 77 per cent. of its requirements, and the fact that it had such a big quota to pay for on July 1st explains the fairly substantial forward business in bills which has taken place with the clearing banks this week. For September bills, to be delivered on Saturday, the banks have quoted 2 per cent. and for Augusts 1½-1½ per cent. There is no indication as to the course of discount rates after the close of the half-year. In view of the political

(Continued on page 22)



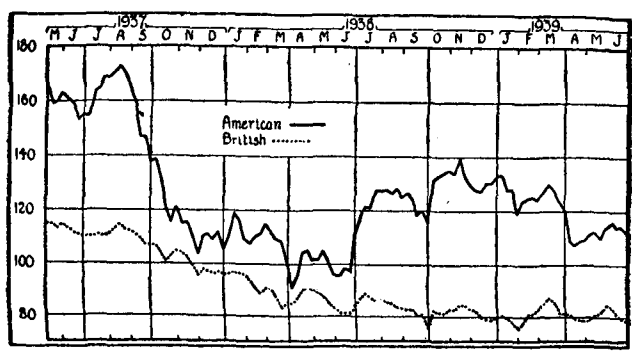
# Investment

**Markets Again Recede.**—The question posed here a month ago—how far recovery?—has been quickly answered in June. The markets were then basing a cautious advance on the prospects of an early agreement between Great Britain and Soviet Russia. As the negotiation has dragged on, so their confidence has weakened. And that

## 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.



weakening has been accompanied, towards the end of the month, by signs that the war of nerves is once more being prepared. As a result the *Financial News* ordinary share index is again well on the wrong side of 80, having reached 84.4 at the end of the first week in June. Wall Street, having attempted a mild independent rally has, within the past few days, felt the impact of political unsettlement in its customary decisive fashion. In London, on the other hand, there is no volume of business worthy

(Continued from page 21)

situation and the fact that the Treasury Bill offering is again £50 millions this week, it is not expected that there will be any marked recession.

Money continues to be in plentiful supply. For night advances against bonds the usual rate is  $\frac{1}{8}$  per cent. There has been some borrowing into July, and  $1\frac{1}{2}$  per cent. was paid on Thursday for loans till next Monday.

\*

## The Bullion Market

As pointed out in a Finance Note, rumours of a cut in the dollar before next month had repercussions in the bullion market where on Tuesday there was a rush from dollars into gold. The turnover at the fixing was twice as high as on the previous day at £676,000, and a similar amount is believed to have been sold for hoarding in subsequent dealings. On Wednesday, this tendency

| Date    | Gold               |                | Silver                      |           |
|---------|--------------------|----------------|-----------------------------|-----------|
|         | Price per fine oz. | Prem. Discount | Price per fine oz. standard | Two Mths. |
| 1939    | s. d.              | d. pm          | £'000                       | d.        |
| June 23 | 148 6              | 1/2            | 511                         | 197 1/8   |
| " 24    | 148 6              | 1/2            | 236                         | 197 1/8   |
| " 26    | 148 6              | 1/2            | 329                         | 197 1/8   |
| " 27    | 148 6              | 1/2            | 676                         | 185 1/8   |
| " 28    | 148 6 1/2          | 1              | 445                         | 185 1/8   |
| " 29    | 148 6 1/2          | 1              | 389                         | 175 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.

to hedge against a fall in the dollar still apparent, and as the authorities were not disposed to release much gold, buyers obtained very much less than half of their requirements. Later in the day, however, with the change of sentiment in the foreign exchange market, the desire to hoard gold disappeared.

\*

## The Bank Return

CURRENCY requirements over the end of the month probably explain the rise in the note circulation, although it is a much bigger rise than that shown in the corresponding return of last year, which was dated June 29th. There has been no real attempt to offset the withdrawal of notes, for though Government securities are £1.3 millions higher,

| June 29, 1938         |           | June 14, 1939 |           | June 21, 1939 |        | June 28, 1939 |        |
|-----------------------|-----------|---------------|-----------|---------------|--------|---------------|--------|
| £ mil.                | £ mil.    | £ mil.        | £ mil.    | £ mil.        | £ mil. | £ mil.        | £ mil. |
| Issue Dept.:          |           |               |           |               |        |               |        |
| Gold                  | 326.4     | 226.3         | 226.3     | 226.4         |        |               |        |
| Value per oz. fine... | 85s. 14d. | 85s. 14d.     | 85s. 14d. | 85s. 14d.     |        |               |        |
| Notes in circulation  | 485.2     | 495.0         | 494.7     | 499.0         |        |               |        |
| Banking Dept.:        |           |               |           |               |        |               |        |
| Reserve               | 42.2      | 31.8          | 32.2      | 28.2          |        |               |        |
| Public Deps.          | 120.5     | 22.1          | 25.2      | 15.4          |        |               |        |
| Bankers' Deps.        | 125.5     | 100.3         | 97.2      | 101.4         |        |               |        |
| Other Deps.           | 36.1      | 36.4          | 36.1      | 37.0          |        |               |        |
| Govt. Secs.           | 119.5     | 116.3         | 112.6     | 113.9         |        |               |        |
| Discounts & Advances  | 7.3       | 5.6           | 6.5       | 6.8           |        |               |        |
| Other Secs.           | 21.1      | 23.0          | 25.2      | 22.9          |        |               |        |
| Proportion            | 24.4%     | 20.0%         | 20.3%     | 18.3%         |        |               |        |

other securities are down by £3.3 millions. Nevertheless, bankers' deposits are up by £4.2 millions as there has been a switch-over from public deposits which have suffered from the depletion of Government resources caused by the concentration of payments for last Friday's Treasury Bills on July 1st.

of the name, although a minor spate of trustee issues and electricity stocks towards the end of the month has met a satisfactory response. In the traditional phrase, there is no lack of money awaiting investment, but it is waiting with the apparent conviction that time is on its side. The markets are restless, but calm. Facing a period of possible political trial, they may claim credit even for their inactivity.

\* \* \*

**British General Fixed Trust.**—Rumours that the financial position of British General Fixed Trust, Ltd., had been impaired were confirmed on Wednesday this week by two official statements. The first, issued by the Unit Trusts Association, stated that this body was taking steps to ensure the maintenance of the service of the trusts hitherto managed by British General Fixed Trust, Ltd., and emphasised the trustees' statements that funds vested with them were absolutely safe and intact. The second announcement, from the board of British General Fixed Trust, Ltd., recorded the directors' decision, by reason of insufficient financial resources, to negotiate for the transfer of the management of the trusts to stronger hands. Certain trusts were closed as from June 26th, and the statement, after emphasising the security of the trust funds, anticipated a further early announcement regarding the result of the negotiations. Although, to judge from the volume of business recorded by other groups this week, this announcement has not caused any disturbance of mind on the part of certificate holders at large it raises some important questions. The precise nature of the financial problems of the management company has not been disclosed and it is impossible to say whether they are associated in any way with the absence during the past two weeks of the managing director of the group. So far as the unit holder is

## Foreign Exchanges

At the end of last week and on Monday the foreign exchange market continued to experience very inactive conditions. Very small movements occurred in rates, and turnovers were negligible. On Tuesday, however, after opening at 4.68½, the sterling-dollar rate moved upwards in the afternoon, when New York entered the market as a seller of dollars on a relatively large scale, owing to the confusion over monetary policy in the United States, and closed  $\frac{1}{8}$  c. cheaper on the day at 4.68½. The next day, however, pressure against the dollar soon subsided, and the rate gradually fell to Monday's closing level of 4.68½, at which it was maintained for most of Thursday. Swiss francs improved against the pound on Wednesday and, after touching 20.75 were finally 1 c. dearer on the day at 20.76½, but relapsed to 20.77½ on Thursday. The announcement that withdrawals of more than 500 dollars a week from the Chinese banks in Shanghai, except for meeting payrolls and official requirements, are to be paid in *Waiwah*, that is, cheques which can only circulate between local banks, was followed by a small appreciation in the Shanghai dollar. This was caused by re-sales of sterling exchange, in view of the shortage of local supplies of cash. The new restriction in Japan, reducing the sum allowed to be taken out of the country from 2,000 yen to 500 yen and imposing a licensing system for the return of Japanese bank notes, had no effect on the yen exchange, which is still officially quoted at 1s. 2d.

concerned, the point of prime importance is that the underlying securities for his certificates are intact, and that no loss (unless the levering down of certain of the trusts to a liquidation basis can be so regarded) will fall upon him. The Unit Trust Survey published with *The Economist* of May 13, 1939, showed that the company is directly responsible for the management of four trusts, British General "A," "B" and "C" and First Recovery. General Accident Fire and Life Assurance Corporation acts as trustees for the first three trusts and Martins Bank for the fourth. British General Fixed Trusts, Ltd., is also associated with two other management companies, Improving Securities Trust, Ltd. (which manages the Capital Securities, Commodity Share, and British and American Securities trusts), and also Specialised Unit Trusts, Ltd. (which is responsible for Trust of Rubber and Tin Shares and the Gold Share Trust). For these five trusts Martins Bank acts as trustee. It is understood that the difficulties of the parent company are not directly related to the associated companies and trusts. It may be recalled, in connection with the directors' reference to "insufficient financial resources," that, in October, 1935, the British General "B" Trust was closed owing to an unfortunate error in the Trust Deed, which referred to £170 of 5s. ordinary stock units of Ever Ready Company (Great Britain) instead of the intended 170 5s. units. The management company distributed, in effect, a bonus of three units for every one included in the portfolio at their expense, to the wholly unexpected profit of sub-unit holders. This praiseworthy action doubtless affected the financial position of the parent company, although it had presumably been able to repair some of the damage in the four years which have subsequently elapsed.

\* \* \*

**The Question of Escrow Funds.**—For the moment, the unit holder can content himself with the knowledge that the financial problems of the group involve the management company alone, and do not directly affect the trust funds. The company, at January 10, 1939, had an issued capital of £10,000 preference shares, £75 ordinary shares and £25 "A" ordinary shares. Of this, relatively large sums were held by nominee companies, as shown on page 32 of our recent Unit Trust Survey. A point of substance which affects certificate holders, however, arises in regard to the escrow funds of the group—to which no reference has been made in this week's statements. Our Unit Trust Surveys of the past three years have recorded that provision for future management has been made with the trustees in respect of British General "A" and "C" and First Recovery, and it is to be presumed that some provision has also been made for British General "B." Such escrow provisions are specifically intended to cover just the contingencies which have arisen in the British General case, and unit holders are entitled to assume that the trustees have been satisfied that the amounts set aside are sufficient to cover future management and trustee services for the full life of the trust. The trust deed relating to First Recovery Trust, in fact, requires a declaration by the trustees on each distribution warrant that escrow funds still in hand are adequate to cover the future remuneration of the trustees and managers, and although the trust deed relating to British General "A" is not apparently clear on this point—at the date of the creation of the trust, June 22, 1934, the problem of escrow funds was only just being tackled—it is to be presumed that satisfactory provision has been made. In this event, the problem of transferring the trusts managed by British General Fixed Trust into stronger hands should not present any material difficulty, and, in the last resort, it might well be that trustees of the standing of the two companies acting for the British General trusts would be prepared to undertake the administration of the funds, although such action might lie outside their formal responsibilities. If the transfer of management is completed satisfactorily, and within a short time, it is probable that the unit trust movement will escape any material harm. But the episode underlines the case that unit trust management should be in strong hands. Possibly a term

may now be set to the formation of *ad hoc* management companies of modest size, which lack strong financial connections.

\* \* \*

**Armament Profits Duty Provisions.**—The full clauses relating to A.P.D., and the discussion in Parliament on Monday have done something to clarify what is essentially a complicated tax, but clarification stops well short of the point at which the investor can make any more certain calculation of the incidence of the new tax than the necessarily approximate type of computation given for a few companies on page 724 of last week's issue of *The Economist*. A clearing office is to be set up under the Minister of Supply to ascertain the total business passing to a sub-contractor from a number of principal sources. The Finance Bill shows that contracts for the supply of foreign armed forces will be included in the computation of turnover. Considerable confusion still exists regarding the nature of the materials and commodities which will be excluded on the ground that they are commonly used for non-defence purposes. The impression is that coal and food will not be included. But the exemption might also extend to other materials which, although essential for the defence programme—such as cement and structural steel—are commonly required for other purposes. The allowance for exceptional depreciation is to be fixed at 10 per cent. for plant extensions carried out since January, 1937, pending the computation of the actual depreciation (that is, written down value, less scrap value) on the "restoration of normal conditions," when the 10 per cent. allowances will be suitably adjusted. Shadow factory fees will be included in the computation of armament contracts, although the capital construction costs will naturally not be eligible for exceptional depreciation.

\* \* \*

**Half-Year's New Capital.**—The tables which appear at the foot of page 24 give our usual analysis of capital market activity for the first six months of this year. They show very clearly the blight which has fallen upon the market this year, for even with the inclusion of the latest revival in trustee borrowing the totals are well below those of any comparable six months shown in the tables. Direct public offers amounted to £47.7 millions, compared with £136.3 millions for the first half of 1938—not itself one of the most active periods, although it included a second instalment of defence borrowing, which 1939 so far lacks. Nor are the figures made brighter by the inclusion of securities for which permission to deal was granted during the half-year, for our "new basis" total, set out in the second section of Table I, represents only 52 per cent. of the level recorded in the first six months of 1935, compared with 130 per cent. for 1938. Table II illustrates the

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dwindling volume of new industrial issues; conversion operations have been negligible, as Table IV shows; and the detailed analysis of new issues for the half-year which appears in Table III indicates the complete sub-normality of new issue activity in most sections of the market.

**New Borrowing Tactics.**—Indeed, the market has shown signs of recovery only within the last week or two, and then its choice has been limited to Dominion, home corporation, and electric power issues, with a minimum number of industrial issues to lend diversity rather than substance to the new borrowing. An instalment of defence borrowing is still around the corner, and the action of the authorities in opening the gates fairly widely to new trustee borrowing suggests that they are not inclined, at present, to encourage the market's appetite by keeping it on short commons. More important, at present, are the dual problems of pricing and timing. A new technique has been adopted ever since the Treasury issued the second defence loan in June last year at a price significantly below the market level. That technique was evident from the terms of the South Africa, Australia and, particularly, the Hertfordshire loans. Indeed, the latter's 3½ per cent. stock, dated 1945-59, was identical with the Essex loan issued last February, except in the matter of price. The Hertfordshire loan was offered last week at 96½, when the Essex loan, originally issued at 97, already stood three points above the issue price. The authorities have indeed realised that the investor must now be persuaded to subscribe to new loans, whereas up to a year ago he could be largely compelled to take what was offered. But it is a policy which has dangers of its own. A stock at bargain price may appreciate to the

level of the market; or it may drag the rest of the market down to its own level. The magnificent response to the Hertfordshire loan—cash applications covered the issue 15 times—clearly invited the prospect of a substantial opening premium. The stock opened on Monday at ½ premium, but closed at ¼ premium, and although on Tuesday initial dealings saw the stock at ½ premium, the precipitate announcement of the L.C.C. issue, on the same terms as the Hertfordshire issue, sharply depressed the price to ¼ discount, before it closed at par, and also shook the gilt-edged market significantly.

There is nothing wrong with the price of either of the loans, unless it leans, possibly, on the side of generosity, but it was perhaps significant that, even before the announcement of the L.C.C. loan, the normal process of switching had not raised the Hertfordshire scrip to a comparable yield basis with other corporation stocks. The L.C.C. announcement has thus denied the market the results of a crucial experiment in yield adjustment. To be successful, the new technique has to ensure a premium for the subscriber. A few issues on which apparently generous terms fail to lever up the scrips may, however, encourage the opposite presumption by investors that the authorities are prepared to acquiesce in some increase in interest rates, although that would be contrary both to their declared policy, and also to their interest in a firm gilt-edged market for future defence borrowing. But if harm is possible through undue generosity, it is certain to occur if issues appear with undue haste. A period of digestion was inevitable under the previous technique of squeezing the last ounce from the market; but it should be avoided now.

TABLE I

## TOTAL BORROWING (Million £)

| First Half of Each Year                    | British    |                    |        |            | Empire | Foreign | Total Issues | Indices |               |
|--------------------------------------------|------------|--------------------|--------|------------|--------|---------|--------------|---------|---------------|
|                                            | Government | Home Corporations* | Others | Total Home |        |         |              |         |               |
| By Direct Public Offer (Old Basis)         |            |                    |        |            |        |         |              |         | 1928<br>= 100 |
| 1928.....                                  | 85.2       | 10.0               | 89.3   | 184.5      | 40.2   | 20.1    | 244.8        | 100     |               |
| 1932.....                                  | 103.2      | 27.0               | 16.1   | 146.3      | 17.4   | Nil     | 163.7        | 66      |               |
| 1933.....                                  | 61.4       | 17.0               | 22.8   | 101.2      | 8.6    | 1.0     | 110.8        | 45      |               |
| 1934.....                                  | 42.9       | 12.0               | 23.3   | 78.2       | 17.6   | 1.1     | 96.9         | 40      |               |
| 1935.....                                  | 2.5        | 15.4               | 42.3   | 60.2       | 5.0    | 0.1     | 65.3         | 27      |               |
| 1936.....                                  | Dr.0.1     | 45.9               | 44.3   | 90.1       | 8.7    | 0.5     | 99.3         | 40      |               |
| 1937.....                                  | 98.5       | 24.6               | 47.8   | 170.9      | 13.9   | Nil     | 184.8        | 75      |               |
| 1938.....                                  | 76.8       | 22.7               | 118.2  | 215.6      | 15.6   | 2.5     | 235.8        | 96      |               |
| 1939.....                                  | Dr.2.4     | 12.1               | 21.9   | 31.6       | 15.8   | 0.3     | 47.7         | 19      |               |
| Including "Permission to Deal" (New Basis) |            |                    |        |            |        |         |              |         | 1935<br>= 100 |
| 1935.....                                  | 2.5        | 16.3               | 108.2  | 127.0      | 12.2   | 1.4     | 140.6        | 100     |               |
| 1936.....                                  | Dr.0.1     | 47.0               | 109.8  | 156.7      | 12.4   | 4.8     | 173.9        | 124     |               |
| 1937.....                                  | 105.0      | 24.9               | 112.9  | 242.8      | 44.5   | 1.2     | 288.5        | 205     |               |
| 1938.....                                  | 76.8       | 24.4               | 40.5   | 141.7      | 38.8   | 2.4     | 182.9        | 130     |               |
| 1939.....                                  | Dr.2.4     | 12.1               | 38.6   | 48.3       | 24.2   | 2.2     | 74.7         | 52      |               |

\* Including county and public board loans.

TABLE II

## TOTAL COMPANY ISSUES (Million £)

| First Half of Each Year               | 1932 | 1933 | 1934 | 1935  | 1936  | 1937  | 1938 | 1939 |
|---------------------------------------|------|------|------|-------|-------|-------|------|------|
| <b>By Prospectus</b>                  |      |      |      |       |       |       |      |      |
| Debentures .....                      | 2.1  | 13.4 | 5.2  | 12.2  | 9.9   | 11.5  | 8.3  | 5.2  |
| Preference .....                      | 8.0  | 5.8  | 8.8  | 19.9  | 9.6   | 12.7  | 2.7  | 2.0  |
| Ordinary .....                        | 3.1  | 5.3  | 19.5 | 33.9  | 35.5  | 16.8  | 9.2  | 9.2  |
| Total (Old Basis)                     | 13.2 | 24.5 | 33.5 | 47.4  | 55.4  | 27.8  | 16.4 | 16.4 |
| <b>Including "Permission to Deal"</b> |      |      |      |       |       |       |      |      |
| Debentures .....                      | ...  | ...  | ...  | 26.0  | 14.6  | 16.9  | 14.6 | 11.5 |
| Preference .....                      | ...  | ...  | ...  | 29.4  | 21.1  | 19.2  | 7.8  | 4.0  |
| Ordinary .....                        | ...  | ...  | ...  | 64.9  | 87.6  | 119.0 | 49.3 | 28.3 |
| Total (New Basis)                     | ...  | ...  | ...  | 120.3 | 123.3 | 155.1 | 71.7 | 43.8 |

TABLE III  
ANALYSIS OF NEW CAPITAL APPLICATIONS  
(Excluding Conversions)

|                                                        | Total of First Half of Years |              |             |              |
|--------------------------------------------------------|------------------------------|--------------|-------------|--------------|
|                                                        | Old Basis                    |              | New Basis   |              |
|                                                        | 1938                         | 1939         | 1938        | 1939         |
| British Government Loans ...                           | 76,850,000                   | Dr. 2350,000 | 76,850,000  | Dr. 2350,000 |
| Colonial Government Loans ...                          | 6,930,000                    | 12,022,000   | 7,886,500   | 12,621,000   |
| Foreign Government Loans ...                           | Nil                          | Nil          | Nil         | 361,000      |
| British Corporation, County and Public Board Loans ... | 22,794,000                   | 12,106,000   | 24,407,000  | 12,106,000   |
| Colonial Corporations and Public Boards                | 1,990,000                    | Nil          | 1,990,000   | 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          | Nil         | Nil          |
| Australasian Mines                                     | 304,600                      | Nil          | 304,600     | Nil          |
| South African Mines                                    | 3,767,100                    | 1,808,600    | 4,857,600   | 3,193,800    |
| Other Mines                                            | 306,000                      | 1,415,900    | 1,104,500   | 4,965,900    |
| Exploration, Financial and Investment Trust            | 2,408,300                    | 176,300      | 5,498,600   | 2,564,700    |
| Breweries and Distilleries                             | 1,620,500                    | 538,400      | 3,801,000   | 588,400      |
| Merchants, Importers, etc.                             | Nil                          | 156,200      | Nil         | 156,200      |
| Stores and Trading                                     | 1,540,000                    | 495,000      | 2,315,200   | 3,771,600    |
| Estate and Land                                        | 86,000                       | Nil          | 188,000     | Nil          |
| Rubber                                                 | Nil                          | 186,500      | Nil         | 276,800      |
| Oil                                                    | 4,274,100                    | 120,000      | 22,589,500  | 120,000      |
| Iron, Coal, Steel and Engineering                      | 762,500                      | 2,735,700    | 1,961,600   | 4,963,000    |
| Electric Light, Power & Telegraph                      | 5,408,500                    | 5,616,500    | 7,270,700   | 6,340,300    |
| Tramway and Omnibus                                    | 327,900                      | Nil          | 3,011,400   | 1,695,200    |
| Motor Traction and Manufacturing                       | Nil                          | 91,900       | Nil         | 208,300      |
| Gas and Water                                          | 730,800                      | 310,500      | 2,180,200   | 2,747,800    |
| Hotels, Theatres and Entertainment                     | 2,140,900                    | 666,600      | 2,552,800   | 666,600      |
| Patents & Proprietary Articles                         | Nil                          | Nil          | 300,000     | 16,500       |
| Docks, Harbours & Shipping                             | Nil                          | 20,100       | 1,114,500   | 135,000      |
| Banks and Insurance                                    | 920,000                      | Nil          | 920,000     | Nil          |
| Manufacture & Miscellaneous                            | 3,217,400                    | 3,920,300    | 11,750,700  | 11,833,900   |
| Total                                                  | 136,378,600                  | 47,674,000   | 182,884,500 | 74,719,300   |

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

|                    | 1934  | 1935  | 1936 | 1937 | 1938 | 1939 |
|--------------------|-------|-------|------|------|------|------|
| British Government | 105.0 | Nil   | Nil  | Nil  | Nil  | Nil  |
| Other Conversions  | 62.5  | 101.0 | 84.3 | 43.7 | 13.8 | 4.6  |
| Total              | 167.5 | 101.0 | 84.3 | 43.7 | 13.8 | 4.6  |

**New Issue Prices.**—The fate of the new issues made in the first half of this year is shown in the following table:—

| Month of Issue | Name and Description                    | Nominal Amount | Issue Price | Price, June 28, 1939 |
|----------------|-----------------------------------------|----------------|-------------|----------------------|
| 1939           | By Prospectus                           | £              |             |                      |
| Jan.           | Southern Railway 4½% Deb. 1970-80       | 7,500,000      | 98½         | 101                  |
| Jan.           | Summers (J.) 4½% Deb. Stk. 1939         | 2,000,000      | 98½         | 99                   |
| Feb.           | Essex 3½% Stk. 1954-59                  | 1,000,000      | 97          | 100½                 |
| Feb.           | Barking 3½% Stk. 1954-59                | 500,000        | 97          | 97                   |
| May            | Sydney (City of) N. S. Wales 5% Debs.   | 1,000,000      | 100         | 101                  |
| May            | South Africa 3½% Ins. Stk. 1954-59      | 5,000,000      | 96½         | 97                   |
| May            | Northern Ireland 3½% Stk. 1950-54       | 2,500,000      | 98½         | 99                   |
| June           | Australia 4% Reg. Stk. 1961-64          | 6,000,000      | 98½         | 97                   |
| June           | West Kent Electric 4½% Cum. Pref. £1    | 500,000        | 20/6        | 20/9                 |
| June           | Hertfordshire 3½% Stk. 1954-59          | 3,000,000      | 96½         | 96½                  |
| June           | North Met. Power 3½% Deb. 1951-65       | 1,700,000      | 91½         | (c)                  |
| June           | London County 3½% Cons. Stk. 1954-57    | 7,500,000      | 96½         | ...                  |
| June           | Wessex Electricity 3½% Deb. 1954-59     | 1,500,000      | 96          | ...                  |
| Feb.           | English Electric Ord. £1                | 481,156        | Par         | 34/6                 |
| Feb.           | Yorkshire Electric Ord. £1              | 824,000        | 30/-        | 37/-                 |
| Feb.           | Gallagher, Ltd., Ord. £1                | 284,592        | 30/-        | 6                    |
| Jan.           | By Stock Exchange Introduction          |                |             |                      |
| Jan.           | O.K. Bazaars 6% 2nd Cum. Pref. £1       | 300,000        | 21/-        | 23/1½                |
| Feb.           | Parkgate Iron, etc., 4½% Deb. Stk.      | 400,000        | Part        | 99                   |
| April          | Lewis's Investment 5% Cum. 2nd Pref. £1 | 500,000        | Part        | 20/6                 |
| Jan.           | By Permission to Deal                   |                |             |                      |
| Jan.           | Crompton Parkinson New "A" Ord. 5/-     | 409,814        | 15/-        | 18/9                 |
| Feb.           | Ashanti Goldfields 4/- Ord.             | 200,000        | 70/-        | 63½                  |
| Mar.           | Lewis's, Ltd., 3½% Deb. 1969-70         | 500,000        | 94½         | 94½                  |
| April          | Uganda 3½% Ins. Stk. 1955-65            | 614,400        | 97½         | 98                   |
| June           | Marks and Spencer 5/- Ord.              | 192,203        | 58/3½       | 57/-                 |

† Price at which dealings commenced. (a) All for conversion purposes.  
(b) Partly for conversion purposes. (c) Dealings opened on June 29th at 1½ discount.

The contrast between the premium on the Essex loan—which was not affected this week by the surprising appearance of the L.C.C. issue—and the initial dealings in the Hertfordshire scrip (which fell to ½ discount on Thursday) is marked.

## Company Notes

**New Company Results.**—The investor learned in the new issue boom to distinguish between new companies formed with prospects but no earnings record and well-established concerns supplying new products and developing new techniques. Three companies in the latter class have issued satisfactory reports in the past week or two. British Plaster Board is linked mainly, though not entirely, with the construction industries; Metal Box manufactures containers; while Thomas de la Rue makes a variety of products and has lately branched into plastics. All three companies have profits records showing considerable evidence of recent progress, subject naturally to the superimposition of general trade conditions. In the past six years the profits of *British Plaster Board* have increased tenfold, and in order to bring capital more into line with assets, a capital bonus is now contemplated. For eleven months to March 31, 1939, total profits amounted to £564,810, against £534,121 for a full year, and the distribution of 45½ per cent. actual is at the same annual rate of 50 per cent. During the year, however, the ordinary capital was increased in connection with the acquisition of D. Anderson and Son, and the final dividend of 25½ per cent. is payable on the higher capital. Total profits of *Metal Box* last year were £486,542, against £516,077, owing to general trading difficulties, but this is the first interruption in a record of consistent progress. The distribution of 17½ per cent. is repeated, from equity earnings of 27.9 per cent., against 29.5 per cent. There is, however, no check to the company's policy of expansion and improvement, and to provide further working capital an issue of ordinary shares on bonus terms at the rate of one new for seven held, at 50s. a share, is proposed, and should provide half, at 50s. a share, is proposed, and should provide some £440,000 gross. At the current price of 73s. 9d., the rights are worth 3s. The trebling of *Thomas de la Rue's* total profits was one of the outstanding industrial results in 1937-38, and a further advance is shown from £223,523 to £289,991 in total profits for 1938-39. The plastics moulding branch, which is a recent development, does not seem to have contributed to these satis-

factory earnings, for results are described as disappointing owing to acute competition, though an adequate return is ultimately expected. Earnings for the equity are practically unchanged at 49.1 per cent., but their distribution is more generous, for 26 per cent. is being paid, against 12 per cent. and a 10 per cent. capital bonus.

**Amalgamated Anthracite Collieries.**—During the past year, Amalgamated Anthracite shareholders have been fully occupied in considering and rejecting the original reorganisation scheme and in passing the new scheme. In the same period the undertaking has achieved results for 1938 which scarcely differ from those of 1937. Combined trading profits are slightly higher at £299,808 against £296,319, and the parent company's proportion is £296,803 against £296,161. An improvement in the coal trade was apparently offset by higher labour costs, but compared, say, with the years 1929-34, the group still shows a substantial decline. Only in 1939 will the accounts be clear of all charges and adjustments arising from the recent scheme, and the latest report thus covers a transitional, rather than a new, accounting era. The scheme was approved by the Court only twelve days ago; but the balance sheet at December 31st has been adjusted to show the new assets position, by the inclusion of a £4,918,339 assets revaluation deficiency, which will be covered by the capital reduction. Excellent consolidated balance sheets and profits statements are also given in comparative form for three and five years respectively. Interest and redemption funds absorb £144,301 against £205,560, for £621,360 of second debentures was redeemed during the year. A charge of £40,000 is made for depreciation for the half year to December 31st, and £10,000 for expenses of the scheme, and after transferring £187,318 towards the assets deficiency, £63,588 is carried forward. The chairman has indicated the possibility of a small ordinary dividend on the new capital if profits should reach the 1937 level in future. In view of the 1938 results, this may suggest that the new equity capital may be regarded as being close to the earnings zone. But such possibilities evidently could be over-rated.

**Union Cinemas Position.**—The working results of Union Cinemas for 1938 show the expected improvement. Trading profit for the previous 12½ months period was, of course, affected by a legacy of difficulty, but the improvement in revenue from £145,484 to £203,524 appears satisfactory. Financially, however, it marks but a small step towards rehabilitation of the company's position. The net

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charge for interest (excluding payments from capital) is substantially higher at £110,446 against £65,326, for bank overdrafts have increased from £1,302,343 to £1,439,547 over the year. Taxation absorbs £1,500 less at £23,500, but unlike 1936-37, when the revaluation of subsidiaries' assets made a depreciation provision unnecessary, the latest accounts show a charge of £50,000 which was foreshadowed in the previous report. With heavy capital losses appearing in the balance sheet, there is, of course, no question of dividend payments, and the final result is an increase from £8,739 to £28,317 in the carry forward. The complexity of the balance sheet position is no less evident than at the end of 1937. A new loan to subsidiaries appears for £25,497, so that interests in subsidiaries stand at £407,524 gross against £315,171. The suspense account is unchanged at £3,192,629, of which £2,181,020 represents the "writing up" of properties on acquisition. On the liabilities side, debts to associated companies total £199,527 against £162,097, though there is a substantial reduction in creditors, from £529,800 to £372,193. In addition, contingent liabilities appear in respect of guarantees, and the company has entered into obligations involving a total of £105,000. Shareholders, however, must await the meeting to learn if it is intended to deal with the capital losses on a more permanent basis. It is some consolation that the normal working of the group's properties seems to be giving satisfactory results under the control of the Associated British group.

**London Tin Results.**—The improvement in tin prices which began in the latter part of 1938 came too late—especially in combination with heavily reduced quotas—to affect the producers whose accounts have been published this year. Hence the 40 per cent. reduction in London Tin Corporation's total profits from £344,083 to £206,326 (before crediting the special dividend of £62,069 from the accumulated profits of Anglo-Oriental and General Investment Trust) is drastic, but scarcely surprising. Shareholders, however, at least have the consolation of a report which includes detailed facts and comments concerning tin in general and the Corporation's interests in particular. Profits in the past three years are analysed below:—

|                                   | Years ended April 30 |         |            |
|-----------------------------------|----------------------|---------|------------|
|                                   | 1937                 | 1938    | 1939       |
| Total profits.....                | 327,383              | 344,083 | 206,326    |
| Taxation .....                    | 53,592               | 76,500  | 55,724     |
| Expenses and fees .....           | 20,899               | 20,592  | 23,055     |
| Prov. for subsidiaries' losses... | 2,373                | 2,153   | 8,244      |
| Ordinary shares—                  |                      |         |            |
| Earned.....                       | 250,519              | 244,838 | 119,303    |
| Paid .....                        | 189,957              | 183,625 | 104,929    |
| Earned % .....                    | 9.2                  | 9.3     | 4.5        |
| Paid % .....                      | 7                    | 7       | 4          |
| Written off investments .....     |                      | 1,537†  | 120,000    |
| Special profits .....             | Cr. 8,973            | ...     | Cr. 62,069 |
| Carry forward .....               | 83,370               | 143,046 | 99,489     |

† Investigation expenses.

For such an unfavourable year the 4 per cent. dividend is satisfactory, but granted the inevitable cut in the distribution, the chief interest in the accounts lies in the balance sheet. Depreciation on the investment portfolio at April 30th was approximately £200,000 on book values exceeding £3½ millions—a reasonably healthy position in view of contemporary market difficulties. But the Corporation has taken a strict view on the need for keeping capital intact, and has made a special provision of £120,000 for writing down its interests, which reduces the depreciation to under £70,000. This special provision, moreover, is not entirely covered by Anglo-Oriental's special dividend and

consequently a considerable reduction in the carry-forward (which was, however, increased to an exceptional level in 1937-38) has occurred. The provision seems to have been applied chiefly to quoted investments in Eastern subsidiaries, whose book cost stands well below their market valuation, while other quoted securities showed a depreciation of about £208,000 below the book cost of £2,565,009. Considerable progress has been made in the financial rehabilitation of the group, but its current revenue prospects do not suggest any material increase in investment income for the current year. At the current price of 3s. 1½d., London Tin 4s. shares yield £5 8s. per cent.

**Anglo-Iranian Outlook.**—Though Anglo-Iranian Oil profits in 1938 were lower than in 1937, Lord Cadman was able to show at this week's meeting that the increased proportion of world oil sales which the company won in 1937 was maintained last year. International tension in 1937 had accelerated the demand for defence purposes, but, when these special orders ceased last year, the gap was not filled by industrial demand, and it was further accentuated by the depression in the United States, where stocks of fuel oil accumulated. Dealing with the company's productive activity, Lord Cadman referred to a reduced offtake from the ageing Masjid-i-Sulaiman field in the future, but the Gach Saran field is to be connected to the company's refinery at Abadan to expedite development, already in the early stages. Again, Anglo-Iranian last year concluded the survey of its future concessionary territory, involving some 100,000 square miles. This area has been delimited during the year in agreement with the Iranian Government. The company's refining capacity is being extended by the installation of a distillation unit and two cracking plants at Abadan and the erection of two new refineries. For the future, Lord Cadman was necessarily non-committal, and he stressed that the course of prices and sales must depend upon international trading conditions. Prices in 1939 so far are lower than last year, although rising petrol consumption and controlled production in the United States may lend some assistance to the market. Although the immediate economic outlook is clouded, it is evident that the company is fully protecting its technical future.

**Great Boulder Proprietary Controversy.**—It was a foregone conclusion that there would be a great deal of excitement at last Friday's meeting of Great Boulder Proprietary. In the event, the meeting lasted for no less than four and a half hours, with Mr Claude de Bernales, chairman and managing director, and Mr C. L. Nordon, representing Shareholders' Committee, occupying most attention. Much was heard, inevitably, that was irrelevant. But the meeting did at any rate serve to clear the air very considerably. On a show of hands the report was carried by an 81-56 majority but immediately a poll was demanded, as, of course, had been expected. And on ten other resolutions relating to the election or re-election of directors and appointment of auditors, further polls were demanded. It did not generally come as a surprise that the subsequent result of the voting went in favour of the company, but the margin was perhaps greater than most people had expected. The resolution that the report and accounts be adopted resulted in 1,145,858 votes for and 742,575 against, or a majority for the Board of 403,283. Voting in respect of the other ten resolutions resulted in similar substantial margins in the management's favour. What happens now? Has the whole controversy finally been brought to a conclusion? These are relevant questions to which it is difficult to give very categorical answers at the present stage. So far there has been no official announcement from the "Grundt" Committee on its future policy, although it has been strongly suggested in some quarters that the Committee will endeavour to continue its campaign. Meanwhile it is pertinent to note that the application which has been made to the Board of Trade for an inquiry into the company's affairs still stands.

**Commonwealth Mining and Finance Dealings.**—Commonwealth Mining, which is directed under the same auspices as Great Boulder, has also been a centre of discussion this week. The Stock Exchange Committee indicated on Wednesday that an application for permission to deal in 4,850,000 2s. 6d. shares in the company had been rejected, subject to the right of appeal until noon on Monday, July 10th. On June 21st, the Committee announced that it had decided again to postpone consideration of the application, and the line relating to the shares in the Supplementary List was ordered to be removed. The Committee's decision follows the reconstruction of the capital of the company, which was approved by the Court on May 22nd. As a result, the issued capital of £1,212,500 in 5s. shares was reduced to £606,250 in 2s. 6d. shares. The company was formed in 1934, and in 1935 the 5s. shares touched 17s. 10½d.; their highest level this year has been less than one-tenth of that price, and the quotations for shares of the associated mining companies are now nominal.

**De Beers' Prospects.**—About a month after Sir Ernest Oppenheimer's speech in Kimberley, De Beers' shareholders have received welcome news of the preference dividend payment for the half-year to December last. The current year began in better style than the latter part of 1938, and although business became quieter in the spring, Sir Ernest's opinion is that "short of some great disaster" the volume of trade in 1939 will be better than for 1938. It may be concluded from his speech, however, that the internal organisation of the diamond industry now affects De Beers' shareholders to a greater extent than before. The main stress of Sir Ernest's address, indeed, was upon the advantage to De Beers and its associates of their holding in the Diamond Corporation. The net effect of their purchase of a further 2,500,000 Diamond Corporation shares would be the additional investment of £750,000 in the diamond business, assuming that the vendors took—as was hoped—the balance of the purchase price in De Beers deferred shares. Sir Ernest did not enlarge on the reasons for adopting this particular method of finance (which was discussed on page 210 of *The Economist* of April 22nd), but he showed that, as a result of the priority given to the Diamond Corporation's sales, the return on De Beers' investment would assist the company to keep its mines in operation and to meet its preference charges even in bad times. In addition, there are advantages to be derived from quota adjustments between Diamond Corporation and other members of the Association. The demand for diamonds may be somewhat disappointing at present, but the payment of the balance of the 1938 preference dividend may be a hopeful portent for De Beers' shareholders.

**The Week's Company Profits.**—Our usual analysis of profit and loss accounts, appearing on page 50, contains 42 companies for which comparable figures are available, and whose net profits amount to £2,420,000, against £2,593,000, a decline of 6½ per cent. Aggregate net profits of 1,449 companies which have reported this year to date amount to £195,370,000, some 8½ per cent. less than £2,593,000, a decline of 6½ per cent. Aggregate net profits The week's results are discussed in preceding notes, and on page 30, under the heading "Shorter Comments."

**Company Meetings of the Week.**—Reports of company meetings will be found from page 36 of this issue. Lord Cadman's speech at the *Anglo-Iranian* meeting is discussed on page 26, while the proceedings at the *Great Boulder Proprietary* meeting are also reviewed on that page. At the meeting of *Globe, Telegraph and Trust*, the Earl of Middleton showed that any further improvement in the trust's Cable and Wireless holding would be available for the ordinary stockholders. Mr V. W. Yorke informed shareholders of *Mexican Railway Company* that the current half year's gross receipts had been exceptionally good. At standard exchange rates, a net profit of £19,000 against the previous half year's loss of £36,000 is anticipated. At the meeting of *Guest, Keen and Nettlefolds*, Mr R. S. Beale referred to an increase in orders for Guest, Keen, Baldwins and to the new G. K. and N. Ledloy Steel, which is now being developed at Scunthorpe and Cardiff. At the meeting of *Allied Ironfounders*, Mr A. W. Stevens declared that though exports had declined 15.37 per cent. last year, current efforts to retain and expand the company's overseas trade were meeting with success in certain specialised products. Lord Horne informed shareholders of *Zinc Corporation* that though the immediate objective of the mine development programme is 450,000 tons of ore per annum—which should be achieved this year—the scheme would allow a gradual increase to 750,000 tons. Mr H. W. Allard informed shareholders of *Marston Valley Brick* that turnover for the year to March, 1939, was greater than the previous year, but falling prices had more than offset the increase. Mr R. W. Townsend referred in his speech at the *African and European Investment* meeting to the valuable prospecting mineral options in the Orange Free State, which adjoin the Western Holdings property. At the meeting of the *National Bank of New Zealand*, Lord Balfour of Burleigh emphasised that a sympathetic attitude towards New Zealand's financial difficulties would provide security for the British investor in New Zealand. Lord Hirst informed *General Electric* shareholders that export business had developed with countries, such as Turkey, which received support from the Government. At the *Bank of British West Africa* meeting the Earl of Selborne discussed the stagnation in West African trade which had accounted for the year's disappointing results.

## THE STOCK EXCHANGES

### London SETTLING DAYS

|        |         |
|--------|---------|
| TICKET | ACCOUNT |
| JULY 4 | JULY 6  |

POLITICS have not relaxed their grip upon the stock markets, and once again conditions have remained subdued, with a growing tendency towards sagging prices. Dealers are willing to respond to better news, but recently they have received little encouragement. A disposition towards improvement on Tuesday was soon damped down in the gilt-edged market by the announcement of the L.C.C. loan, with a consequent adjustment of prices, and Thursday saw a further sharp reaction, though business remained small.

In gilt-edged stocks, there was a lack of public buying, so that prices tended to weaken on small sales. Hopes of a settlement of the Tientsin question brought an attempt at cheerfulness on

Tuesday, but it was quickly checked by the L.C.C. loan. In mid-week, conditions were dull, optimism concerning China being in part offset by the depressing effect of Mr Churchill's speech, so that on balance there was little change. War Loan was in the forefront of any movement in gilt-edged, and led in Thursday's sharp setback.

In the earlier part of the week, corporation issues were under the same influences as Government stocks. But later on they became weak on further consideration of the L.C.C. loan, though it was a question of adjustment rather than any selling pressure. As a result of these factors, and partly of stag selling, the Hertfordshire loan began the week at ½ premium, but was ½ discount on Thursday.

Dominion issues became a little steadier in mid-week, after showing an easier tendency at first. Among foreign bonds, European issues gave way on Monday, then stood their ground, and

finally turned dull again. Chinese issues received support after pronounced weakness. Movements in Japanese bonds were relatively small.

**Home rail** stocks became firmer, after slight initial weakness, in common with other markets, though there was some further recession in mid-week, despite the good traffics. Argentine issues were neglected, but fairly steady.

**Industrials** moved similarly to gilt-edged stocks. Prices drifted on Monday, made a mixed showing on Tuesday in an unsuccessful attempt at cheerfulness, and then resumed their slow downward movement. Iron and steel shares were dull at first, but became steadier towards mid-week, though business remained on a small scale throughout. Coal shares were varied, the movement one way or the other not being pronounced. In the engineering section, quotations moved within narrow limits.





In the *mining markets*, Kaffirs lost ground on Monday on Cape and local selling, Crowns and Sub-Nigels being particularly weak. On Tuesday, prices became firmer on Paris support and some bear-covering, but in mid-week Continental sales of Sub-Nigel and other leaders created an easier tone. Among the developing mines, East Rand issues were easier on Monday, and after sporadic improvements on Tuesday, were rather lower on the week, as were Venterspost, West Wits and Western Holdings. Finance shares followed the general trend, while West Africans under the lead of Ariston, recovered in mid-week. De Beers were a firm feature on Tuesday. Base metals were influenced by the lower price of silver.

| Group                     | Yields (%)       |                 |                  |
|---------------------------|------------------|-----------------|------------------|
|                           | June 28,<br>1938 | May 30,<br>1939 | June 27,<br>1939 |
| <i>Fixed Interest :—</i>  |                  |                 |                  |
| 2½% Consols. ....         | 3·39             | 3·60            | 3·72             |
| Misc. indus. deb. ....    | 3·96             | 4·13            | 4·11             |
| Misc. indus. pref. ....   | 4·37             | 4·59            | 4·59             |
| <i>Ordinary Shares :—</i> |                  |                 |                  |
| Aircraft manufacturing .  | ...              | 9·48            | 10·62            |
| Building materials.....   | 6·89             | 7·36            | 7·47             |
| Coal .....                | 6·69             | 7·03            | 6·46             |
| Iron and steel .....      | 8·78             | 6·48            | 6·63             |
| Oil .....                 | 6·98             | 6·56            | 6·39             |
| Home rails .....          | 6·70             | 0·34            | 3·39             |
| Breweries, etc. ....      | 5·30             | 5·49            | 5·63             |

| TOTAL DEALINGS IN NEW YORK |                 |                  |             |
|----------------------------|-----------------|------------------|-------------|
| 1939                       | Stock Exchange  |                  | Curb Shares |
|                            | Shares<br>000's | Bonds<br>\$000's | 000's       |
| June 22                    | 450             | 4,380            | 87          |
| " 23                       | 480             | 5,290            | 80          |
| " 24*                      | 190             | 2,490            | 33          |
| " 26                       | 500             | 4,830            | 105         |
| " 27                       | 480             | 5,240            | 89          |
| " 28                       | 540             | 5,400            | 107         |

\* Two-Hour Session

WHILE the general trend of quotations in June has been downward, the new capital arrangements of the Reichsbank have provided a diversion. Quoted on June 13th at 178½, the shares were

|                 | May<br>31,<br>1939 | June<br>28,<br>1939 |                   | May<br>31,<br>1939 | June<br>28,<br>1939 |
|-----------------|--------------------|---------------------|-------------------|--------------------|---------------------|
| Bell Tel. ....  | 175½               | 172                 | Int. Petrol Trac. | 10½                | 21½                 |
| Can. Car. ....  | 84                 | 84                  | Great. Trac.      | 10½                | 8½                  |
| Do. prod. ....  | 20½                | 20                  | Brit. Col.        |                    |                     |
| Power Corp.     | 10                 | 9½                  | Power "A"         | 26                 | 26½                 |
| Dome Mines      | 31½                | 33                  | Do. "B"           | 25                 | 25¼                 |
| Hollinger ....  | 145½               | 144                 | Can. Cement       | 87½                | 75¼                 |
| McIntyre ....   | 57                 | 55½                 | Int. Nickel       | 49¼                | 46¾                 |
| B. of Mont'ry   | 212                | 214                 | Massey Harris     | 51                 | 47½                 |
| Bk. of Nova     |                    |                     | Montreal Lt.      | 317½               | 32                  |
| Scotia .....    | 300                | 301                 | Quebec Pow.       | 17¼                | 17                  |
| R. Bank of Can. | 187                | 187                 | Shawinigan        |                    |                     |
| C. Bk. Com.     | 167½               | 166¼                | Water             | 197½               | 19                  |
| Can. Pac. ....  | 4½                 | 4                   | Steel Co. of      |                    |                     |
| Can. Plov. .... | 7                  | 6                   | Canada ....       | 75¼                | 73                  |

**Broadcast Relay Service.**—Issue of 200,000 5½ per cent. redeemable cumulative £1 preference shares at 20s., and 200,000 5s. ordinary shares at 6s. Preference shares redeemable at 21s. by 1959, by drawings from 1942, or on notice from 1944. Total assets, March, 1939: £610,579 (of which £566,593 shares in and amounts due from subsidiaries). Company's profits, years to March 31: 1937, £37,051; 1938, £38,754; 1939, £47,989.

**THE FACULTY OF ACTUARIES APPOINTMENTS BOARD**  
23 ST. ANDREW SQUARE, EDINBURGH, 2

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# Industry and Trade

**Supplies of Scrap.**—The present shortage of scrap which is restricting the production of steel is very largely the result of recent developments in the import and export trade. The following table shows monthly figures of trade in iron ore and scrap since January, 1938:—

| TRADE IN IRON ORE AND SCRAP (£'000) |         |       |         |      |
|-------------------------------------|---------|-------|---------|------|
|                                     | Imports |       | Exports |      |
|                                     | 1938    | 1939  | 1938    | 1939 |
| January .....                       | 1,862.2 | 393.0 | 10.8    | 75.8 |
| February .....                      | 1,620.5 | 483.3 | 23.1    | 85.9 |
| March .....                         | 1,586.9 | 518.4 | 20.9    | 34.9 |
| April .....                         | 1,126.4 | 627.2 | 41.4    | 31.1 |
| May .....                           | 917.0   | 807.9 | 20.1    | 26.5 |
| June .....                          | 751.0   | ...   | 8.5     | ...  |
| July .....                          | 710.3   | ...   | 30.9    | ...  |
| August .....                        | 582.5   | ...   | 77.3    | ...  |
| September .....                     | 463.0   | ...   | 67.7    | ...  |
| October .....                       | 421.3   | ...   | 61.9    | ...  |
| November .....                      | 337.2   | ...   | 117.7   | ...  |
| December .....                      | 381.2   | ...   | 112.4   | ...  |

It will be seen that until May there had been only a very small increase in overseas purchases. In the previous steel boom in 1937 imports had been increased much more rapidly and makers of steel not only had adequate supplies for their requirements but, owing to the recession last summer, also held large accumulated stocks. They do not seem to have realised that, with a re-armament programme on hand, these stocks were bound to be wanted before very long, and in August last year exports of iron ore and scrap began to increase substantially, partly as a result of the liquidation of these stocks. A large proportion of this increase was due to sales to Germany, whose purchases from this country rose from £14,500 in July to £57,700 in August and £71,400 in November. Towards the end of

last year when re-armament work was speeded-up stocks of scrap were known to be low, but imports were not increased at anything like the same rate as in 1937-38, while exports rose to their peak. Even in May imports had not reached the level of the corresponding month in 1937. It is becoming increasingly necessary that further supplies should be obtained. Most of our imports have come from the United States, Sweden and Algeria, but the British Iron and Steel Federation are reported to be trying to find additional sources of supplies in order to speed up production. The industry has, in fact, had a series of unlucky guesses. It was caught short in 1937 and, then, as a result of over-buying, had excessive stocks in 1938, which were sold abroad just when a new shortage was appearing over the horizon.

**Worsted Spinners Redundancy Proposals.**—At the mass meeting of worsted spinners held in Bradford in the middle of this month, the progress of the scheme for fighting the evils of redundant machinery and price cutting was reviewed. There was much discussion but few definite conclusions. A further call was made on the agreed levy to pay for the exploratory work that has been done, but the active attempts to produce a practicable scheme are apparently to lapse. It appears that owners of at least one-fifth of the spindles are in opposition, and about another 20 per cent. are sitting on the fence unwilling to bind themselves to the supporters of the plan unless that proves to be the winning side. A proposal that every firm should scrap or seal a proportion of its plant, whether busy or not, met with scarcely any support. Also the committee that has been investigating possibilities has been

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## BY OFFER FOR SALE

**North Metropolitan Power Station Company.**—Offer for sale of £1,700,000 second mortgage debenture stock, 1965 at 91½. Ranks with other second mortgage debentures. Redeemable by 1965 by annual drawings at par from 1942, or from 1951 on notice. Stations leased to Northmet Power Company for rentals enough to cover debenture service. Northmet profits (before rentals of £129,202, £131,992 and £136,945, respectively): 1936, £564,919; 1937, £580,231; 1938, £626,360. Proceeds for Willesden and Brimsdown stations. Lists closed 9.45 a.m., June 28th.

**James Barnes, Ltd.**—Offer for sale of 50,000 7½ per cent. cumulative participating redeemable £1 preference shares at par, and 100,000 2s. ordinary shares at 3s. 6d. After 7½ per cent. on ordinary, preference rank *pari passu* with ordinary for further 2½ per cent. non-cumulative; they are redeemable at 25s. from June, 1943, on notice. Makers and merchants of overalls, etc. Net assets, £100,000 (of which £43,772 goodwill) purchased for 50,000 £1 preference and 500,000 2s. ordinary shares. Profits, before depreciation and controlling directors' commission, t.c., years to November 30: 1936, £24,999; 1937, £32,200; 1938, £36,231. Whitehead Industrial Trust like issue for £50,280 plus expenses, net cost of preference at par and ordinary at 3s. 1-87d. Lists closed 5 a.m., June 28th. Over-subscribed.

**Wessex Electricity Company.**—Offer for sale of £1,500,000 3½ per cent.

debenture stock at 96. Redeemable at par, August, 1959, or from 1954 on notice. Profit (before depreciation of £92,830, £65,000 and £100,000 respectively, and interest): 1936, £253,222; 1937, £251,881; 1938, £259,769. Assets available December, 1938, to cover existing mortgage debentures: £3,026,426. Lazard Bros. and Company take issue at 93½, or 95½ including expenses.

## BY STOCK EXCHANGE INTRODUCTION

**Denny (William) and Brothers.**—Issued capital 250,000 £1 ordinary and 250,000 6 per cent. cumulative £1 preference shares. Shipbuilders and marine engineers. Net assets, £646,266. Profits before amounts written off investments: 1936, £11,720; 1937, £115,258; 1938, £148,023.

**A. Lewis and Company (Westminster), Ltd.**—Issued capital, 150,000 £1 ordinary shares, and 100,000 5½ per cent. cumulative £1 preference shares (including 50,000 taken by Messrs Joseph Seabag and Company at 19s. 6d. net). Total net assets £269,337 (including £48,000 from preference share placing). Net profit: year to March 31, 1938, £14,372; 1939, £15,967.

## SHORTER COMMENTS

**Company Results of the Week.**—OHLSSON'S CAPE BREWERIES have fully maintained their net profits at £176,724. Net profits of STEPHENSON CLARKE AND ASSOCIATED COMPANIES have risen from £225,895 to £238,252. Part of the increase, however, is due to the receipt of a half-year's dividend from a new invest-

ment, Cambrian Wagon Works. ANGLO-CYLON AND GENERAL ESTATES are again paying 10 per cent., since the tea crop was higher than in 1937, while the fall in price was only 0.3d. a lb. Lower profits, however, continue to rule for most tea companies, and both BUDLA BETA and BUXA DOOARS are reducing their dividend. Among textile companies, COHEN AND WILKS have experienced a severe setback, and in 1938 made a trading loss of £24,014. It is possible to pay the preference dividend only by a transfer of £11,000 from reserve. Considerable recovery is shown by GROUT AND COMPANY, whose profits for 1938-39 total £24,259, against £16,825. There is a substantial rise in PATONS AND BALDWIN'S total surplus from £426,661 to £539,023; special allocations include £30,000 for A.R.P. expenditure. Total revenue of ATLAS ELECTRIC AND GENERAL TRUST has fallen moderately from £244,907 to £228,553. An analysis of investments shows that over 59 per cent. are held within the British Empire. General trading difficulties have resulted in a fall from £88,062 to £78,960 in the total profits of BRITISH GLUES AND CHEMICALS. In spite of some decline in net profits, SANGERS, LTD., are again paying 25 per cent., though for the latest year there is no special distribution from a capital profit as in 1937-38. Companies associated with the building trades frequently show decreased profits. Net profits of EASTWOODS FLETTONS are £46,105, against £57,422. Total profits of W. N. FROY AND SONS have fallen by nearly £20,000 to £8,824, and the preference dividend is paid entirely by means of a draft upon the carry forward. HOVIS, LTD., have again had a satisfactory year, and are repeating the 20 per cent. dividend from net profits of £166,241, against £155,319.

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by no means unanimous as to the feasibility of any scheme yet suggested and one or two important resignations from this committee by representatives of large firms are spoken of. Another suggestion that appears to have little chance of success is that a section of the trade, such as the coloured spinners or the flyer spinners, should organise and by making their sectional scheme a success, tempt the bulk of the industry to follow suit. Such sectional schemes, however, have been tried in the past, unsuccessfully. It is also possible that some enthusiasm which certain cross-bred spinners showed for the plan when it was suggested a year ago has evaporated because those spinners are now better employed, due to Government orders for Service fabrics. The meeting has excited remarkably little comment in the West Riding where the scheme either for elimination of redundant plant, or standardisation of conversion costs, is generally regarded as dead.

**The Next Sugar Year.**—After informal discussions extending over almost one week, the International Sugar Council held a formal meeting in London on June 24 to discuss supply conditions in the third quota year commencing on September 1st next. As far as can be ascertained three countries were not represented at the meeting and some other delegations were not in a position to express the views of their respective governments until further consultation. Consequently the details of the arrangements made will not be made public for some time. If all governments accept the proposals no further meeting of the Sugar Council will be necessary to put them into effect. At present the export quotas under the scheme for the 1939-40 season amount to 3,695,000 metric tons including the reserve quota of 47,500 tons. At the middle of June the free market requirements for the next season were estimated by the Sugar Council's Statistical Committee at about 3,000,000 tons, but this estimate has since been revised in an upward direction. On the face of things, therefore, there will be an excess of supplies of not much less than 500,000 tons if the quotas remain unaltered and are used in full. The Council has no longer the right to reduce the quotas and all adjustments and concessions have now to be made voluntarily. In official circles, however, the new scheme for the third quota year, which seems to be more flexible than the regulation for the previous two seasons, is judged with considerable optimism. The prospects of a balance between supply and demand are considered sufficiently favourable for the more distant futures in the raw sugar market to have been pushed up by 6d. per cwt. in the last fortnight. But it is still not certain that the additional supplies authorised for the current season will be available before the end of August and quotations for the July future have risen by 1s. 6d. per cwt. to 8s. 9d. per cwt. since the middle of June.

**Lancashire Cotton Corporation.**—According to official announcements made this week, the progressive policy of the Lancashire Cotton Corporation, Ltd., is being maintained. The directors have completed negotiations for the purchase of the Manor Mill, Chadderton, Oldham, which contains 60,000 ring spindles, and is considered one of the most up-to-date and efficient mills in Lancashire. It is also understood that the directors have recently had under consideration the question of re-equipment of some of the mills, and it is reported that the mule spindles at the Hawk Mill, Shaw, and the Kent Mill, Chadderton, are being taken out and replaced by ring spindles. This development is partly due to the distinct shortage of piecers in the mule spinning mills, while mills with ring spindles can obtain a plentiful supply of female labour.

**Retail Trade in May.**—Compared with a year ago, the value of retail sales in the shops and stores included in the statistics published in this week's *Board of Trade Journal* increased in May by 9.1 per cent. This abrupt rise (the corresponding increase for last month was only 1.3

per cent.) is largely due to the combined effect of two statistical accidents. Firstly, as Whitsun and the pre-holiday shopping fell in June in 1938 and in May in the current year, it is probable that a large part of the rise will be counter-balanced by a fall in June. Secondly, the volume of retail trade in May, 1938, was exceptionally poor, so that the increase over this month of 9.1 per cent. gives an exaggerated picture of the improvement in trade during the current year. A more accurate indication of the trend in retail trade than the increase over the figures of a year earlier is given by the index numbers of the daily value of retail trade, with 1937 as base; the table below is taken from the *Board of Trade Journal*:—

INDICES OF DAILY VALUE OF RETAIL TRADE IN GREAT BRITAIN  
(Average Daily Sales in 1937=100)

|                  | Total | Food | Non-Food |         |           |
|------------------|-------|------|----------|---------|-----------|
|                  |       |      | Total    | Apparel | Household |
| 1937 March ..... | 97    | 104  | 90       | 85      | 96        |
| April .....      | 96    | 95   | 97       | 99      | 101       |
| May .....        | 108   | 107  | 109      | 119     | 98        |
| June .....       | 98    | 97   | 98       | 107     | 92        |
| 1938 March ..... | 93    | 102  | 84       | 81      | 87        |
| April .....      | 107   | 110  | 103      | 109     | 98        |
| May .....        | 101   | 103  | 100      | 108     | 94        |
| June .....       | 106   | 107  | 105      | 116     | 90        |
| 1939 March ..... | 96    | 105  | 86       | 83      | 86        |
| April .....      | 108   | 113  | 103      | 108     | 93        |
| May .....        | 111   | 112  | 109      | 123     | 93        |

The influence of Whitsun shopping is revealed by the sharp rise in the May index of sales of apparel in 1937 and 1939, when Whitsun fell in that month. But excluding the effects of Bank Holidays, the trend in retail trade has been steadily upward in the last six months; rising employment and stationary prices for consumer's goods continue to expand the level of purchasing power.

**Co-operative Trading Results.**—The unsettled trade outlook at the beginning of the year has been reflected in the returns of the Co-operative Wholesale Society for the twelve weeks ended April 8th. Total sales amounted to £27,063,976, an increase of £377,482, or less than 1½ per cent., over the corresponding period last year. A decline of £200,273 in the output from the C.W.S. productive works reduced the total to £9,848,688; so that the Federation drew £17,215,288 of its supplies from sources outside the movement. Lessened values in some commodities are also apparent in the results. For instance, supplies from the nine flour mills decreased in value by 19½ per cent. to £1,888,919, while quantity increased by 2½ per cent. The trade of the C.W.S. in milk for the twelve weeks was £1,219,682, and in milk products £769,850. The slowing down of the improvement in the trade of retail distributive societies in practically all sections except food-stuffs has led the C.W.S. directors to suggest the introduction of bazaar trading to combat the competition from fixed-price stores which has affected many of the societies in the larger towns. The directors' proposals, which will require the consent of the local societies, will be presented to the business meetings held later in the year. They suggest the operation of bazaar stores with an upper price limit of five shillings. There will undoubtedly be keen discussion before any change takes place, particularly since many societies are equally anxious to maintain both their autonomy and their local prestige. The proposed bazaars will not give a dividend on purchases, and many of the managers feel that such an innovation will cut against the most attractive feature of present-day co-operative methods.

**Wool Supplies.**—The prospects for the new wool season, which opens on July 1st, are very much more cheerful than they were at this time last year. Then a carry-over in the main exporting countries of 165 million lb. weighed on the market, while demand, especially in the United States and in Britain, was steadily falling with the general level of business activity. But the revival in trade during

last winter, assisted by the growing demand for uniforms, has greatly increased the imports of wool into the main consuming countries. The following table is compiled from the "Wool Intelligence Notes" and the latest trade returns:—

| RETAINED IMPORTS OF RAW WOOL<br>(Million lb.) |               |       |  |
|-----------------------------------------------|---------------|-------|--|
|                                               | January-May   |       |  |
|                                               | 1938          | 1939  |  |
| U.K.....                                      | 326.9         | 424.8 |  |
|                                               | January-April |       |  |
| Japan .....                                   | 39.6          | 43.0  |  |
|                                               | January-March |       |  |
| France .....                                  | 99.2          | 169.9 |  |
| Germany .....                                 | 91.6          | 100.1 |  |
| Italy .....                                   | 19.4          | 20.1  |  |
| U.S.A. ....                                   | 11.7          | 64.0  |  |

As a result of this expansion in consumption, stocks of wool in producing countries at the end of the season are expected to be very small. The unsold surplus of Australian wool, for example, is not expected to exceed 60,000 bales (of 300 lb.) against 238,000 bales at the end of June, 1938. The new Australian clip is officially estimated at 3,096,500 bales, against 2,920,000 bales produced in 1938-39, but the reduction in the carry-over will more than offset this small increase. Wool prices have been very stable since the beginning of the year, but in recent weeks the demand for cross-bred wools, which are used in the manufacture of uniform cloths, has increased sufficiently to raise prices at the wool auctions. It seems probable that both civilian and military demand will continue to expand, and unless exchange difficulties restrict the purchases of the totalitarian countries, sales and prices in the new season are likely to favour the sheep farmers.

**Wheat in Excess.**—On Tuesday, the quotations for July wheat on the Liverpool futures markets fell to 3s. 9½d. per cental, the lowest price since the record low level reached in 1931. For the last twelve months wheat prices have been falling, due firstly to the expectations and secondly to the realisation of the record crop of 1938. The surplus of that crop, piled up in granaries in the Argentine, in Canada and in the United States, is estimated by the International Institute of Agriculture at some 776 million bushels, an amount which, without the 1939 crop, is greatly in excess of the annual world imports of wheat, which are likely in the current season to equal about 580 million bushels. Prospects for the harvest which is now being gathered in the Southern States of America and in some European countries are also favourable. The acreage sown to wheat in the main European countries shows a slight increase over the record acreage of 1938, and although it is not likely that yields will again be as high as last year, a harvest of normal or above normal size can be expected. In Canada, acreage is little changed from last year, while in the United States "intentions to plant" indicate a reduction of about 1 per cent. in the total area sown to spring and winter wheat. Whatever may be the size of the new crops in the Southern Hemisphere, therefore, it seems that production in the season beginning on August 1st will be sufficient to meet importers' requirements, and in addition there are stocks more than equal to a year's trade in wheat. As long as European countries, through fears of war, continue to expand their wheat production and to restrict consumption by high internal prices, and as long as producers in export countries are encouraged to maintain their wheat acreage by Government subsidies, there can be only temporary recovery in the low levels of wheat prices.

**Shorter Hours in the Shoe Trade.**—The history of improvement in wages and working conditions is almost entirely a history of small sectional measures of regulation which have been followed by large-scale modifications in the industrial structure. The restriction of the hours worked by women and children in textile factories, in the

last century, began a process which entailed the reduction in the effective working period of machinery and plant, and automatically curtailed the hours of an increasing number of adult male workers. A similar development has been followed in one section of industry after another, and a notable new advance was made last week with the conclusion of an agreement between the National Association of Wholesale Boot and Shoe Distributors and the Shop Assistants' Union. The agreement, which covers the employees of 37 wholesale boot and shoe distributing houses, provides for a normal working week of 45 hours. Overtime at the rate of time and a quarter will be paid for hours worked in excess of 48. Long hours are naturally not so prevalent in wholesale as in retail distribution, since there is less necessity to conform to the hours set by the shoppers themselves, but limitation of hours and guaranteed minimum wage rates are still the exception in wholesaling, and the necessity for improvement is in many cases urgent. Last week's agreement introduces an element of order and definition in a field where much remains to be done. Progress towards reasonable hours and wage rates for those employed in wholesale and retail distribution should be easier now that there is a substantial nucleus around which to build.

**Stable Wholesale Prices.**—During the last fortnight the increasing political uncertainty has overshadowed the markets and checked any general upward tendency. *The Economist* complete index of wholesale prices, for example, showed a small rise from 115.4 (September 18, 1931 = 100) to 115.6 in the fortnight ended last Wednesday:—

SEPTEMBER 18, 1931 = 100

| Date             | The Economist Indices                      |                       |                      | Price of Gold<br>(sterling) | U.S.A.,<br>Irving-<br>Fisher | France,<br>Statistique<br>Générale | Italy,<br>Milan<br>Chamber of<br>Commerce | Germany,<br>Statistisches<br>Reichsamt |
|------------------|--------------------------------------------|-----------------------|----------------------|-----------------------------|------------------------------|------------------------------------|-------------------------------------------|----------------------------------------|
|                  | British<br>Complete<br>Index<br>(sterling) | Primary Products      |                      |                             |                              |                                    |                                           |                                        |
|                  |                                            | British<br>(sterling) | American<br>(dollar) |                             |                              |                                    |                                           |                                        |
| 1936<br>Dec. 30  | 131.3                                      | 163.9                 | 187.3                | 166.7                       | 128.8                        | 113.0                              | 116.3†                                    | 95.4                                   |
| 1937<br>Dec. 29  | 127.8                                      | 147.4                 | 135.3                | 164.2                       | 120.5                        | 135.8                              | 143.8                                     | 97.0                                   |
| 1938<br>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<br>Jan. 4   | 114.7                                      | 134.8                 | 127.5                | 177.1                       | 116.0                        | 151.2                              | 144.3                                     | 98.0                                   |
| Feb. 1           | 113.8                                      | 132.5                 | 125.9                | 175.1                       | 115.7                        | 152.7                              | 144.9                                     | 97.9                                   |
| Feb. 15          | 113.6                                      | 132.4                 | 124.1                | 174.6                       | 115.3                        | 153.5                              | 145.1                                     | 97.9                                   |
| Mar. 1           | 114.0                                      | 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                                     | 98.0                                   |
| 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                       | 115.9                        | 155.5                              | 146.4                                     | 97.9                                   |
| May 17           | 116.0                                      | 134.7                 | 123.4                | 174.9                       | 115.6                        | 157.3                              | 146.2                                     | 97.9                                   |
| May 31           | 116.7                                      | 134.4                 | 125.0                | 174.9                       | 114.8                        | 156.6                              | 146.5                                     | 98.0                                   |
| June 14          | 115.4                                      | 134.4                 | 124.0                | 174.9                       | 114.4                        | 155.0                              | 146.9                                     | 98.3                                   |
| June 28          | 115.6                                      | 134.4                 | 122.3                | 175.0                       | 114.4*                       | 155.3*                             | ...                                       | 98.3*                                  |

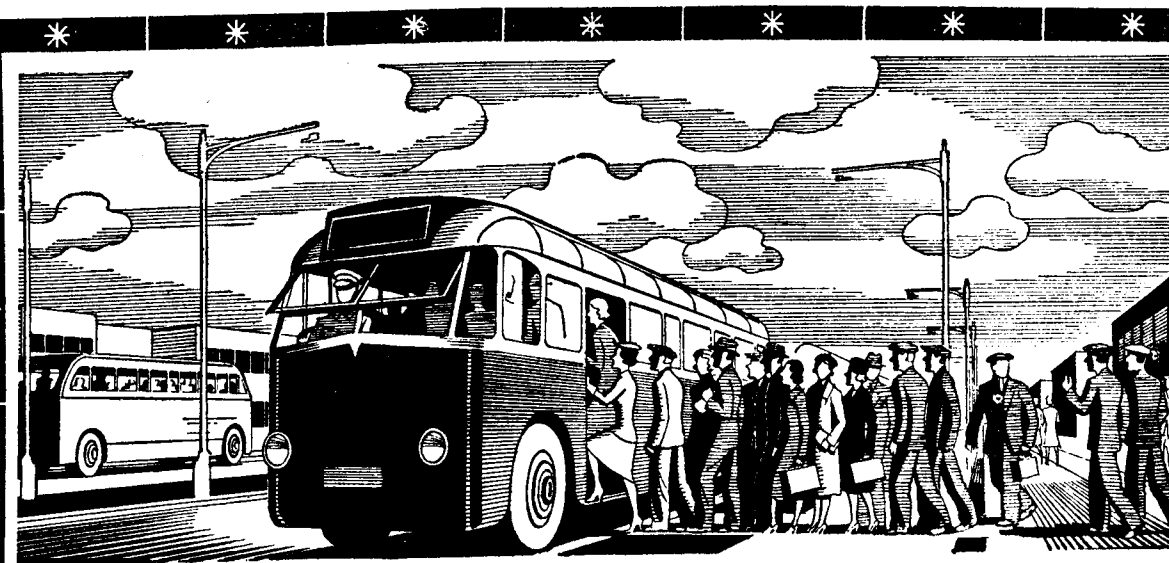
\* These figures refer to June 24th.

† Monthly average.

In the United States, the index for prices of primary products has been depressed by the low level of grain and vegetable oil prices. Details of the component series of *The Economist's* complete index of British wholesale prices are given below:—

|                     | Sept. 18, 1931 | June 22, 1938 | June 14, 1939 | June 28, 1939 |
|---------------------|----------------|---------------|---------------|---------------|
| (1927=100)          |                |               |               |               |
| Cereals and meat... | 64.5           | 87.0          | 67.6          | 69.0          |
| Other foods .....   | 62.2           | 57.8          | 61.9          | 62.1          |
| Textiles .....      | 43.7           | 51.5          | 54.5          | 53.6          |
| Minerals .....      | 67.4           | 91.7          | 91.8          | 91.8          |
| Miscellaneous ..... | 65.8           | 75.0          | 75.8          | 75.7          |
| Complete index      | 60.4           | 72.0          | 69.7          | 69.8          |
| 1913 = 100 .....    | 83.1           | 99.1          | 96.0          | 96.1          |
| 1924 = 100 .....    | 52.2           | 62.2          | 60.3          | 60.4          |

The rise in the index for cereals and meat is due to the sharp advance in bacon prices, which more than offset the fall in wheat prices. Raw cotton and flax were again cheaper, and were largely responsible for the fall in the index for textiles.



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# ABUNDANT LABOUR

**7** Labour Training Centres and 14 Junior Instructional Centres are making your future labour worth its wage.

**12,146** women—hard workers, quick learners—are ready to give light industries a flying start.

**13,998** juveniles are waiting to take their place in modern industry.

**117,758** men—many skilled, all adaptable, all with a steady desire to keep in work—offer new industries the best labour in Britain.

**143,902** people—from whom you can hand-pick your labour force. In the North 19% await work—in London only 8.3%.

**120** firms representing 54 industries have rented premises on the Estate in the last 2½ years: 10 have since expanded their factories.

**Team Valley tenants say Northern labour is the best in Britain**

**TEAM VALLEY**



**TRADING ESTATE**

Team Valley is a 700 acre estate on the outskirts of Newcastle. The Estate Company is financed by Government grant, operating under commercial control without profit. Standard or special factories are rented, complete in every respect. The Estate is equipped with canteens and playing fields for workers, restaurants, club, committee rooms, etc., for employers and executives. Backed as it is by the

Government schemes for the Special Areas, Team Valley Estate can offer its tenants services otherwise unobtainable—from help in applying for capital onwards. For further information, or for arrangements to view the Estate, please write to: W. Irvine, North Eastern Trading Estates Limited, Kingsway, Team Valley Estate, Gateshead-on-Tyne, 11. Telephone: Low Fell 76071



## INDUSTRIAL REPORTS

THE upward trend in industrial activity continues. There are some reports of a shortage of business from coalfields dealing mainly in household supplies, but the high level of industrial demand more than compensates for this. The total output of saleable coal in the week ended June 17th was 4,771,200 tons, compared with 4,532,000 tons in the same week of last year. Supplies of steel scrap are still insufficient to meet the demand, although imports from the Continent and from America are now coming to hand more freely. The arrival of foreign scrap enabled tinplate production to reach 72.23 per cent. of capacity during the week ended June 17th.

The lighter trades also report satisfactory progress and the continued expansion of the consumption goods trades is reflected in the latest figures for retail sales, which are discussed in a note on page 31.

## Coal

**Sheffield.**—On the inland market there is a satisfactory demand for industrial fuels, and collieries are working fully up to quotas. There is a quieter demand from public utility undertakings, and household coal is in poor request. Coke is moving more freely, particularly blast-furnace quality. Export business is chiefly confined to early shipments. There is an improved demand for coke, and cobbles and washed trebles are well taken up.

★

**Newcastle-on-Tyne.**—The markets have an easier tendency due to less foreign inquiry, and the seasonal decline in domestic household requirements. In the Durham section, supplies of gas coals are more plentiful and unscreened bunkers are more easily obtained owing to the quietness in foreign coaling station business. Coking coal is firm, however, and there is a good demand for patent oven coke. Northumberland steam collieries are comfortably placed, large coal being well booked, but smalls continue to offer freely.

★

**Glasgow.**—Shipments from Scotland are maintaining their recent expansion and the total to date this year, at 5,400,000 tons, is nearly 500,000 tons ahead of the comparable figure for 1938. Contract orders are the mainstay for the time being, for new business is quiet. This is not causing anxiety, for supplies, notably in Fife, are well booked until after the "Fair" holidays in July. Lothian and Ayrshire producers, however, would welcome business in steam coal and the larger sizes of nuts. In Lanarkshire, the predominantly inland supply area, the slow demand for house coal is affecting round fuel in general despite some curtailment of output. There is some increase in the utility undertakings' demand for smalls, in view of the coming holidays and of the political uncertainties.

★

**Cardiff.**—Firm conditions continue on the market. No important new orders have been placed during the

week, although there has been an inquiry for 60,000 tons for the Greek railways. The contract commitments of the collieries are exceptionally heavy, and shipments at the South Wales docks of the Great Western Railway Company last week totalled 468,100 tons, compared with 416,187 tons in the same week of last year. Best large steams, dry sized grades and duffs are relatively scarce, but the current output of other classes is slightly in excess of demand. The improvement in the patent fuel trade is being maintained and the shortage of coke supplies has been accentuated.

★

**Workington.**—The coal industry is maintaining its winter output which finds a ready sale despite a slackness in local landsale which will persist until August. Demand for industrial fuel, especially from coking plants making for pig-iron smelters, is large, and shipments to Ireland and to the Scandinavian countries average between 8,000 and 9,000 tons weekly. Prices are firm.

## Iron and Steel

**Sheffield.**—The iron market remains rather quiet, in spite of a slightly improved call for foundry pig. Forge requirements are easily met; forward business is on a very limited scale. Pig-iron prices are expected to remain unchanged for the next three months, although no official announcement has yet been made. The strongest section of the iron market at present is basic pig, which is well bought. Heavier dealings in hematite are probable after the reduction in prices. There is little business in finished iron, the demand for common bars being the best feature.

Demand for heavy basic steel billets still exceeds the supply, and the position is not greatly eased by such imports as have become available. Trade in acid billets and small steel bars is active, and makers of wire rods have more business than for some time. There is heavy pressure for structural steel.

The steel scrap market is very firm, and users are unable to secure full supplies. Some American material has arrived, but not sufficient to make any great impression. Foundry heavy cast iron is well taken up, and cast iron borings are in good request. Uncontrolled prices are rather firmer.

★

**Middlesbrough.**—Steel makers are exceptionally busy. The increased number of blast furnaces producing basic pig iron has been insufficient to meet demands and further quantities of semi-manufactured steel are being imported from the Continent. In addition, two large cargoes of steel scrap of 6,000 to 7,000 tons each have arrived in the Tees during the past week from America. Government requirements for steel for A.R.P. and other purposes are being steadily fulfilled. At the same time commercial business is increasing so far as is possible under present conditions.

The pig iron position is practically unchanged. There is no increase in the demand for foundry pig iron, but makers of East Coast hematite pig iron are hoping that consumers will be in a position to place larger delivery orders

when the lower prices come into operation in July.

Although there is a good demand for export coke local requirements are easily met at the official quotations. Imports of foreign ore to June 26th are practically the same as during the corresponding period in May. Any heavy steel melting scrap which merchants can offer locally is readily taken up.

★

**Glasgow.**—Owing to the near approach of the Annual Fair Holiday in Glasgow and district, users of all sorts of steel material are pressing makers to give earlier deliveries. Raw steel, semis and finished material are all in great demand and output has already been speeded up and plants are never idle. Re-rollers are still finding it impossible to obtain adequate supplies from home producers but Continental material is now coming to hand and there is less anxiety regarding continuity of supply. Tube makers in the Lanarkshire area are particularly busy. Local manufacturing industries are working to capacity and both new business and inquiries are plentiful.

★

**Cardiff.**—All branches of the South Wales iron and steel industry are active, particularly the sheet and tinplate re-rolling branches. The output of tinplates in the week ended June 17th was 72.23 per cent. of capacity—the highest proportion touched since December, 1937—but last week sales were at the rate of 85 per cent. of capacity. This increase had been facilitated by the release of steel for tinplate manufacture in consequence of the arrivals of foreign scrap, which is more widely employed in the manufacture of steel in South Wales than in most of the other producing centres. But the shortage of scrap is likely to continue, and it has been arranged that South Wales furnaces are to receive hematite pig iron from other districts as from July 1st at 5s. per ton below the scheduled price. There is little abatement in the demand for sheets under the re-armament programme, and the available blast furnaces are all in operation.

★

**Workington.**—Inquiry in circulation in the North-West Coast hematite pig-iron market is so great that the resumption of large-scale business when the price reductions take effect is virtually assured. Orders are already held that will keep the six furnaces blowing between Workington and Barrow in full blast until October, and, probably, until the end of the year. The make is insufficient for local, Midlands, Scottish and South Wales needs, but considerable stocks still exist and it may be September before they are cleared. Steelmakers are assured of work for their mills until the winter. Workington is becoming increasingly active on billets, though rails are still being rolled. Barrow is busy on rails, billets and strip.

★

**News from Abroad.**—Demand on international steel markets has decreased slightly but trade has remained satisfactory and steel masters are still receiving orders. Semi-products are in

request, and the demand for castings, sheets and sections has also remained comparatively good, but hoops and galvanised sheets show a weaker tendency. Prices have nevertheless remained firm, and rebates on official prices are now granted only to a very limited extent on a few products. Efforts are still being made to advance prices on those markets where special reductions had to be made some time ago in view of outside competition.

The Joint Co-ordinating Committee of the Cartel will meet at Liège about the middle of July, when the redistribution of quotas in connection with the territorial changes will again be on the agenda. The question of the quota accounts will be reviewed, and—in the presence of the American representatives—the American competition will once more be discussed. Simultaneously, the International Rail Makers' Association will hold its quarterly conference and examine the possibility of price increases on certain markets.

## Textiles

**Cotton (Manchester).**—There has been rather more activity in certain sections of the market, though the improvement has not been general. Raw cotton prices have been slightly easier. A scheme for an export subsidy on United States cotton is still being evolved. It is uncertain whether the figure will be one cent or two cents and there are some rumours of a varying amount according to prices. The barter deal between the British and United States Governments, whereby this country will be supplied with about 600,000 bales of cotton in exchange for an equivalent amount of rubber, has caused much discussion, but this event is not likely to be a market factor. Weather advices from the American cotton belt have been more favourable.

During the week there has been heavy buying of coarse American yarns, sales of some mills being equal to three weeks' production and an increased turnover in coarse and medium Egyptian yarns. Some spinners are now fully sold for four to five months ahead. The chief support for piece-goods still comes from the home trade and Government contracts. Although export business has been of fair extent, there are complaints from makers of offers being on a low basis.

★

**Jute (Dundee).**—There has been a good deal of uncertainty in the raw jute market in the past fortnight. Despite favourable reports of the new crop sellers have been very reserved, making few offers. An abundant crop is expected in the coming season provided weather conditions continue as good as they are now. The committee of the Indian Jute Mills' Association has recommended that 20 per cent. of the hessian looms and 7½ per cent. of sacking looms should be sealed up from August 1st, in order to reduce the stocks of cloth in Calcutta, which have risen to enormous proportions, in spite of the 200 million sand bags which have been made. The announcement of restriction had little or no effect on the market and prices of Calcutta goods have failed to advance. Old crop jute prices have begun to decline because supplies of the new crop are now available. Hitherto there has been a very wide difference between old and new

## Grains

THE spell of cool wet weather in the United States and Canada continues to improve the prospects of the American wheat crop, although with the start of harvest operations in the southern States, sunshine will be welcomed shortly. The fear of a large outbreak of rust is receding, although there remains a possibility of considerable damage to the standing crop. This favourable crop news, combined with selling pressure from Canada, Argentina and Australia, caused wheat prices in Liverpool to drift downwards again, and July futures touched 3s. 9½d. per cwt. during the week. The maize market was affected by the resumption of American offers and by the lower level of wheat prices; the market in feeding barley also suffered from the competition of cheap wheat, while there were also liberal offers from North Africa.

## Other Foods

**Provisions.**—The demand for bacon has improved and in spite of somewhat larger supplies, prices rose by 5s. to 6s. per cwt. last week. Egg prices continue their seasonal rise from the low level of April and May.

★

**Colonial Produce.**—The rise in the raw sugar market continues, since it is still doubtful if the extra supplies authorised by the Sugar Council will be available to meet the increased demand of the current season. The quotations for the nearest future have risen by 1s. 6d. per cwt. in the last fortnight and refined prices have been correspondingly marked up. The cocoa market remains dull and prices of Accra fell below 20s. per cwt.

★

**Fruit and Vegetables.**—The trade in old crop potatoes has come to an end and demand is now concentrated in earlies. Strawberries continue to dominate the fruit market, but arrivals of English raspberries and cherries sold well. The trade in salads has been affected by the return of colder weather.

## Miscellaneous Commodities

**Oils and Oilseeds.**—Falling prices for grains continue to depress the market for these commodities, the demand for which is seasonably quiet. The exportable surplus of linseed in the Argentine is now estimated at 464,000 tons, against 488,000 tons on June 10th. Exports continue at a moderate level, and Indian shipments have again fallen in price. Prices of Egyptian cotton seed have further declined owing to pressure to sell heavy quantities afloat; less than £4 17s. 6d. per ton has been accepted for old seed on spot and near at hand. The market for refined cotton oil is dull and prices remain unchanged at £20 10s. per ton ex Hull.

★

**Rubber.**—Another idle week has passed and after minor fluctuations, the price of standard ribbed sheet was unchanged on Wednesday compared with a week ago. The interest of the market is centred on the rubber-cotton barter scheme, but it is not yet known how the rubber will be secured by the British Government.

## THE COMMODITY MARKETS

A GENERAL feeling of uncertainty over political developments continues to restrict the volume of business in many raw materials. Wheat prices at Liverpool continue to drift downwards and prices of the major non-ferrous metals also fell, with the exception of tin. In this market the restriction of supplies at last brought prices on Thursday to £230 per ton and the buffer pool has already sold some of its holdings. Sugar prices also rose sharply, on renewed fears of a shortage in the current season, but cotton prices were again lower. In the United States, the downward tendency in prices was counteracted last week by the rise in the sugar market and by the maintenance of internal grain prices; Moody's index of wholesale prices rose from 142.1 (December 31, 1931 = 100) to 143.3 in the week ended last Wednesday.

## Metals

**Copper.**—The market fluctuated slightly in the early part of the week, but closed on Wednesday at a price of £42 per ton, thus showing a net loss of 3s. 9d. on the week. Demand was very small chiefly owing to seasonal causes, but sellers remained reserved, so that the undertone was fairly strong.

★

**Tin.**—The price of standard cash tin gained another 15s. to close on Thursday at £230 per ton, the highest official level since October, 1937. For the first time since its formation, the pool sold some of its holdings this week. Despite these sales the backwardation has widened to £5 10s., and the premiums on high quality brands have expanded further. For Straits tin they are now £10 and for Banka Tin £20, compared with a reasonable level of £5 for both classes. The barter agreement between the United States and the United Kingdom, concluded last week, does not include tin as was expected. It is not known whether the discussions on tin will be continued later, although rumours to this effect circulated on the London Metal Exchange this week.

★

**Lead and Spelter.**—Lead lost 5s. to close on Wednesday at £14 10s. per ton, while spelter closed 2s. 6d. down at £13 17s. 6d. per ton. Both markets were featureless. At the annual meeting of Zinc Corporation, Lord Horne said that the 10 per cent. reduction in the lead output may not be necessary for much longer, as consumption is high. Statistics so far available do not indicate that the lead and spelter situation is as hopeful as this statement suggests, but there is no reason to doubt that the position has improved somewhat in the last few months and that the improvement is still making headway.



## COMPANY MEETINGS

## THE ZINC CORPORATION, LIMITED

RECORD TONNAGE MILLED

LOWER PRICES AND COSTS

PROTECTION FOR ZINC

LORD HORNE'S REVIEW

The twenty-eighth ordinary general meeting of The Zinc Corporation, Limited, was held, on the 27th ultimo, at the Chartered Insurance Institute, 20 Aldermanbury, London.

The Right Hon. Viscount Horne of Slamannan, P.C., G.B.E. (chairman of the company), said:—Ladies and Gentlemen—Our report, to which is attached those of the consulting engineers and mine manager, is presented in a form which gives a clear and comprehensive view of the operations of the Corporation over the past financial year.

## THE MINE AND THE MILL

The mine itself continues to develop in complete accordance with our expectations. As I predicted a year ago, there is a small decline in the published ore reserves. This is entirely due to the alteration we made some time ago in our methods of opening up new levels. The small decline in the tonnage of ore blocked out, I am able to assure you, is temporary only.

The tonnage of ore milled during the year was easily a record of 414,500 tons, while the grain again showed improvement, reflecting the care exercised by the underground management in preventing dilution. The mill recoveries were the best so far reported, exceeding even the excellent results of the previous year. The costs per ton of ore treated showed a welcome decline.

## PRICES

While the items reasonably under our control, viz., output and metallurgical and general efficiencies, showed marked improvement, the market for our products suffered a serious relapse. The price of lead on the London Metal Exchange for the year averaged nearly £8 per ton less than in 1937, a drop of over 34 per cent. The price of zinc fell by over £8 5s. per ton, a drop over 36 per cent. The effects of these serious declines in the value of our products are clearly visible to you in the accounts now before you. The total value of our production was nearly £441,000 less than in the previous year, while the net balance on our trading account decreased by nearly £384,000. In these figures you have the reason for the severe reduction in your dividends—the probability of which I pointed out to you at our last annual meeting.

## THE DIVIDEND

Subject to your confirmation to-day, a participating dividend of 1s. 6d. per share, absorbing £67,412, will be paid along with the half-year's payment of the dividend on the cumulative preference shares, the total distribution being £91,981. The total distributed in respect of the year 1938 is £247,180 less than in the previous year. In view of the extent of the contraction in our revenue due to the fall in metal prices, this result is not unsatisfactory.

Disbursements.—We referred in our report to the large disbursements in taxation and dividends and the heavy expenditure on capital account during the year, with their natural effect on our cash resources, as shown in our balance sheet. We paid out in 1938 in taxation, royalty, etc., £165,023; in dividends £362,908; on account of capital expenditure £231,821, and, in addition, we expended £97,690 on mine development, a total of £857,442. Our cash and advances as a consequence have been affected materially, and show a decline of approximately £435,000.

## DEVELOPMENT

I am glad to say that the programme of mine development and re-equipment at Broken Hill, which we commenced in 1936, is approaching completion, and all its major financial requirements have been satisfied. In the three years 1936, 1937 and 1938 we spent nearly £454,000 in plant and £192,000 on the new shaft and its equipment, or a total of approximately £646,000. Of this amount we have received a preliminary payment of £100,000 on account of the estimated participation of New Broken Hill Consolidated. Of

the total expenditure approximately £192,000 was appropriated from profits and the balance added to capital.

The reports of our technical manager and consulting engineers, Messrs Bewick Moreing and Company, and of the mine manager, Mr A. J. Keast, are fully illustrative of the twelve months' operations at Broken Hill. Of the mine itself, I repeat to you to-day what I said to you a year ago, that the ore body, gauged by extent and grade, never looked better.

## NEW MAIN SHAFT

I referred at our last meeting to the fact that in sinking the new main shaft—which, as you know, is the largest in size and capacity yet put down in Australia—we had encountered heavy ground at and below the 13th level. Notwithstanding this adverse development, it was officially expected that the new shaft would be completed and in operation by the middle of 1938. Unfortunately, the ground proved heavier than estimated, and while the shaft was completed in September last, and to some extent put into use, a more serious delay resulted in completing the ore pass system and new main shaft ore pocket. The effects of those unexpected difficulties are referred to in the technical reports already in your hands. The extra expense involved is considerable, while the delay in bringing this equipment into operation and obtaining the financial advantage of its use is a serious disappointment.

However, we are now advised that by the end of July the work necessary to meet the directors' demand for absolute safety will be completed, and all productive operations will then be centred on the new main shaft. When this takes place and the new sand pass system is in operation, we expect to benefit considerably in both costs and efficiencies.

While the delay in the completion of the new main shaft and ore pass system is a great disappointment, I can give you the assurance that the reorganisation and re-equipment of your property have been carried out in a manner which reflects the highest credit on the efforts of the mine manager and his staff. (Cheers.) The information given to the board by our colleague, Mr John Govett, on his return from Australia, and by the managing director in his reports to me, leave no doubt in my mind that you not only have a notable lead-zinc mine but that, with its present organisation, development and equipment, it ranks as one of the foremost in the world. Given reasonable prices for our products, we should have no fear of the future. (Hear, hear.)

## LEAD PRODUCERS' AGREEMENT

You will have noted from the press announcements that in the latter half of 1938 an arrangement was entered into by all the leading lead producers outside the United States to curtail production or sales by 10 per cent. This cut has now been in operation for about seven months, and has decidedly strengthened the statistical position of the lead market. Whether its continuance will be necessary in view of the present heavy consumption of lead remains to be seen.

As you know we hold nearly 30 per cent. of the issued capital of New Broken Hill Consolidated. By agreement with that company we are carrying out its exploration and providing the necessary equipment. While this property is still in the exploratory stage, the results of our work up to date add to our confidence that our interest in it will prove a valuable asset.

## ASSOCIATED COMPANIES

You are aware of the relations that exist between the companies operating at Broken Hill, viz., North Broken Hill, Limited, Broken Hill South, Limited, and ourselves. These three mines are operated quite independently, but through Western New South Wales Electric Power Proprietary, Limited, The Broken Hill Associated Smelters Proprietary, Limited, and the Electrolytic Refining and Smelting Company of Australia, Limited, the air and power requirements

for the three mines are dealt with collectively, as well as the smelting and refining operations at Port Pirie and Port Kembla. Under these arrangements all our power and compressed air at the mine is supplied by the Western New South Wales Electric Power Company, of the capital of which we own 32 per cent. Similarly, all the smelting and refining of our lead concentrates is carried out by Broken Hill Associated Smelters at Port Pirie, and of this company's capital we own over 25 per cent. In the Electrolytic Refining and Smelting Company of Australia, which handles much of the Broken Hill Associated Smelters by-products, we have nearly 27½ per cent. of the issued capital.

I draw attention to these facts for the reason that as our operations increase so do our power, air, smelting, refining and other requirements expand, and the finance of any necessary additions to the plant and equipment of these associated companies must be shared in by us. Our policy is to preserve, if possible, an interest in the power, smelting and refining industries associated with our mine at least equivalent to our output. In conjunction with our associates in Australia we are now reviewing this situation, and when this review is complete, we shall be in a position to determine whether any special steps will be necessary in order to maintain our interests in keeping with the services we require.

## PROTECTION FOR ZINC

Last year our production of zinc concentrates reached nearly 75,000 tons and was well ahead of any previous record. The whole of our production was delivered under contract to the Electrolytic Zinc Company in Australia and the Imperial Smelting Corporation in the United Kingdom. The latter—in which we have a substantial investment—has recently been granted additional protection by the British Government in fulfilment of its promise to safeguard adequately an industry essential to the defence of the country. (Hear, hear.) In conjunction with our associates in Australia, we have agreed to minor amendments in our contract with the Imperial Smelting Corporation—which will ensure that the objects of the British Government will be realised. We are confident that the best interests of the producers of zinc concentrates at Broken Hill lie in the maintenance of efficient treatment plants both in Australia and the United Kingdom. If to the new tariff scheme there should be added, as is hoped, a cartel of zinc producers providing for the reasonable regulation of imports into the United Kingdom, then I believe that the position of the zinc smelting industry, both here and for other countries will be greatly strengthened.

## THE PROSPECT

The changes and new adaptations in industry which are taking place as a result of the requirements of the present grave situation are obvious to all. So far as we are concerned, it is enough to say that all our efforts will be first directed towards meeting national necessities. (Cheers.)

Prosperity for us is governed by our production and the price we get for it. The programme of mine enlargement and re-equipment which we are just completing will enable us progressively to increase our output up to 750,000 tons of ore—or more—per annum, provided that markets can comfortably absorb the resulting metals. Our immediate objective in the matter of output, however, is still 450,000 tons, which, in the absence of untoward happenings, we hope to reach this year.

If the present demand continues I am hopeful that we shall see a higher level of prices for both metals. We are less interested in silver than the other mines at Broken Hill, owing to the lower content of silver in our ore. The outlook for this metal is obscure. Taking the three metals together, my opinion is that prices in the second half of the year will be definitely more profitable to us than those which we have realised up till June. (Hear, hear.) If we could but be sure of peace in the world I would not hesitate to predict a return to a wide prosperity in which our industry would share. (Cheers.)

It is a pleasant duty to record our deep appreciation of the valuable services of Mr A. J. Keast, the mine manager at Broken Hill, and his staff. I congratulate Mr Keast and his staff on the results of their efforts. In this connection it is not unfair that I should specially mention to you Mr George Fisher, the underground manager, and his assistants, Messrs Pitman, Hooper and Anderson, Mr Carey, the chief engineer, and Mr J. L. Mayson, his assistant, and Mr M. A. Mawby, who is in charge of our efficient mill, and also his assistant, Mr Thomas.

Our thanks are also due to the local directors in Melbourne for their devotion to the interest of the corporation, to Mr Victor Edquist, of Messrs Bewick Moreing and Company, and to Mr J. Fitzgerald, the active manager of the Melbourne office, and to Mr M. D. Hotchin, the local secretary.

The report and accounts were unanimously adopted.

## NATIONAL BANK OF NEW ZEALAND, LIMITED

## INCREASED PROFIT DESPITE DIFFICULTIES

The 67th ordinary general meeting of the National Bank of New Zealand, Limited, was held, on 29th ultimo, at 8 Moorgate, London, E.C.

The Rt. Hon. Lord Balfour of Burleigh (chairman of the Bank) said that the profit and loss account showed a net profit of £106,524, or £797 more than last year, which, in view of all the difficulties of the year and the heavy expenses to be met, especially by way of taxation, they considered satisfactory. As was foreshadowed at their annual meeting two years ago, they found it necessary to face a substantially increased salaries bill in New Zealand. They proposed to pay a final dividend of 2½ per cent., less British income tax, making 5 per cent. for the year.

When the present New Zealand Government came into power in 1935 the country had not yet emerged from the depression, and the Government decided to try to stimulate trade and business activity by a policy of monetary expansion. Whatever might be to blame for the big inroad made upon the sterling balances, the position by the end of November last had become so serious, especially in view of the Government £17 millions sterling loan maturing on January 1st next, that drastic measures were clearly necessary if default was to be avoided. The three most obvious courses open to the Government were exchange control, exchange depreciation, or a general reduction of expenditure, including salaries and wages.

## EXCHANGE CONTROL

The Government had decided upon exchange control, and when it was first introduced they hoped that it would lead to an alleviation of the position sufficient to enable the sterling balance to be so far built up as to leave no doubt of the successful conversion of the 1940 maturity. Unfortunately, their hopes had been disappointed.

When exchange control began it seemed a reasonable assumption that the granting of import licences by the Customs or of transfer permits by the Reserve Bank implied that sterling would be available as cover, and it was regrettable now to find that licences and permits had been granted substantially in excess of the funds likely to be available in the next few months.

He was not expressing any view as to whether it was desirable or not that a primary producing country like New Zealand should attempt to switch over a large part of its economy to secondary industries, but it was clear that we in this country could not deny New Zealand the right to try to do that which had been done in many other countries, including some parts of our own Empire. To the suggestion that such action by New Zealand should be met by a refusal to buy New Zealand products, he must point out that New Zealand was still, and was likely to remain, their best customer per head of population, and the import control was being deliberately administered in such a way that the United Kingdom proportion of New Zealand's imports could not decline and was almost certain to grow.

## MR NASH'S VISIT

As shareholders were aware, Mr Nash, the New Zealand Minister of Finance, was at present in London on a brief visit. He had announced in the Press that the objects of his visit had been concerned with defence, with trade relations, and with finance.

In the field of finance, one of the matters which was no doubt receiving the attention which it merited was the maturity on January 1, 1940, of the 3½ per cent. New Zealand Government Loan of £17,000,000. It seemed to him that in considering any request for fresh credit in London to finance essential trade which might be put forward by Mr Nash they must remember that there was no country more loyal to the Empire than New Zealand, and, moreover, the trade between New Zealand and the Mother Country was of incalculable importance to both countries. He therefore earnestly hoped that, whatever might have been the rights or wrongs, the wisdom or the folly, of the policy pursued by Mr Nash and his colleagues, and however difficult the present moment might be, those who were negotiating with him would remember that an attitude of sympathy and generosity now would do far more than rescue the New Zealand Government from difficulties which were largely of their own making; it would save further losses and unemployment in British firms which exported to the Dominion, it would provide the security of which the British investor in New Zealand was in need, and it would strengthen, in a way which every one of them desired, the ties that bound together the components of the Empire.

The report and accounts were unanimously adopted.

## BANK OF BRITISH WEST AFRICA, LIMITED

### DIFFICULT CONDITIONS

The forty-fifth annual general meeting of Bank of British West Africa, Limited, was held, on the 29th ultimo, in London.

The Earl of Selborne, K.G., G.C.M.G. (the chairman), said that the accounts showed a net profit of £42,878, as compared with £60,105 in the previous year, and the directors recommended a final dividend of 2 per cent., less tax, making 4 per cent. for the year. The results had been disappointing, but that disappointment had been caused by no failure of good management nor by the incidence of bad debts. It had been caused by the stagnation of trade in West Africa.

In 1937 there was a serious dispute between producers and purchasers of cocoa about price, and the whole cocoa crop of the 1937-38 season on the Gold Coast was for a long time held off the market. At last the Colonial Government succeeded in inducing the two sides to the dispute to make a temporary truce. That truce still continued, but the cocoa trade had never really recovered its former buoyancy. Moreover, the prices of all agricultural products of West Africa remained deplorably low, and the effect on trade was obvious. The stagnation in trade was also reflected in the finances of the Colonial Government of Nigeria. Revenue for the year 1938-39 was likely to fall short of the estimate by about £900,000, and reserve funds were expected to be drawn upon to the extent of £950,000. The Gold Coast Government was in a more fortunate position, but only because they had a healthy and expanding gold mining industry upon which to fall back. The agricultural depression in Sierra Leone was also to some extent mitigated by its mining activities in gold, diamonds and iron ore. On the other hand, the outlook for the Gambia, which lived by the export of groundnuts, was one of almost unrelieved gloom.

In March, 1938, the Colonial Office sent out a Commission to West Africa to examine and report on the conditions and prospects of the cocoa industry, and they were in expectation of knowing before long what action the Colonial Office decided to take. The bank would do all in its power to assist in the good work of bringing back prosperity to West African agriculture.

The report was unanimously adopted.

## GLOBE TELEGRAPH AND TRUST COMPANY, LIMITED

### SATISFACTORY RESULT IN DIFFICULT YEAR

The sixty-sixth ordinary general meeting of this company was held, on the 26th ultimo, in London.

The Right Hon. the Earl of Middleton, P.C., K.P. (the chairman), said that in the profit and loss account expenses showed a slight decrease, mainly due to the amount required for N.D.C. being lower, and the proposed dividends, the same as last year, absorbed £255,793, and, after placing £20,000 to reserve, left a balance of £117,992 to be carried forward.

Interest and dividends on investments was lower, mainly due to increased income tax, and interest on deposit and dividends on general reserve investments was reduced by the loss of income on the funded income stock sold to provide the special bonus.

In view of the increased income tax and the difficulties experienced by companies during the year under review, he thought the reduction of only £7,300 compared with the preceding year was very satisfactory.

It had been a difficult year for the investor, and until world affairs were more settled it was difficult to visualise any great improvement, but their main holding—Cable and Wireless—appeared to be in a very sound position and they could look forward with confidence, in the absence of any catastrophe, to a continuance of a reasonably good income.

The wider powers of investment to which they had asked the consent of the stockholders some years ago had added to the stability of their receipts and had consequently been justified. One result had been that they had recently received offers of new issues from some of their electrical holdings at attractive prices, which they were taking up, thus adding to their portfolio of securities, the income from which was sufficient to meet the preference dividend and expenses, so that any further improvement in their main holding in Cable and Wireless would be available for the benefit of the ordinary stockholders.

In spite of the very adverse conditions, their capital investments showed an appreciation of over 25 per cent., while the depreciation on the general and special reserves was only just over 5 per cent.

The report was unanimously adopted.

## MEXICAN RAILWAY COMPANY, LIMITED

### BETTER PROSPECTS

The one hundred and forty-eighth ordinary general meeting of the Mexican Railway Company, Limited, was held, on the 28th ultimo, at Winchester House, London, E.C.

Mr Vincent W. Yorke (the chairman) said that the steady deterioration in the business, on which he had dwelt at their last two meetings, would seem to have been checked and that the immediate prospects appeared to be, though only slightly, yet distinctly better. Every reason for anxiety for the future, however, still remained, and he felt that such encouraging features as existed might at any moment disappear.

Turning to the details of the half-year under review, passenger and express receipts showed little change. Of the serious decrease of P581,000 in goods traffic no less than P384,000 was in foreign or imported traffic.

Their expenses again made a most unsatisfactory showing at P7,725,000 as compared with P7,795,000, or only P70,000 less, in spite of much less work performed than in 1937. The comparison was also vitiated by the fact that in 1937 they had been charging 10 per cent. of gross receipts to special renewals and in 1938 only 6 per cent.

As regarded the current half-year, gross receipts—contrary to their expectations and those of their management in Mexico—had been exceptionally good and had almost, though not quite, exceeded previous records. Expenses for the first four months of this year had increased by only 1½ per cent., which under present conditions could be regarded as satisfactory. They ought, therefore, to be able to look forward to a net profit on operation of P350,000 for the current half-year. That, at the standard rate of exchange, was equivalent to only about £19,000 but was a very great improvement on the results of the half-year under review, which showed a loss on operation of £36,000.

### POSITION IN MEXICO

As regarded the general situation in Mexico, there were a great many unsatisfactory features. The most important problem was undoubtedly the oil question. While the Mexican Government were evidently impressed by the grave difficulties which their policy had created, and the wave of enthusiasm which had greeted the expropriation of the properties had subsided, it should be remembered that vested interests had been formed under the new management and it might be difficult to reconcile those to any reversal of policy.

Agriculture under the new system—following the conversion of the large estates into communal properties—instead of providing the whole country with wheat and maize, as it easily could, was compelling the Government to bring large quantities of those commodities from abroad, which entailed the expenditure of gold, the supply of which was barely sufficient to maintain exchange at its present low level. The cost of living had been rising for some time and was continuing to do so, leading to discontent among wage earners in factories and on railways. The weapon of the strike had been so long and so successfully used that employers had entirely lost confidence and were investing no more money in their businesses. The condition of the National Railways, which had been for some time under the management of the workmen, was arousing bitter complaints from the public. It was evident that a considerable body of public opinion in antagonism to the present policy of the Government was in process of formation.

The report was unanimously adopted.

## Our Information Service

The Intelligence Branch of *The Economist* has been enlarged to meet the growing demand for economic and statistical information. A special feature of the Department is the preparation of regular or occasional reports, on request, for business men and industrialists anxious to keep abreast of all developments which may affect their branch of activity. Fees are proportionate to the work involved.

Enquiries should be addressed to the Intelligence Branch, THE ECONOMIST, 8 Bouverie St., London, E.C.4

## ANGLO-IRANIAN OIL COMPANY, LIMITED

### SATISFACTORY RESULTS

The thirtieth ordinary general meeting of the Anglo-Iranian Oil Company, Limited, was held, on the 26th ultimo, at 20 Aldermanbury, London.

The Right Hon. Lord Cadman, G.C.M.G., D.Sc., LL.D. (the chairman), in the course of his speech, said: The profit for 1938 amounted to £6,109,477, a figure which has permitted us to recommend a final dividend of 15 per cent., making 20 per cent. for the year. In the circumstances of the period under review I think you will agree that this result is satisfactory.

With regard to our operations, net production of crude oil from our fields in Iran amounted to 10,195,000 tons. We received 1,229,000 tons of crude from the Iraq Petroleum Company and produced 132,000 tons from our own field at Naft Khaneh, in Iraq. Aggregate production and receipts amounted, therefore, to 11,556,000 tons. Haft Kel and Masjid-i-Sulaiman contributed to Iranian production in the proportion, approximately, of two to one.

The phases in the life of any individual oilfield—discovery, development, exploitation and decline—make it essential that further reserves in the form of new fields should be at hand. We are fortunately placed in this respect. Gach Saran, which I mentioned as a new discovery two years ago, is in the early stages of development. Drilling to define the extent of the field has continued actively throughout the year.

Two wells have been drilled at Lali, 20 miles north-west of Masjid-i-Sulaiman, and have produced large quantities of gas and a little oil. Drilling is continuing here and also on the Agha Jari/Pazanun structure where, in addition to high-pressure gas, crude oil was struck at 8,810 feet in the Agha Jari section.

### PROPOSED NEW REFINERY

Although the capacity of Abadan refinery is being increased—another large distillation unit and two cracking plants are now almost complete—a considerable part of the present large constructional programme has been concerned with the newer types of plant. Selection of these has to be made with particular consideration of the special characteristics of Iranian crude oil and has to be preceded by extensive research and development work.

I am glad to inform you that the surveys which I mentioned last year have been successful in finding a suitable site for a refinery and port near Bandar Mashur on the Khor Musa waterway. We have received permission from the Iranian Government to acquire the site, and plans for development are being prepared.

On the marketing side of the industry, prices of products were generally on a somewhat lower level than in 1937. A cause of this decline was to be found in the economic recession in the United States and in the accumulation of excessive stocks of motor spirit and fuel oil in that country. The effect of those factors, moreover, was aggravated by more widespread dislocations. It is common knowledge that, during 1937, all Governments were taking precautions against emergencies by creating stocks of petroleum products. These special purchases caused a temporary increase in offtake of crude and products, but the international uneasiness which gave rise to them was acting, meanwhile, as a brake on industrial activities throughout the world. In consequence, sales of oil products in commercial markets were diminishing. For a time this trading decline in the oil industry was concealed by special sales. When the latter ceased, however, the true trend became effective, and during 1938 world consumption of oil products fell below that of 1937.

### THE OUTLOOK

With regard to prospects for the future, the confidence which is essential to buoyant international trading conditions is absent. Moreover, large areas of the world are shut off from normal trade by policies of self-sufficiency, currency restriction, barter arrangements and other forms of economic manipulation. In common with all other concerns whose primary interest lies in freedom of international trade and stable conditions, we must hope that the remainder of 1939 and the years that follow will witness a return to tranquillity.

In the circumstances of to-day the possibility of maintaining the volume of our sales during the remainder of the current year, and at what prices, are questions on which no one can speak with certainty. So far this year prices are lower than they were for the same period of 1938. We all hope, however, that international and market conditions will improve. If they do we are fully equipped to meet increased demands and to derive whatever benefit the level of prices will allow.

The report was unanimously adopted.

## GENERAL ELECTRIC COMPANY, LIMITED

### FURTHER RECORDS ACHIEVED

The annual general meeting of the General Electric Company, Limited, was held, on the 29th ultimo, at Magnet House, Kingsway, London.

The Right Hon. Lord Hirst, of Witton (chairman and managing director), in the course of his speech, said: I honestly thought last year, when addressing you, that we had reached a peak that required some time to reach again. However, I am here once more submitting results beyond our expectations, and, in stating this, I would like you to realise that they are not due to continuous repetition of the work that was going on at the beginning of the year. I would like you to realise that the electrical industry, the country, and, indeed, the whole world, is in a state of evolution, in a state of fluid economics, and it is only due to the intense efforts of our research workers, our engineers, our staff and all workers, that new developments brought us fresh results, whilst some of the older departments showed recession due to change of fashion or change of general conditions. The net profit at £1,776,000 is just £4,000 more than last year and a new record in the company's history.

The home business has kept up remarkably well; we have, of course, benefited by Government orders, but they have still played a comparatively minor part in our total turnover. I would like to emphasise, as I did last year, that profits on Government work are not the extravagant figure that seems to exist in public imagination.

The actual output has been produced by nearly 40,000 workers, whose annual salary and wages amount to £5,600,000. If, in addition, you realise that the company pays—in taxation and local rates, in Unemployment and National Health Insurance, pension funds, in coal, electricity, gas and general communal services—in freights—nearly two million pounds, you will realise its importance in the national mosaic of industry; therefore, well worth support.

### OVERSEAS TRADE

We have again done well in export. We have exceeded last year's figure, which was a record. This achievement is not due to any particular country or to any large contract, but is spread over nearly all our overseas markets, and nearly all departments. Our overseas market is mainly within the British Empire, which absorbs more than 80 per cent. of our exports.

We are hammering away as best we can in other parts of the world, and in some cases where the Government have offered support to foreign countries, like Turkey, we have found a satisfactory opening for doing business. In this effort we are helped by the success which our research and development engineers have attained by their intense efforts. Progress and improvement have been achieved in almost every section of the company's works.

As regards our heavy engineering activities, it may interest you to know that at Fraser and Chalmers, our mechanical engineering works, we continue with the successful construction of an ever-increasing number of turbines; at the moment seven of those going through the works have capacities of 35,000 K.V.A. at a speed of 3,000 r.p.m. They find their way into all parts of the British Empire.

The financial and technical success, which has been achieved by the Central Electricity Board in its development of the British Grid, is a source of gratification to all connected with the electrical industry. British manufacturers have reason to be proud of the fact that, with less opportunities previously for the development of suitable apparatus than some foreign countries, nevertheless the designs they provided have stood the test of experience, and it is acknowledged the world over that, from all points of view, the British Grid is unsurpassed. In this work, the G.E.C. has played no unimportant rôle.

We are constantly endeavouring to improve the already excellent quality of our lamps, and have succeeded in continuing to hold, both in quantity and quality, our outstanding position in the lamp industry of the British Empire.

Given that there is not going to be an international flare-up, I feel the strong financial position of our country, the present good employment figures, which mean an increase in the purchasing power of our people, the contribution of the Government to our productive programme, and our improving export figures, all convince me that we can look forward with confidence to the future, provided our costs of production are not unduly further burdened by unreasonable demands on industry.

The report was adopted.



## GUEST, KEEN AND NETTLEFOLDS, LIMITED

### MR S. R. BEALE'S REVIEW OF A DIFFICULT YEAR

The annual general meeting of Guest, Keen and Nettlefolds, Limited, was held, on the 27th ultimo, in Birmingham.

Mr S. R. Beale (chairman of the company), who presided, in the course of his speech said: Taking into account the progressive nature of the recession in trade for some months after we met last year, the drop in prices announced last January, and the steadily increasing load of costs that all industry has had to bear, I feel I cannot emphasise too strongly that, in the opinion of the board, the greatest possible credit is due to all those concerned in the details of management for the promptitude and efficiency with which they met the conditions that persisted during so much of last year. The result of their good work is that we are able to present to you as satisfactory a balance at profit and loss as £985,785.

My reading of the international situation is that we are likely to experience a condition of recurring crises for some time. It seems to me that this means a persistence of uncertain conditions and that those responsible for the conduct of a great business such as this must do their best to ensure that they have available resources to meet any eventuality. For these reasons we recommend a dividend on the ordinary shares at the possibly conservative rate of 6 per cent., free of tax, believing that by so doing we are best serving your interests.

#### JOHN LYSAGHT, LTD.

A report of the business of our allied company John Lysaght, Ltd., involves a wide survey, as its activities extend to all the Dominions and these have become almost as important as those of the parent establishment at home.

Their works for the manufacture of their staple product sheet iron are in operation in Australia, Canada, and the Argentine, and their mercantile branches in New Zealand and South Africa and other overseas branches. Year by year their production abroad has expanded, but, with the exception of the export of galvanised sheets, this has meant no shrinkage in other departments of the sheet trade.

The loss to Great Britain of the export trade in galvanised iron owing to the falling off of the Indian demand (where in 1927 British exporters supplied 293,000 tons and in 1938 only 16,000 tons), the loss of the Japanese trade, and the extension of local manufacture abroad, has to some extent been balanced by the home requirements for sheets for general purposes, such as motor bodies, electrical appliances, steel furniture, and the Lysaght companies are, as always, striving to broaden the basis of this demand.

#### GUEST, KEEN, BALDWIN

The best report I can give you of the work of the past year as regards the steel-making plant of Messrs Guest, Keen, Baldwins, in which we have so large an interest, is to quote once again from the speech of Sir Charles Wright, chairman of that company. He said: "I am glad to be able to report that our Cardiff works have worked satisfactorily, but not as fully as in 1937. In 1938 we completed our programme of extensions, which comprised an addition to our coke-oven plant, a fourth blastfurnace stack, and two additional 250-ton open-hearth steel furnaces."

I may say their financial year closed on December 31st, and since that date orders have increased to such an extent that 1939 should be for the Guest, Keen, Baldwin company a better year than 1938, unless costs of production rise steeply.

The Exors. of James Mills at Bredbury, Stockport, had the same difficulty as many others in obtaining quite so many orders as they would have liked, but here again a better state of affairs is being experienced at the moment.

#### G. K. AND N. LEDLOY STEEL

This firm is one of the largest producers of bright drawn steel in the country, and for this reason has been chiefly concerned with the introduction to the British market of what we describe as G. K. and N. Ledloy steel, which is admittedly one of the most important improvements in steel-making introduced in recent years. G. K. and N. Ledloy steel is covered by patents for which Guest, Keen and Nettlefolds have a licence for the British Empire. Both the main steel-producing units in our group—Lysaghts at Scunthorpe and Guest, Keen, Baldwins at Cardiff—are developing the production of this new introduction, and terms of licence for other firms are under consideration. We hope that ample supplies will shortly be available to satisfy the demand throughout the territory in which we are interested—namely, the British Empire.

The report and accounts were unanimously adopted.

## ALLIED IRONFOUNDERS, LIMITED

### FAVOURABLE RESULTS

The tenth annual general meeting of Allied Ironfounders, Limited, was held, on the 28th ultimo, at Winchester House, Old Broad Street, London, E.C.

Mr Alexander W. Steven (the chairman) in the course of his speech, said: When addressing you last year, I stated that we must be prepared for a considerable falling off in building operations. That, unfortunately, has turned out to have been an accurate forecast.

The decline in demand for our goods led to more acute competition with the result that prices deteriorated in some sections of our business. Another adverse factor was the continued increase in costs which affected raw materials and all purchased supplies.

Payment for holidays, a measure of great benefit to our employees and an expenditure of which I am confident shareholders will approve, involves a permanent inroad into profits amounting this year to £11,000.

To satisfy the requirements of the Factories Act which recently came into force, it has been necessary to incur considerable expenses in order to minimise risk of accidents and to improve condition in our works.

Export business in our industry was during the past year more difficult than ever. The value of our own exports declined by 15.37 per cent. on the year. The goods most affected by these conditions were those which usually represent the bulk of our exports. We continue our efforts unabated to retain and expand our oversea trade and in our more specialised types of products we are meeting with more success.

#### ADVERSE CONDITIONS

During the year we have, therefore, experienced a combination of circumstances detrimental to profits, reduced demand, increased costs and increased competition. In the absence of any mitigating features the effect on our earnings would have been much greater than it has, in fact, turned out to be. Our turnover has declined, but not to such an extent as seemed probable in the conditions which prevailed. We have secured a satisfactory share of the trade in face of keen competition, and have improved our products and services, thereby strengthening the good relations which exist between us and the merchant trade on which we depend for the sale and distribution of our goods.

We have also benefited by the higher degree of efficiency in manufacture resulting from internal developments carried out during a series of recent years. But for the additional charges on profits which our subsidiary companies have had to bear during the last two years—National Defence Contribution, increased rate of income tax, payment for holidays and expenses under the Factories Act—profits would have shown a comparatively small decline on our record figures of 1937. Having due regard to all the conditions which influenced our business during the year, the directors are of opinion that the results are distinctly favourable and they hope that shareholders will endorse that view.

Shareholders will doubtless desire to know the position of the company in relation to the re-armament programme. During the Great War many of our companies were very fully engaged on the production of munitions, mainly composed of high-duty cast-iron. We keep in close touch with the supply departments of the Government, but so far there has been no demand for munitions of this class. Should the need arise we will doubtless be given the opportunity to tender. On the other hand the great expansion in the defence forces of the nation necessitates the provision of suitable accommodation for men and machines. For this there is a growing demand for our ordinary products. Of the orders so far placed, we have reason to believe that we have secured a satisfactory share. Although this business represents by no means a large part of our output, it is a welcome addition to our order books in existing circumstances.

#### THE OUTLOOK

In the present unsettled state of international affairs no accurate forecast of the course of business in the current year is possible. The immediate conditions, however, seem to indicate that, apart altogether from work on armaments, ordinary civil trade is tending to improve. When armament work is included in the survey there seems to be little doubt that the demand for labour will continue to increase, augmenting spending power and bringing about a state of prosperity which admittedly will be to some extent a draft on the future. Should that be an accurate estimate of short-term conditions—if actual war is avoided—our business should benefit from the growth of expenditure—private and public.

The report and accounts were unanimously adopted.

## GREAT BOULDER PROPRIETARY GOLD MINES, LIMITED

### EXPANSION CONTINUED AND ACCELERATED

#### BOARD'S REPLY TO SHAREHOLDERS' COMMITTEE

The forty-fifth ordinary general meeting of the company was held on the 23rd ultimo in London.

Mr Claude A. de Bernales (chairman and managing director), in the course of his speech, said: I am pleased to report that after charging all relative expenditure and making adequate provision for depreciation, the net profit for the year was £172,481.

A total distribution has been made in respect of the year ended December 31, 1938, of 37½ per cent. compared with 25 per cent. for 1937. A first interim dividend of 12½ per cent. has, however, been declared on account of the current year, and will be paid on July 7th.

The average working cost per ton of the company's ore produced and treated in 1938 was 26s. 9.03d. per ton—a reduction of 2s. 9.6d. per ton on that of the previous year.

In 1933 the future of the mine was in jeopardy. The plant had become obsolete and the underground workings were in a most unsatisfactory condition. The rich ore was being gutted out by tributaries, the ore reserves were becoming depleted, and the future of the mine was, to put it mildly, obscure. At my instigation the board of that period asked Mr Ernest Williams to make a report on the property. As you know from the facts given to you during the past few weeks, Mr Ernest Williams made a full report which particularly condemned the tribute system on the property, and advocated in the strongest possible manner that an early move should be made to reduce tribute to a minimum. The board of that period, after careful consideration of the report, decided that the recommendations of Mr Ernest Williams were sound and that the policy advocated by him was one which should be adopted in the interests of the company. Shortly after this I was elected to the board, and I believe that it was from that date that the period commences which the committee is criticising.

#### ACHIEVEMENTS UNDER PRESENT ADMINISTRATION

We have striven to rescue the mine from tributaries, to push forward underground development, to discard obsolete plant and replace it with up-to-date machinery, and to continue to pay a minimum dividend of 25 per cent. during the mine's period of recovery and re-establishment. We have achieved all those objectives. Tributing has been reduced from 39 tributaries to four tributaries, underground development has been pushed forward, and the mine modernised. As a result we have exposed a considerable number of new ore bodies, the mine to-day is equipped with a plant which is up-to-date and unsurpassed in Australia, and during the whole period we have continued to pay the promised dividend of 25 per cent. Also, as you know, last year, as the result of our endeavours, the dividend was raised to 37½ per cent. and, without being unduly optimistic, I feel safe in saying to you now that you may expect a further increase in the payments to be made this year.

In the committee's circular of April 28, 1939, in respect of the years 1935, 1936, and 1937, the committee state that out of an agreed profit of £231,255 sterling, the Tributaries contributed £230,843. That statement and computation are entirely untrue, as the committee have omitted to charge to the Tributaries' return its share of overhead expenses and depreciation. The proper figures for shareholders' information are that for the three years 1935, 1936, and 1937, the Tributaries' net contribution to profits was £127,889 sterling, and not £230,843, as stated by the committee. In addition, the board point out that the Grundt Committee in this particular statement used Australian currency for stating the profit contributed by the Tributaries and used sterling when presenting the total net profit made by combined Tributer and Company contribution. The average annual contribution from Tributaries over the three years mentioned was £42,630, and not £76,947, as stated in the committee's circular.

It appears to me that every accusation made by the committee against the management of this company and its board has been proved untrue. Their last resort has been the centralising of their attack against the chairman. Their attack, therefore, on the company's policy and the board has failed.

The result of the polls was announced by the scrutineers, Messrs Whinney, Smith and Whinney, on the 26th instant and showed that the resolutions submitted by the board (the adoption of the report and accounts and the re-election of the retiring directors) were carried by a substantial majority and the auditors re-elected.

The resolutions submitted by the Grundt Committee were defeated.

## AFRICAN AND EUROPEAN INVESTMENT COMPANY

### EARNING CAPACITY OF THE ASSETS

The thirty-fourth annual general meeting of the African and European Investment Company, Limited, was held, on the 14th ult., in Johannesburg.

Mr R. W. Townsend, who presided, said that the gross profit for the year was £513,634, compared with £543,347 last year. Their annual investment income continued to show a progressive increase, particularly the receipts from dividends. After providing for the two dividends of 5 per cent. already paid, the balance carried forward was £109,134. Stocks, shares and debentures in other companies stood in the balance sheet at £2,454,199, and the market valuation of such of the investments as were quoted amounted to £3,488,387 at December 31st last, an appreciation of £1,102,000 over book cost.

During the last few years they had disposed of large areas of land, from which the income had been small, and had invested the proceeds in securities which offered a more remunerative return. As a rule, however, they retained the mineral rights, and their area to-day amounted to the substantial figure of nearly 3,500,000 acres distributed over the Transvaal and the Orange Free State, in addition to which they held valuable prospecting mineral options extending over 67,883 acres of ground in the Odendaalsrust district of the Orange Free State. The properties there adjoined those belonging to Western Holdings, Limited, where that company had recently made such important discoveries, the result of which, it was hoped, might ultimately establish the existence of an entirely new gold field.

With regard to their mining interests on the Witwatersrand and elsewhere, Grootvlei Proprietary Mines promised, in due course, to become one of the Rand's largest producers and had now reached the dividend-paying stage. Very much improved results had been obtained by the Palmietkuil Gold Mining Company.

The Amalgamated Collieries of South Africa, in which the company had a large holding, had again shown excellent results, and Vereeniging Estates had had another good year. The company's portfolio of stocks, shares and debentures in other companies now included a substantial number of shares in the leading South African gold mines.

The report was unanimously adopted.

## MARSTON VALLEY BRICK COMPANY, LIMITED

### INCREASED SALES

The tenth annual ordinary general meeting of the Marston Valley Brick Company, Limited, was held, on the 28th ultimo, in London.

Mr A. W. Allard, who presided, said that the business was commenced in 1929 by the present directors and had proceeded on private lines until 1933, and then was formed into a public company, during which time the programme had been one of continual expansion, the company going from strength to strength, the effect of which had been to put them in a formidable position in the Fletton brick industry, the company's works now being the second largest producer. During the last six years—that was since the company was made a public one—they had distributed by way of dividends a gross sum of no less than £462,415. The company's reserves totalled £388,393, or more than 50 per cent. of the issued capital. That was a record of which they could be justly proud.

The directors regretted that the trading results for the year showed a reduction as compared with the previous year. The sales of the company's bricks were higher than for the year to March, 1938, but unfortunately the prices realised were considerably lower, particularly since the autumn of 1938. The demand for common bricks for private building had undoubtedly fallen off and that had not been offset by Government requirements, as the officials appeared to prefer to build hutments with imported timber rather than with the home-produced Fletton bricks. In his opinion walls built with common Fletton bricks were as cheap, if not cheaper, than walls built in timber and were much more weatherproof and lasting.

One encouraging factor was that, notwithstanding the general reduction in the demand for common bricks, the sales of Fletton bricks, as produced by the company, had increased during the past year, while those of other common bricks had decreased.

In view of the uncertainty of the building trade owing to the political situation, the directors had felt it desirable to conserve resources, and recommended a final dividend of 5 per cent., making 10 per cent. for the year.

The report was unanimously adopted.





## OVERSEAS BANK RETURNS

NOTE—The latest returns of the Bank of Greece appeared in The Economist of May 6th; Denmark and International Settlements, of June 10th; Argentina, Bulgaria and Iran, of June 17th; Canada, Danzig, Egypt, Hungary, Japan, Java, Jugoslavia, Roumania and Sweden, of June 24th.

## U.S. FEDERAL RESERVE BANKS

| Million \$'s                                 | June 30, 1938 | June 30, 1939 | June 29, 1939 | June 29, 1939 |
|----------------------------------------------|---------------|---------------|---------------|---------------|
| 12 U.S.F.R. BANKS                            | 1938          | 1939          | 1939          | 1939          |
| Gold certifi. on hand and due from Treas.    | 10,636        | 13,318        | 13,466        | 13,506        |
| Total reserves                               | 11,052        | 13,673        | 13,841        | 13,881        |
| Total cash reserves                          | 407           | 347           | 367           | 367           |
| Total bills discounted                       | 10            | 4             | 5             | 5             |
| Bills in open mkt.                           | 1             | 1             | 1             | 1             |
| Total bills on hand                          | 17            | 12            | 12            | 12            |
| Industrial advances                          | 2,564         | 2,564         | 2,564         | 2,551         |
| Total U.S. Govt. secs.                       | 2,591         | 2,581         | 2,582         | 2,569         |
| Total bills and secs.                        | 14,272        | 16,922        | 17,173        | 17,142        |
| Total resources                              | 14,272        | 16,922        | 17,173        | 17,142        |
| LIABILITIES                                  |               |               |               |               |
| F.R. notes in circ.                          | 4,124         | 4,477         | 4,429         | 4,449         |
| Aggregate of excess mt. bank res. over reqt. | 2,900         | 4,220         | 4,230         | 4,240         |
| Deposits — Member bank reserve account       | 8,041         | 10,029        | 10,099        | 10,116        |
| Govt. deposits                               | 864           | 920           | 941           | 962           |
| Total deposits                               | 9,271         | 11,535        | 11,754        | 11,755        |
| Cap. paid in and surplus                     | 309           | 311           | 311           | 311           |
| Total liabilities                            | 14,272        | 16,922        | 17,173        | 17,142        |
| Reserve to depts. and F.R. notes             | 82.5%         | 85.4%         | 85.5%         | 85.7%         |
| U.S.F.R. BANKS AND TREASURY COMBINED         |               |               |               |               |
| RESOURCES                                    |               |               |               |               |
| Monetary gold stock                          | 12,962        | 15,956        | 16,060        | 16,093        |
| Treasury and Nat. Bk. currency               | 2,712         | 2,863         | 2,873         | 2,879         |
| LIABILITIES                                  |               |               |               |               |
| Money in circulation                         | 6,428         | 6,968         | 6,934         | 6,962         |
| Treasury cash and deposits with F.R. Bks.    | 3,163         | 3,555         | 3,507         | 3,521         |

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

| June 30, 1938                          | June 30, 1939 | June 29, 1939 | June 29, 1939 |
|----------------------------------------|---------------|---------------|---------------|
| Total gold reserves                    | 4565.9        | 6500.8        | 6490.6        |
| Total bills discounted                 | 6.0           | 1.1           | 1.4           |
| Bills in open mkt.                     | 0.2           | 0.2           | 0.2           |
| Total U.S. Govt. secs.                 | 745.8         | 721.9         | 721.9         |
| Total bills and secs.                  | 754.0         | 726.1         | 726.1         |
| Deposits — Member bank reserve account | 3822.7        | 5490.5        | 5433.9        |
| Govt. deposits                         | 5433.9        | 5433.9        | 5433.2        |
| Reserve to depts. and F.R. notes       | 87.3%         | 91.1%         | 91.0%         |

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

| June 15, 1938                     | June 15, 1939 | June 14, 1939 | June 14, 1939 |
|-----------------------------------|---------------|---------------|---------------|
| ASSETS                            |               |               |               |
| Loans, total                      | 8,361         | 8,046         | 8,116         |
| Investments                       | 12,505        | 13,563        | 13,679        |
| Reserve with Federal Reserve Bank | 6,405         | 8,352         | 8,417         |
| Due from domestic bks.            | 2,446         | 2,671         | 2,670         |
| LIABILITIES                       |               |               |               |
| Deposits: demand                  | 15,065        | 16,681        | 17,057        |
| Time                              | 5,227         | 5,247         | 5,229         |
| U.S. Government                   | 506           | 589           | 552           |
| Inter-bank                        | 6,236         | 7,323         | 7,314         |

† Amended.

## BANK OF FRANCE.—Million francs

| June 23, 1938                                                | June 23, 1939 | June 22, 1939 | June 22, 1939 |
|--------------------------------------------------------------|---------------|---------------|---------------|
| ASSETS                                                       |               |               |               |
| Gold*                                                        | 55,808        | 92,266        | 92,266        |
| Bills: Commercial                                            | 7,325         | 9,759         | 9,035         |
| Bought abroad                                                | 760           | 726           | 726           |
| Advances on securities                                       | 3,454         | 3,401         | 3,468         |
| Thirty-day advances                                          | 304           | 78            | 433           |
| Loans to State without interest: (a) general (b) provisional | 3,200         | 10,000        | 10,000        |
| Negotiable bonds                                             | 40,134        | 20,577        | 20,577        |
| Sinking Fund Dept.                                           | 5,575         | 5,470         | 5,470         |
| Other assets                                                 | 3,980         | 4,276         | 4,205         |
| LIABILITIES                                                  |               |               |               |
| Notes in circulation                                         | 99,191        | 121,391       | 120,215       |
| Deposits: Public                                             | 3,233         | 4,572         | 5,864         |
| Private                                                      | 15,203        | 17,423        | 17,508        |
| Other liabilities                                            | 2,914         | 3,167         | 2,917         |
| Gold to sight liabilities                                    | 47.4%         | 64.3%         | 64.2%         |

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

## REICHSBANK\*

| June 23, 1938                    | June 23, 1939 | June 22, 1939 | June 22, 1939 |
|----------------------------------|---------------|---------------|---------------|
| ASSETS                           |               |               |               |
| Gold and for currencies          | 76.7          | 77.0          | 76.8          |
| Bills and cheques                | 520.4         | 720.4         | 751.3         |
| Token money                      | 254.2         | 188.6         | 189.9         |
| Renten bank notes                | 57.8          | 29.1          | 26.1          |
| Advances                         | 845.7         | 821.1         | 821.4         |
| Secs.: for note cover others     | 1239.8        | 1535.4        | 1155.7        |
| Other assets                     | 1239.8        | 1535.4        | 1155.7        |
| LIABILITIES                      |               |               |               |
| Notes in circulation             | 5724.3        | 7799.5        | 7998.1        |
| Other daily maturing obligations | 1029.5        | 1103.4        | 925.3         |
| Other liabilities                | 260.7         | 572.8         | 599.1         |
| Cover of note circulatn.         | 1.33%         | 0.99%         | 0.96%         |

\* Form of return has been altered, as from June 23, 1939.

## AUSTRALIAN COMMONWEALTH BANK.—Million £'s

| June 20, 1938            | June 22, 1939 | June 12, 1939 | June 19, 1939 |
|--------------------------|---------------|---------------|---------------|
| ASSETS                   |               |               |               |
| Gold and English stg.    | 16.01         | 16.03         | 16.03         |
| Other coin, bullion, &c. | 4.80          | 5.18          | 5.51          |
| Call money, London, &c.  | 28.46         | 17.05         | 16.81         |
| Secrts. and Treas. bills | 87.70         | 94.85         | 94.20         |
| Discounts and advances   | 12.83         | 17.14         | 16.72         |
| LIABILITIES              |               |               |               |
| Notes issued             | 49.03         | 47.78         | 47.53         |
| Res. pm. on gold sold    | 7.75          | 7.75          | 7.75          |
| Deposits, etc.           | 85.03         | 83.97         | 83.67         |

## NATIONAL BANK OF BELGIUM

| June 23, 1938          | June 24, 1939 | June 15, 1939 | June 22, 1939 |
|------------------------|---------------|---------------|---------------|
| ASSETS                 |               |               |               |
| Gold                   | 2,818         | 3,089         | 3,153         |
| Silver and other coin  | 55            | 53            | 54            |
| Foreign exchange, etc. | 742           | 555           | 671           |
| Bills and securities   | 835           | 928           | 771           |
| Advances               | 51            | 65            | 51            |
| LIABILITIES            |               |               |               |
| Notes in circulation   | 4,091         | 4,425         | 4,409         |
| Deposits: Govt.        | 11            | 20            | 14            |
| Other                  | 314           | 156           | 188           |

## BANK OF ESTONIA

| June 15, 1938                                             | June 15, 1939 | June 31, 1939 | June 15, 1939 |
|-----------------------------------------------------------|---------------|---------------|---------------|
| ASSETS                                                    |               |               |               |
| Gold coin & gold bullion                                  | 34.25         | 40.86         | 40.89         |
| Net foreign exchange                                      | 15.15         | 15.69         | 15.69         |
| Home bills discounted                                     | 9.88          | 12.81         | 12.94         |
| Loans and advances                                        | 9.94          | 13.30         | 15.69         |
| LIABILITIES                                               |               |               |               |
| Notes in circulation                                      | 45.31         | 52.36         | 52.75         |
| Sight dep. and current accounts, of which: (a) Government | 18.26         | 22.11         | 21.13         |
| (b) Bankers                                               | 12.07         | 11.66         | 15.08         |
| Reserve to current liabilities                            | 62.9%         | 63.8%         | 61.8%         |

## BANK OF FINLAND

| June 15, 1938             | June 15, 1939 | June 8, 1939 | June 15, 1939 |
|---------------------------|---------------|--------------|---------------|
| ASSETS                    |               |              |               |
| Gold reserve              | 620.4         | 1128.2       | 1128.2        |
| Foreign correspondents    | 2089.2        | 2115.6       | 2096.7        |
| Foreign bills, etc.       | 26.6          | 91.0         | 87.3          |
| Int. bills and home loans | 1583.3        | 1280.7       | 1303.5        |
| Finnish & foreign bonds   | 429.4         | 631.1        | 636.4         |
| LIABILITIES               |               |              |               |
| Notes in circulation      | 2110.7        | 2205.1       | 2177.9        |
| Sight deposits: Govt.     | 192.8         | 89.1         | 42.9          |
| Other                     | 1109.5        | 994.2        | 1068.2        |
| Cover to sight liab.      | 73.5%         | 87.5%        | 87.5%         |

## BANK OF LATVIA

| June 20, 1938            | June 22, 1939 | June 12, 1939 | June 19, 1939 |
|--------------------------|---------------|---------------|---------------|
| ASSETS                   |               |               |               |
| Gold coin and bullion    | 77.59         | 92.83         | 92.84         |
| Silver coin              | 13.77         | 11.78         | 11.90         |
| Foreign currency         | 39.66         | 39.01         | 39.81         |
| Treas. notes and change  | 8.60          | 9.37          | 10.79         |
| Short-term bills         | 50.24         | 52.13         | 52.84         |
| Loans against securities | 81.68         | 101.72        | 94.59         |
| LIABILITIES              |               |               |               |
| Notes in circulation     | 63.39         | 87.25         | 81.95         |
| Deposits & curr. accs.   | 130.99        | 138.40        | 141.44        |
| Government accounts      | 66.26         | 69.82         | 71.24         |

## BANK OF LITHUANIA.—Million litas

| June 23, 1938            | June 23, 1939 | June 15, 1939 | June 22, 1939 |
|--------------------------|---------------|---------------|---------------|
| ASSETS                   |               |               |               |
| Gold                     | 79.15         | 62.16         | 62.16         |
| Silver and other coins   | 13.78         | 14.62         | 14.24         |
| Discounts                | 91.05         | 111.11        | 107.62        |
| Advances                 | 16.01         | 20.83         | 20.10         |
| LIABILITIES              |               |               |               |
| Bank notes in circulatn. | 120.98        | 174.65        | 168.21        |
| Current accounts         | 63.56         | 26.35         | 27.36         |
| Deposits                 | 14.81         | 9.29          | 7.84          |

## NETHERLANDS BANK

| June 23, 1938                         | June 23, 1939 | June 15, 1939 | June 22, 1939 |
|---------------------------------------|---------------|---------------|---------------|
| ASSETS                                |               |               |               |
| Gold                                  | 1481.2        | 1209.5        | 1189.8        |
| Silver                                | 21.2          | 17.4          | 20.5          |
| Home bills, etc.                      | 8.4           | 11.6          | 10.1          |
| Foreign bills                         | 5.4           | 2.7           | 2.3           |
| Loans and advances in current account | 329.8         | 212.0         | 208.4         |
| LIABILITIES                           |               |               |               |
| Notes in circulation                  | 911.3         | 1046.4        | 998.8         |
| Deposits: (a) Govt.                   | 145.0         | 30.0          | 41.5          |
| (b) Other                             | 809.0         | 397.2         | 412.8         |

## RESERVE BANK OF NEW ZEALAND

| June 20, 1938            | June 22, 1939 | June 12, 1939 | June 19, 1939 |
|--------------------------|---------------|---------------|---------------|
| ASSETS                   |               |               |               |
| Gold                     | 2.80          | 2.80          | 2.80          |
| Sterling exchange        | 17.02         | 4.76          | 5.77          |
| Advances to State        | 4.56          | 19.70         | 17.76         |
| Investments              | 2.73          | 3.77          | 3.77          |
| LIABILITIES              |               |               |               |
| Bank notes in circulatn. | 13.71         | 15.68         | 15.50         |
| Demand liab.: State      | 4.47          | 2.31          | 3.79          |
| Banks and others         | 7.64          | 11.36         | 9.51          |
| Reserve to sight liab.   | 76.8%         | 25.6%         | 29.6%         |

## RESERVE BANK OF INDIA

| June 17, 1938                    | June 19, 1939 | June 9, 1939 | June 16, 1939 |
|----------------------------------|---------------|--------------|---------------|
| ASSETS                           |               |              |               |
| Gold coin and bullion            | 444           | 444          | 444           |
| Rupee coin                       | 616           | 658          | 667           |
| Balances abroad                  | 21            | 101          | 95            |
| Sterling securities              | 761           | 595          | 595           |
| Indian Govt. rupee securities    | 324           | 373          | 373           |
| Investments                      | 67            | 71           | 71            |
| LIABILITIES                      |               |              |               |
| Notes in circn.: India           | 1,709         | 1,791        | 1,798         |
| Burma                            | 74            | 105          | 102           |
| Deposits: Govt.                  | 186           | 116          | 108           |
| Banks                            | 163           | 142          | 147           |
| Gold and sterling to liabilities | 56.2%         | 50.2%        | 50.0%         |

## BANK OF NORWAY

| June 22, 1938                                 | June 22, 1939 | June 15, 1939 | June 22, 1939 |
|-----------------------------------------------|---------------|---------------|---------------|
| ASSETS                                        |               |               |               |
| Coin and bullion (gold reserve)               | 134.0         | 147.7         | 147.7         |
| Bal. abroad & for. bills                      | 238.6         | 141.7         | 136.2         |
| Funds provisionally in gold, not in gold res. | 64.8          | 88.7          | 88.7          |
| Norwegian and foreign Govt. securities        | 100.6         | 146.0         | 146.2         |
| Discounts and loans                           | 105.6         | 146.6         | 149.8         |
| LIABILITIES                                   |               |               |               |
| Notes in circulation                          | 435.1         | 454.3         | 456.0         |
| Deposits at sight                             | 185.1         | 192.8         | 182.7         |

## BANK OF POLAND

| June 20, 1938            | June 20, 1939 | June 10, 1939 | June 20, 1939 |
|--------------------------|---------------|---------------|---------------|
| ASSETS                   |               |               |               |
| Gold                     | 445.9         | 443.4         | 443.6         |
| For. exch. and balances  | 13.3          | 12.3          | 14.2          |
| Bills discounted         | 634.2         | 537.8         | 541.1         |
| Loans against securities | 22.7          | 103.4         | 87.5          |
| Treas. bills discounted  | 28.7          | 90.8          | 122.0         |
| Other State credits      | 515.0         | 515.0         | 515.0         |
| LIABILITIES              |               |               |               |
| Notes in circulation     | 1077.6        | 1775.9        | 1799.9        |
| Sight liabilities: Govt. | 30.9          | 42.1          | 43.0          |
| Banks, etc.              | 260.8         | 93.7          | 93.4          |

## BANK OF PORTUGAL

| Apr. 13, 1938        | Mar. 29, 1939 | Apr. 5, 1939 | Apr. 12, 1939 |
|----------------------|---------------|--------------|---------------|
| ASSETS               |               |              |               |
| Gold                 | 917.3         | 918.8        | 918.8         |
| Balances abroad      | 564.8         | 714.3        | 717.1         |
| Discounts            | 341.9         | 447.9        | 440.5         |
| Securities           | 116.5         | 117.9        | 117.9         |
| Government loans     | 1040.3        | 1035.7       | 1035.7        |
| LIABILITIES          |               |              |               |
| Notes in circulation | 2029.5        | 2072.0       | 2096.5        |
| Deposits: Government | 545.3         | 467.1        | 484.5         |
| Bankers              | 606.4         | 698.0        | 666.8         |
| Other                | 61.2          | 85.9         | 84.7          |
| Foreign commitments  | 63.0          | 196.0        | 195.9         |

† Including those of Comité du Crédit Public (previously included with Government deposits).

## NATIONAL BANK, PRAGUE†

| June 23, 1938                          | May 23, 1939 | June 15, 1939 | June 23, 1939 |
|----------------------------------------|--------------|---------------|---------------|
| ASSETS                                 |              |               |               |
| Gold                                   | 2,652        | 1,859         | 1,830         |
| Balances abroad and foreign currencies | 339          | 855           | 777           |
| Discounts and advances                 | 3,562        | 2,908         | 3,033         |
| LIABILITIES                            |              |               |               |
| Notes in circulation                   | 7,296        | 6,141         | 6,219         |
| Cash vouchers in circ.                 | 994          | 912           | 914           |
| Deposits                               | 994          | 912           | 914           |

† National Bank of Bohemia and Moravia, Prague.

## SOUTH AFRICAN RESERVE BANK

| June 24, 1938         | May 26, 1939 | June 16, 1939 | June 23, 1939 |
|-----------------------|--------------|---------------|---------------|
| ASSETS                |              |               |               |
| Gold coin and bullion | 22.72        | 26.43         | 26.64         |
| Bills discounted      | 8.27         | 8.15          | 9.54          |
| Advances to Govt.     | 12.82        | 14.42         | 15.73         |
| Invts. & other assets | 15.93        | 17.69         | 16.81         |
| LIABILITIES           |              |               |               |
| Notes in circulation  | 2.73         | 2.95          | 2.81          |
| Deposits: Government  | 17.80        | 20.33         | 23.49         |
| Bankers               | 4.33         | 5.01          | 5.47          |
| Others                | 55.8%        | 57.5%         | 54.5%         |

## SWISS NATIONAL BANK

## EXCHANGE RATES—cont.

## NEW YORK

| New York on        | June 22, 1939                     | June 23, 1939                     | June 24, 1939                     | June 26, 1939                     | June 27, 1939                     | June 28, 1939                     |
|--------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| London:—           | Cents                             | Cents                             | Cents                             | Cents                             | Cents                             | Cents                             |
| 60 days            | 467 <sup>1</sup> / <sub>2</sub>   | 467 <sup>1</sup> / <sub>2</sub>   | 467 <sup>1</sup> / <sub>2</sub>   | 467 <sup>1</sup> / <sub>2</sub>   | 467 <sup>1</sup> / <sub>2</sub>   | 467 <sup>1</sup> / <sub>2</sub>   |
| Cables             | 468 <sup>1</sup> / <sub>2</sub>   | 468 <sup>1</sup> / <sub>2</sub>   | 468 <sup>1</sup> / <sub>2</sub>   | 468 <sup>1</sup> / <sub>2</sub>   | 468 <sup>1</sup> / <sub>2</sub>   | 468 <sup>1</sup> / <sub>2</sub>   |
| Demand             | 468                               | 468                               | 468                               | 468                               | 468                               | 468                               |
| Paris, Fr.         | 2-64 <sup>1</sup> / <sub>2</sub>  | 2-64 <sup>1</sup> / <sub>2</sub>  | 2-64 <sup>1</sup> / <sub>2</sub>  | 2-64 <sup>1</sup> / <sub>2</sub>  | 2-65                              | 2-64 <sup>1</sup> / <sub>2</sub>  |
| Bussels, Bel.      | 17-01                             | 17-01                             | 17-01                             | 17-00 <sup>1</sup> / <sub>2</sub> | 17-01                             | 17-01                             |
| Switzerland, Fr.   | 22-54 <sup>1</sup> / <sub>2</sub> | 22-54 <sup>1</sup> / <sub>2</sub> | 22-54 <sup>1</sup> / <sub>2</sub> | 22-53 <sup>1</sup> / <sub>2</sub> | 22-56                             | 22-55                             |
| Italy, Lira        | 5-26 <sup>1</sup> / <sub>2</sub>  | 5-26 <sup>1</sup> / <sub>2</sub>  | 5-26 <sup>1</sup> / <sub>2</sub>  | 5-26 <sup>1</sup> / <sub>2</sub>  | 5-26 <sup>1</sup> / <sub>2</sub>  | 5-26 <sup>1</sup> / <sub>2</sub>  |
| Berlin, Mark       | 40-12                             | 40-12                             | 40-11 <sup>1</sup> / <sub>2</sub> | 40-11                             | 40-11 <sup>1</sup> / <sub>2</sub> | 40-11 <sup>1</sup> / <sub>2</sub> |
| Amsterdam, Guilder | 53-08 <sup>1</sup> / <sub>2</sub> | 53-09                             | 53-09                             | 53-08 <sup>1</sup> / <sub>2</sub> | 53-10                             | 53-09                             |
| Copenhagen, Kr.    | 20-90 <sup>1</sup> / <sub>2</sub> | 20-90 <sup>1</sup> / <sub>2</sub> | 20-90 <sup>1</sup> / <sub>2</sub> | 20-90 <sup>1</sup> / <sub>2</sub> | 20-91                             | 20-90 <sup>1</sup> / <sub>2</sub> |
| Oslo, Kr.          | 23-52 <sup>1</sup> / <sub>2</sub> | 23-52 <sup>1</sup> / <sub>2</sub> | 23-52 <sup>1</sup> / <sub>2</sub> | 23-52 <sup>1</sup> / <sub>2</sub> | 23-53                             | 23-53                             |
| Stockholm, Kr.     | 24-10 <sup>1</sup> / <sub>2</sub> | 24-10 <sup>1</sup> / <sub>2</sub> | 24-10 <sup>1</sup> / <sub>2</sub> | 24-10 <sup>1</sup> / <sub>2</sub> | 24-11                             | 24-11                             |
| Athens, Dr.        | 0-85 <sup>1</sup> / <sub>2</sub>  | 0-85 <sup>1</sup> / <sub>2</sub>  | 0-85 <sup>1</sup> / <sub>2</sub>  | 0-85 <sup>1</sup> / <sub>2</sub>  | 0-85 <sup>1</sup> / <sub>2</sub>  | 0-85 <sup>1</sup> / <sub>2</sub>  |
| Montreal, Can. \$  | 99-72 <sup>1</sup> / <sub>2</sub> | 99-72 <sup>1</sup> / <sub>2</sub> | 99-750                            | 99-72 <sup>1</sup> / <sub>2</sub> | 99-780                            | 99-780                            |
| Yokohama, Yen      | 27-32                             | 27-32                             | 27-32                             | 27-31                             | 27-32                             | 27-32                             |
| Shanghai, \$       | 12-95                             | 13-30                             | 13-45                             | 13-40                             | 13-45                             | 13-15                             |
| B. Aires, Peso     | 29-04                             | 29-04                             | 29-04                             | 29-04                             | 29-05                             | 29-04                             |
| Rio, Milreis†      | 5-30                              | 5-30                              | 5-30                              | 5-30                              | 5-20                              | 5-20                              |

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. | £ s. d.     |
| Rhodesia     | 99 15 0 | 99 15 0 | 99 15 0     |
| South Africa | 100 5 0 | 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 <sup>1</sup> / <sub>2</sub> | 125                                  | 124 <sup>1</sup> / <sub>2</sub> | 125 <sup>1</sup> / <sub>2</sub> | 125                             |
| Sight                                | 126 <sup>1</sup> / <sub>2</sub> | 125 <sup>1</sup> / <sub>2</sub> | 124 <sup>1</sup> / <sub>2</sub> | 124 <sup>1</sup> / <sub>2</sub>      | 123 <sup>1</sup> / <sub>2</sub> | 125 <sup>1</sup> / <sub>2</sub> | 124 <sup>1</sup> / <sub>2</sub> |
| 30 days                              | 126 <sup>1</sup> / <sub>2</sub> | 125 <sup>1</sup> / <sub>2</sub> | 124 <sup>1</sup> / <sub>2</sub> | 124 <sup>1</sup> / <sub>2</sub>      | 123 <sup>1</sup> / <sub>2</sub> | 125 <sup>1</sup> / <sub>2</sub> | 124 <sup>1</sup> / <sub>2</sub> |
| 60 days                              | 127 <sup>1</sup> / <sub>2</sub> | 126 <sup>1</sup> / <sub>2</sub> | 124 <sup>1</sup> / <sub>2</sub> | 124 <sup>1</sup> / <sub>2</sub>      | 123 <sup>1</sup> / <sub>2</sub> | 125 <sup>1</sup> / <sub>2</sub> | 124 <sup>1</sup> / <sub>2</sub> |
| 90 days                              | 127 <sup>1</sup> / <sub>2</sub> | 126 <sup>1</sup> / <sub>2</sub> | 124 <sup>1</sup> / <sub>2</sub> | 124 <sup>1</sup> / <sub>2</sub>      | 123 <sup>1</sup> / <sub>2</sub> | 125 <sup>1</sup> / <sub>2</sub> | 124 <sup>1</sup> / <sub>2</sub> |

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

(Continued from page 30)

**Philips' Incandescent Lamp Company.**—Profits for the year to April 30, Fl. 8,038,591 (Fl. 8,015,307). Dividend maintained at 11 per cent. Stocks Fl. 13,862,868 (Fl. 18,453,274). Cash Fl. 43,892,014, against Fl. 24,231,166.

**Wellman Smith Owen Engineering.**—Preliminary profit figures for year to March 31, 1939, £69,365 (£34,059). Tax and N.D.C. £6,566 (£4,985). Final dividend 5 plus 2<sup>1</sup>/<sub>2</sub> per cent. cash bonus, making 12<sup>1</sup>/<sub>2</sub> for year, against 10 per cent.

**Shell Union Oil.**—Dividend 25 cents per common share, against 35 cents in June and December, 1938. Proposed issue of \$85,000,000 refunding bonds due 1954 will carry 2<sup>1</sup>/<sub>2</sub> per cent. interest.

**Hovis.**—Preliminary statement shows profits for year to March 31st of £148,964

(£135,242) after depreciation, but before interest and staff funds. Final dividend 7<sup>1</sup>/<sub>2</sub> per cent. plus cash bonus of 5 per cent., repeating 20 per cent. for the year.

**Aveling-Barford, Ltd.**—Net profits for year to March 31st, £71,723 (£44,176). Final dividend 10 per cent., tax free, making tax free dividend for year, 15 against 8 per cent. Carry forward £33,216 (£31,818).

**Patons and Baldwins.**—Net profit for year to April 29, 1939, after depreciation, taxation and debenture interest, etc., £361,885 (£260,666). Preference dividend £64,761 (£68,156). To general reserve £75,000 (nil). A.R.P. reserve £30,000. Ordinary dividend repeated at 10 per cent., tax free. Carry forward £74,007 (£73,798).

**London Midland and Scottish Railway.**—The directors announce that the

dividend on the 5 per cent. redeemable preference stock for the half year to June 30, 1939, will be paid on July 1st. The 4 per cent. non-cumulative preference stock ranks *pari passu*. Last year the directors made no decision until the end of July on this stock, but eventually announced an interim dividend of 2 per cent.

**Lancashire Associated Collieries.**—Profits for year to March 31, 1939, compare with nine months to March 31, 1938. Gross profits £728,696 (£493,269). To depreciation £14,525 (£9,924). To preliminary expenses £5,184 (£5,649). Net profit £695,363 (£463,135). Interim distributions £640,437 (£366,426). Total assets £2,058,591 (£1,992,334).

**W. and T. Avery, Ltd.**—Net profit for year to March 31, 1939, £165,348 (£161,354). Ordinary dividend maintained at 15 per cent. (Continued on page 50)

## IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended June 29, 1939

| Imports                |           |         | Exports            |           |          |
|------------------------|-----------|---------|--------------------|-----------|----------|
| From                   | Bullion   | Coin    | To                 | Bullion   | Coin     |
| <b>GOLD</b>            |           |         |                    |           |          |
| British W. Africa..... | £ 321,425 | £ ..... | British India..... | £ 2,510   | £ 35,050 |
| South Africa.....      | 1,470,211 | ...     | Denmark.....       | 239       | ...      |
| S. Rhodesia.....       | 156,570   | ...     | Germany.....       | 3,500     | ...      |
| British E. Africa..... | 36,507    | ...     | Netherlands.....   | 102,896   | ...      |
| British India.....     | 66,719    | ...     | France.....        | 823       | 24,504   |
| Netherlands.....       | 1,594,006 | ...     | Switzerland.....   | 21,784    | ...      |
| Belgium.....           | 25,831    | ...     | United States..... | 5,525,386 | ...      |
| Total*.....            | 3,680,842 | 8,153   | Total*.....        | 5,533,074 | 184,759  |
| <b>SILVER</b>          |           |         |                    |           |          |
| British W. Africa..... | 12,105    | ...     | British India..... | 30,175    | ...      |
| Norway.....            | 206       | ...     | Norway.....        | 1,185     | ...      |
| Belgium.....           | 11,703    | 232     | Denmark.....       | 2,633     | ...      |
| France.....            | 8,546     | 244     | Germany.....       | 25,528    | ...      |
| Portugal.....          | 3,572     | ...     | Netherlands.....   | 830       | ...      |
| Switzerland.....       | 34        | ...     | Egypt.....         | 17,044    | ...      |
| Japan.....             | 107,434   | ...     | United States..... | 136,005   | ...      |
| Total*.....            | 130,290   | 17,785  | Total*.....        | 197,643   | 17,069   |

\* Including other countries.

## Investment

TRANSPORT RECEIPTS  
BRITISH RAILWAY TRAFFICS

|                | Gross Receipts, week ended June 25 (£'000) |             |             |             |                | Aggregate Gross Receipts, 25 weeks (£'000) |             |             |             |                |
|----------------|--------------------------------------------|-------------|-------------|-------------|----------------|--------------------------------------------|-------------|-------------|-------------|----------------|
|                | Passenger                                  | Merchandise | Coal & Coke | Total Goods | Total Receipts | Passenger                                  | Merchandise | Coal & Coke | Total Goods | Total Receipts |
| L.M. & S.—     |                                            |             |             |             |                |                                            |             |             |             |                |
| 1938           | 606                                        | 438         | 210         | 648         | 1,254          | 11,526                                     | 11,702      | 6,572       | 18,274      | 29,800         |
| 1939           | 588                                        | 508         | 232         | 740         | 1,328          | 11,351                                     | 11,631      | 6,821       | 18,452      | 29,803         |
| L. & N.E. (a)— |                                            |             |             |             |                |                                            |             |             |             |                |
| 1938           | 387                                        | 288         | 194         | 482         | 869            | 7,467                                      | 8,241       | 6,157       | 14,398      | 21,865         |
| 1939           | 371                                        | 320         | 242         | 562         | 933            | 7,393                                      | 7,992       | 6,410       | 14,402      | 21,795         |
| Great Western— |                                            |             |             |             |                |                                            |             |             |             |                |
| 1938           | 234                                        | 172         | 99          | 271         | 505            | 4,774                                      | 4,754       | 2,782       | 7,536       | 12,310         |
| 1939           | 230                                        | 217         | 112         | 329         | 559            | 4,771                                      | 4,958       | 2,844       | 7,802       | 12,573         |
| Southern—      |                                            |             |             |             |                |                                            |             |             |             |                |
| 1938           | 374                                        | 63          | 27          | 90          | 464            | 7,425                                      | 1,520       | 781         | 2,307       | 9,726          |
| 1939           | 365                                        | 67          | 28          | 95          | 460            | 7,445                                      | 1,506       | 814         | 2,320       | 9,765          |
| Total—         |                                            |             |             |             |                |                                            |             |             |             |                |
| 1938           | 1,601                                      | 961         | 530         | 1,491       | 3,992          | 31,192                                     | 26,217      | 16,292      | 42,509      | 73,701         |
| 1939           | 1,554                                      | 1,112       | 614         | 1,726       | 3,280          | 30,960                                     | 26,087      | 16,889      | 42,976      | 73,936         |

(a) Week ended June 24

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 increase, first half 1939, over first half 1938   | + 3     | — 70     | + 263         | + 39     |
| 25 weeks to June 25, 1939 ...                           | + 0-12  | + 2-80   | + 10-52       | + 1-56   |
| Latest week compared with 1938                          | + 74    | + 64     | + 54          | + 4      |
| Latest week compared with average 1927-30               | — 81    | — 102    | — 47          | — 19     |

## IRISH RAILWAY TRAFFICS

| Company             | Gross Receipts, week ended June 23, 1939 (£'000) |       |       | Aggregate Gross Receipts, 25 weeks (£'000) |         |         |
|---------------------|--------------------------------------------------|-------|-------|--------------------------------------------|---------|---------|
|                     | Pass.                                            | Goods | Total | Pass.                                      | Goods   | Total   |
| Belfast & Co. Down— |                                                  |       |       |                                            |         |         |
| 1938                | 2-9                                              | 0-3   | 3-2   | 49-0                                       | 10-7    | 59-7    |
| 1939                | 3-0                                              | 0-4   | 3-4   | 51-1                                       | 10-7    | 61-8    |
| Great Northern—     |                                                  |       |       |                                            |         |         |
| 1938                | 11-8                                             | 9-5   | 21-3  | 225-9                                      | 218-0   | 443-9   |
| 1939                | 11-8                                             | 10-7  | 22-5  | 233-3                                      | 251-0   | 484-3   |
| Great Southern—     |                                                  |       |       |                                            |         |         |
| 1938                | 40-0                                             | 35-6  | 75-6  | 781-1                                      | 985-2   | 1,766-3 |
| 1939                | 40-4                                             | 37-1  | 77-5  | 789-8                                      | 1,003-9 | 1,793-7 |

## SUEZ CANAL RECEIPTS

For Overseas heading, see next column

| Transit Receipts..... | 24 June 20 | £ 242,100 | £ 3,900 | £ 4,363,800 | £ 226,300 |
|-----------------------|------------|-----------|---------|-------------|-----------|
|-----------------------|------------|-----------|---------|-------------|-----------|

† 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.<br>or<br>†Final | Total | Pay-<br>able | Prev.<br>Year | Company                 | *Int.<br>or<br>†Final | Total   | Pay-<br>able | Prev.<br>Year |
|-----------------------|-----------------------|-------|--------------|---------------|-------------------------|-----------------------|---------|--------------|---------------|
| INSURANCE             | %                     | %     |              | %             | Cleved. Petrol. Ord.    | %                     | %       |              | %             |
| Victory Insurance ... | ...                   | 6     | ...          | 6             | Do. do. Def.            | 8*                    | ...     | ...          | 12*           |
| TEA & RUBBER          |                       |       |              |               | Clyde & Mersey Inv.     | 8*                    | ...     | ...          | 19*           |
| Assam Co. ....        | 4½†                   | 6½    | ...          | 6½            | Clydesdale Collieries   | 5½                    | ...     | ...          | 5½            |
| Bengal United Tea ... | ...                   | 4     | ...          | 12½           | Cosior (A. C.) .....    | 20                    | ...     | ...          | 20            |
| Bertam Cons. Rubber   | ...                   | 7     | ...          | ...           | Eastwoods Flettons :    | 6                     | ...     | ...          | 6             |
| Central Johore Rubber | ...                   | 10    | Aug. 1       | 15            | Pref. ord.              | 7†                    | 12      | July 14      | 14            |
| Craigieles Rubber ... | ...                   | 5     | Aug. 1       | 6             | Deferred                | 116½                  | July 14 | 166½         | ...           |
| Nederm Tea .....      | ...                   | 6     | July 28      | 10            | Gt. Nthn. Telegraph     | 2½*                   | ...     | ...          | 2½*           |
| Teekoy Rubber .....   | ...                   | 3     | ...          | 5             | Guardian Invest. ...    | 2½*                   | ...     | ...          | 2½*           |
| MINING                |                       |       |              |               | Hackney Wick Stadn.     | (a)15*                | ...     | ...          | 15*           |
| Lake View and Star    | 12½*                  | ...   | Aug. 10      | 12½*          | Hall Telephones .....   | 5*                    | ...     | ...          | 5*            |
| Mexican Corpn. ....   | 7½*                   | ...   | July 21      | 5*            | Hovis .....             | 12½†                  | 20      | ...          | 20            |
| Naraguta Tin .....    | ...                   | 7½    | ...          | 10            | Improved Dwellings      | 3†                    | 6       | ...          | 6             |
| Do. 1939-40           | 2½*                   | ...   | ...          | ...           | Jerusalem Electric ...  | 7                     | ...     | ...          | 7             |
| Southern Kinta .....  | 2½†                   | 10    | Aug. 3       | 25            | Kelly's Directories ... | 10†                   | 15      | ...          | 15            |
| Do. 1939-40           | 2½*                   | ...   | Aug. 3       | ...           | Kendall and Gent ...    | 5*                    | ...     | ...          | 5*            |
| Tati Goldfields ..... | 2½*                   | ...   | July 11      | Nil           | Kent (George) .....     | 9½†                   | 12½     | ...          | 13½           |
| Thistle Etna Gold ... | ...                   | 8     | ...          | 5             | Lancashire Shipping     | 2*                    | ...     | ...          | 2*            |
| INDUSTRIALS           |                       |       |              |               | Lansil .....            | ...                   | 5       | ...          | ...           |
| Aristoc .....         | 10*                   | ...   | July 20      | 10*           | Midland Woodwork.       | 11½†                  | 17½     | ...          | 17½           |
| Associated Paper      | 4*                    | ...   | ...          | 4*            | Montreal Light .....    | 38 cts.               | ...     | ...          | 38 cts.       |
| Avery (W and T.) ...  | 10†                   | 15    | ...          | 15            | New Sth. Wales Land     | ...                   | 8       | ...          | 10            |
| Bieckers Invest. .... | 3†                    | 5     | ...          | 5             | Pataling Royalties ...  | 5*                    | ...     | ...          | 7½*           |
| British Glues .....   | ...                   | 10    | July 31      | 10            | Peel River Land .....   | 3*                    | ...     | ...          | 3*            |
| Brooke Bond and Co.   | ...                   | 10    | ...          | 10            | Roberts Adlard .....    | ...                   | 10      | July 18      | 10            |
| Bulmer and Lumb ...   | 3½†                   | 6     | ...          | 6*            | Second Gt.Nthn. Tet.    | ...                   | 2       | July 13      | 2             |
| Cleveland Engrs. .... | 22½*                  | ...   | ...          | 12½           | Smale (Josiah) .....    | ...                   | 5       | ...          | Nil           |
|                       |                       |       |              |               | Standard Trust .....    | 2*                    | ...     | ...          | 2*            |
|                       |                       |       |              |               | Sterling Trust .....    | 2*                    | ...     | ...          | 2*            |

| Company                                                                                                                                                                                                                                          | *Int.<br>or<br>†Final | Total | Pay-<br>able | Prev.<br>Year | Company                | *Int.<br>or<br>†Final | Total | Pay-<br>able | Prev.<br>Year |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------|--------------|---------------|------------------------|-----------------------|-------|--------------|---------------|
| Steward and Patteson                                                                                                                                                                                                                             | 5*                    | ...   | ...          | Aug. 1        | Wells (Matthew) & Co.  | 8†                    | 16    | ...          | 20            |
| Tamplin's Brewery                                                                                                                                                                                                                                | 6½†                   | 10    | ...          | 10            | UNIT TRUSTS            | 3†                    | ...   | ...          | 3             |
| Trustees Corporation                                                                                                                                                                                                                             | 7†                    | 10    | ...          | 10            | Brit. Ind. Fixed (2nd) | 3-6                   | ...   | ...          | 3-8           |
| Wagon Finance .....                                                                                                                                                                                                                              | 7½*                   | ...   | ...          | 7½*           | Gilt Edged Fixed ...   | 3-0812                | ...   | ...          | 3-1306        |
| Free of income tax. (a) Paid on a larger capital.                                                                                                                                                                                                |                       |       |              |               |                        |                       |       |              |               |
| CANADIAN EAGLE OIL.—Ordinary dividend, 6d. per share. Earned per participating preference share 23-88 c. Can. After preference dividend and guaranteed dividend on Mexican Eagle preference, net profits for 1938 are £403,245 against £627,964. |                       |       |              |               |                        |                       |       |              |               |
| ALVIS LTD.—Payment of interest on 7½ per cent. cumulative participating preference shares has been deferred.                                                                                                                                     |                       |       |              |               |                        |                       |       |              |               |
| CAM and MOTOR GOLD.—Final ordinary dividend 24 per cent. making 52 per cent. for year to June 30, 1939, against 64 per cent.                                                                                                                     |                       |       |              |               |                        |                       |       |              |               |
| GLOBE TELEGRAPH AND TRUST.—Final dividend 3½ per cent. net, making 7½ per cent. net, as before, plus bonus 2½ per cent., making 10 per cent., tax free, as before.                                                                               |                       |       |              |               |                        |                       |       |              |               |



LONDON ACTIVE SECURITY PRICES AND YIELDS

Table with multiple columns: Prices, Year 1938, Last two Dividends, Name of Security, Price, June 28, 1939, Change since June 21, 1939, Yield, June 28, 1939. Includes sections for British Funds, Foreign Government Stocks, Investment Trusts, Financial Trusts, and various corporate stocks.

Table with multiple columns: Prices, Year 1939, Last two Dividends, Name of Security, Price, June 28, 1939, Change since June 21, 1939, Yield, June 28, 1939. Includes sections for Iron, Coal, & Steel, Textiles, Electricals, Miscellaneous, and various corporate stocks.

## 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 |                                        |                 |                                |          |
| Breweries & Distilleries         |             | £                         | £                                              | £                                 | £              | £               | %    | £                                      | £               | £                              | %        |
| Ohlsson's Cape Breweries...      | Mar. 31     | 87,443                    | 176,724                                        | 264,167                           | 11,500         | 105,000         | 17½  | 60,000                                 | 87,667          | 175,543                        | 17½      |
| Canal and Docks                  |             |                           |                                                |                                   |                |                 |      |                                        |                 |                                |          |
| Prince of Wales Dock .....       | Apr. 30     | 12,144                    | 10,254                                         | 22,398                            | 5,000          | 2,000           | 6½   | 3,500                                  | 11,898          | 13,228                         | 6½       |
| Financial, Land, etc.            |             |                           |                                                |                                   |                |                 |      |                                        |                 |                                |          |
| Argentine Northern Land...       | Dec. 31     | 5,422                     | Dr. 3,418                                      | 2,004                             | ...            | ...             | ...  | ...                                    | 2,004           | Dr. 2,474                      | Nil      |
| Atlas Electric, etc., Trust...   | Mar. 31     | 72,546                    | 179,329                                        | 251,875                           | 155,531        | ...             | ...  | ...                                    | 96,344          | 192,664                        | Nil      |
| Australian Agricultural .....    | Dec. 31     | 25,273                    | 18,286                                         | 43,559                            | ...            | 24,000          | 5½   | Dr. 5,000                              | 24,559          | 33,732                         | 5½       |
| British Central Africa Co. ...   | Sept. 30    | ...                       | 19,565                                         | 19,565                            | ...            | ...             | ...  | 19,565                                 | ...             | 7,246                          | Nil      |
| Brit. New Guinea Dev. ...        | Jan. 31     | 5,821                     | 9,803                                          | 15,624                            | ...            | 8,186           | 5    | 4,000                                  | 3,438           | 13,894                         | 5        |
| New South Wales Land ...         | Jan. 31     | 3,489                     | 3,783                                          | 7,272                             | ...            | 8,366           | 8    | Dr. 2,000                              | 906             | 14,286                         | 10       |
| Read's Drift Land .....          | Mar. 31     | Dr. 2,325                 | 185                                            | Dr. 2,140                         | ...            | ...             | ...  | ...                                    | Dr. 2,140       | 462                            | Nil      |
| Hotel, Restaurants, etc.         |             |                           |                                                |                                   |                |                 |      |                                        |                 |                                |          |
| Spiers and Pond .....            | Mar. 31     | 13,501                    | 39,163                                         | 52,664                            | 32,342         | 8,312           | 2    | 1,000                                  | 11,010          | 62,383                         | 6        |
| Iron, Coal and Steel             |             |                           |                                                |                                   |                |                 |      |                                        |                 |                                |          |
| Amalg. Anthracite Collrs....     | Dec. 31     | 257,709                   | 157,406                                        | 415,115                           | ...            | ...             | ...  | 351,527                                | 63,588          | 133,716                        | Nil      |
| Greenwood and Batley .....       | Mar. 31     | 29,830                    | 105,466                                        | 135,296                           | 7,028          | 52,258          | 15   | 43,500                                 | 32,510          | 104,361                        | 15       |
| Stephenson Clarke, etc. ...      | Mar. 31     | 73,968                    | 238,252                                        | 312,220                           | 58,925         | 102,406         | 10   | 67,667                                 | 83,422          | 225,895                        | 10       |
| Rubber                           |             |                           |                                                |                                   |                |                 |      |                                        |                 |                                |          |
| Biting .....                     | Mar. 31     | 1,950                     | 4,308                                          | 6,258                             | ...            | 4,375           | 6½   | ...                                    | 1,883           | 12,945                         | 12½      |
| Bukit Rajah .....                | Mar. 31     | 7,569                     | 11,917                                         | 19,486                            | ...            | 10,005          | 3    | 2,000                                  | 7,481           | 18,846                         | 5        |
| Daejan Samodra .....             | Mar. 31     | 3,655                     | 3,626                                          | 7,281                             | ...            | 2,300           | 2    | 1,000                                  | 3,981           | 6,264                          | 2½       |
| Java Para .....                  | Dec. 31     | 2,599                     | 11,318                                         | 13,917                            | ...            | ...             | ...  | 1,250                                  | 12,667          | 29,432                         | Nil      |
| Kuala Muda .....                 | Mar. 31     | 2,139                     | 12,148                                         | 14,287                            | ...            | 7,000           | 2    | 3,500                                  | 3,787           | 29,483                         | 5        |
| Kurunegala .....                 | Dec. 31     | 842                       | 170                                            | 1,012                             | ...            | ...             | ...  | ...                                    | 1,012           | (a)                            | (a)      |
| Selama (Malaya) .....            | Mar. 31     | 2,524                     | 5,368                                          | 7,892                             | ...            | 3,630           | 6    | 1,250                                  | 3,012           | 10,638                         | 12½      |
| Teekoy .....                     | Mar. 31     | 2,129                     | 3,004                                          | 5,133                             | ...            | 2,220           | 3    | 800                                    | 2,113           | 5,606                          | 5        |
| Way-Halim (Sumatra) .....        | Mar. 31     | 2,811                     | 2,873                                          | 5,684                             | ...            | 1,617           | 2½   | 1,500                                  | 2,567           | 5,298                          | Nil      |
| Shops and Stores                 |             |                           |                                                |                                   |                |                 |      |                                        |                 |                                |          |
| City and Provincial .....        | Mar. 31     | 10,909                    | 15,253                                         | 26,162                            | 3,480          | 7,612           | 17½  | 3,771                                  | 11,299          | 25,027                         | 35       |
| Sangers .....                    | Mar. 31     | 141,792                   | 158,295                                        | 300,087                           | 27,949         | 109,248         | 25   | 2,000                                  | 160,890         | 177,933                        | 25d      |
| United Counties Stores ...       | Feb. 28     | 5,586                     | 15,636                                         | 21,222                            | 4,350          | 8,700           | 6    | 1,500                                  | 6,672           | 14,012                         | 6        |
| Tea                              |             |                           |                                                |                                   |                |                 |      |                                        |                 |                                |          |
| Anglo-Ceylon and General         | Mar. 31     | 38,911                    | 80,870                                         | 119,781                           | ...            | 60,000          | 10   | 15,000                                 | 44,781          | 80,015                         | 10       |
| Budla Beta .....                 | Dec. 31     | 4,814                     | 18,696                                         | 23,510                            | ...            | 15,000          | 5    | 5,000                                  | 3,510           | 28,004                         | 7        |
| Buxa Dooars .....                | Dec. 31     | 12,278                    | 22,729                                         | 35,007                            | ...            | 17,000          | 17   | 5,000                                  | 13,007          | 26,139                         | 20       |
| Dima .....                       | Dec. 31     | 3,806                     | 15,973                                         | 19,779                            | ...            | 12,500          | 12½  | 2,500                                  | 4,779           | 20,731                         | 17       |
| Textiles                         |             |                           |                                                |                                   |                |                 |      |                                        |                 |                                |          |
| Cohen and Wilks .....            | Dec. 31     | 32,786                    | Dr. 30,047                                     | 2,739                             | 13,584         | ...             | ...  | Dr. 11,000                             | 155             | 41,389                         | 5        |
| Grouit and Co. ....              | Apr. 30     | 8,133                     | 21,410                                         | 29,543                            | 736            | 10,902          | 5    | 7,709                                  | 10,196          | 13,975                         | 2½       |
| Lansil, Ltd. ....                | Apr. 1      | 60,337                    | 89,042                                         | 149,379                           | ...            | 34,315          | 5    | 52,598                                 | 62,466          | 87,855                         | 5        |
| Patons and Baldwins .....        | Apr. 29     | 73,798                    | 520,506                                        | 594,304                           | 64,761         | 191,915         | 10½  | 263,621                                | 74,007          | 407,099                        | 10½      |
| Trusts                           |             |                           |                                                |                                   |                |                 |      |                                        |                 |                                |          |
| Dominion and General .....       | Apr. 30     | 28,059                    | 16,313                                         | 44,372                            | 9,900          | 3,300           | 1½   | 630                                    | 30,542          | 18,790                         | 2½       |
| Scottish Tea, etc., Trust ...    | May 31      | 7,624                     | 6,105                                          | 13,729                            | ...            | 5,906           | 5    | ...                                    | 7,823           | 11,392                         | 8        |
| Other Companies                  |             |                           |                                                |                                   |                |                 |      |                                        |                 |                                |          |
| Albion Greyhounds .....          | May 31      | 1,685                     | 19,831                                         | 21,516                            | ...            | (b) 18,606      | 39   | ...                                    | 2,910           | 18,822                         | 37½      |
| Aron Electricity Meter .....     | Mar. 31     | 25,127                    | 28,531                                         | 53,658                            | ...            | 16,523          | 15   | 22,416                                 | 14,719          | 22,062                         | 15       |
| Banister, Walton and Co. ...     | Mar. 31     | 14,458                    | 46,389                                         | 60,847                            | ...            | 21,116          | 25   | 25,000                                 | 14,731          | 42,859                         | 25       |
| British Glues, etc. ....         | Apr. 30     | 31,745                    | 74,811                                         | 106,556                           | 47,250         | 17,500          | 10   | 10,000                                 | 31,806          | 81,912                         | 10       |
| Budgett (H. H. and S.) ...       | Feb. 28     | 218                       | 3,761                                          | 3,979                             | ...            | ...             | ...  | ...                                    | 3,979           | 3,151                          | Nil      |
| Downing (G. H.) and Co. ...      | Mar. 31     | 2,898                     | 32,858                                         | 35,756                            | 17,886         | ...             | ...  | 17,245                                 | 625             | 26,049                         | Nil      |
| Eastwoods Flettons .....         | Mar. 31     | 12,512                    | 46,105                                         | 58,617                            | 22,800         | 11,400          | 116½ | 12,000                                 | 12,417          | 57,422                         | 166½     |
| Froy (W. N.) and Sons ...        | Dec. 31     | 6,252                     | 860                                            | 7,112                             | 9,000          | ...             | ...  | 2,050                                  | Dr. 3,938       | 16,166                         | 5        |
| Gerrard Industries .....         | Mar. 31     | ...                       | 7,822                                          | 7,822                             | ...            | 2,659           | 5    | 2,512                                  | 2,651           | Dr. 8,039                      | Nil      |
| Hovis, Ltd. ....                 | Mar. 31     | 60,270                    | 166,241                                        | 226,511                           | 9,000          | 78,956          | 20   | 89,677                                 | 48,878          | 155,319                        | 20       |
| Hyman Lazarus Cabinets ...       | Mar. 31     | 11,477                    | 29,269                                         | 40,746                            | 13,380         | ...             | ...  | 21,316                                 | 6,050           | 30,042                         | Nil      |
| North Glamorgan Wagon ...        | Mar. 31     | 13,742                    | 3,639                                          | 17,381                            | ...            | 911             | 5    | 2,000                                  | 14,470          | 1,917                          | 5        |
| Union Cinemas .....              | Dec. 31     | 8,739                     | 69,578                                         | 78,317                            | ...            | ...             | ...  | 50,000                                 | 28,317          | (a)                            | (a)      |
| Walker Brothers .....            | Mar. 31     | ...                       | (c) 15,495                                     | 15,495                            | 2,538          | 726             | 7    | 12,231                                 | ...             | (a)                            | (a)      |
| Total Profits, 1939, in £'000's: | No. of Cos  |                           |                                                |                                   |                |                 |      |                                        |                 |                                |          |
| To June 24 .....                 | 1,403       | 64,053                    | 192,949                                        | 257,002                           | 36,849         | 104,377         | ...  | 48,410                                 | 67,366          | 210,708                        | ...      |
| To July 1 .....                  | 1,449       | 65,272                    | 195,370                                        | 260,642                           | 37,363         | 105,363         | ...  | 49,518                                 | 68,398          | 213,302                        | ...      |

† Free of income tax. (a) No comparable figure. (b) Includes £6,095 for dividend of 168.1462 per cent. on deferred ordinary shares. A year ago the dividend was 154.8715 per cent. (c) July 4, 1938, to March 31, 1939. (d) Also special distribution 1.479 pence per ordinary share free of income tax out of capital profit realised on sale of shares.

(Continued from page 49)

**William Baird and Company.**—At extraordinary general meetings on June 26 and 27, 1939, resolutions were passed confirming amalgamation with Scottish Iron and Steel, and change of name, etc. Reference was made to the resolutions in *The Economist* of June 10, 1939, on page 633.

**Amalgamated Dental Company.**—Trading profit for 1938, £201,818 (£197,186). To tax, £66,833 (£62,823). Net profit, £134,985 (£134,364). Ordinary dividend maintained at 5 per cent. Carry forward £27,139 (£25,379).

**Kuala Muda Rubber.**—Trading profit for year to March 31, 1939, £24,967 (£42,883). To debenture interest, £12,600 (£12,600). N.D.C., £220 (£800). Replanting

reserve, £3,500 (£12,000). Ordinary dividend reduced from 5 to 2 per cent. Carry forward, £3,787 (£2,140).

**Cohen and Wilks.**—Loss for 1938, £30,047, after charging fees, tax and N.D.C., against a profit of £41,388 in 1937. Brought from reserve, £11,000. Preference dividend paid for 1938. Carry forward reduced from £32,786 to £155. No ordinary dividend, against 5 per cent. for 1937.

**Brooke Bond and Company.**—Profits for year to May 17, 1939, £137,354 (£139,597). Ordinary dividend maintained at 10 per cent. To reserve for contingencies, £50,000. Carry forward, £183,318 (£155,964).

**Walker Brothers, Ltd.**—First accounts, for period July 4, 1938, to March 31, 1939;

show trading profit £48,692. Net profit, before tax, £30,056. Tax provision, £17,229. To debenture sinking fund, £1,500. To preference redemption, £8,062. Ordinary dividend 7 per cent. per annum.

**Eastwoods Flettons, Ltd.**—Trading profits year to March 31, 1939, £53,758 (£67,328). Net profits, £38,579 (£51,397). Participating preferred ordinary dividend, 12 against 14 per cent. Deferred ordinary dividend reduced from 166½ to 116½ per cent.

**Anglo-Ceylon and General Estates.**—Net profit for year to March 31, 1939, £80,870 (£80,016). Ordinary dividend maintained at 10 per cent. To buildings replacement, £15,000 (£6,339); taxation, £15,000 (£20,000); to pensions, £1,500 (£1,500). Carry forward, £44,780 (£38,911).

## Industry and Trade

## COMMODITY STATISTICS

| Coal                             |               |               |          |          |
|----------------------------------|---------------|---------------|----------|----------|
| COAL OUTPUT ('000 tons)          |               |               |          |          |
| District                         | Week ended    |               | Jan.-May |          |
|                                  | June 10, 1939 | June 17, 1939 | 1938     | 1939     |
| Northumberland...                | 297.4         | 286.1         | 5,681.1  | 5,698.5  |
| Durham .....                     | 692.4         | 694.5         | 13,875.1 | 13,217.5 |
| Yorkshire .....                  | 876.2         | 904.8         | 18,992.8 | 18,858.1 |
| Lancs, Cheshire and N. Wales     | 329.7         | 333.7         | 7,400.3  | 7,372.1  |
| Derby, Notts & Leicester         | 633.7         | 611.2         | 14,349.7 | 14,755.1 |
| Staffs, Worcs, Salop and Warwick | 389.5         | 394.0         | 8,532.2  | 8,732.5  |
| South Wales & Monmouth...        | 799.6         | 817.6         | 15,682.1 | 14,730.9 |
| Other English districts*         | 119.5         | 122.9         | 2,336.3  | 2,307.1  |
| Scotland .....                   | 537.2         | 606.4         | 13,035.8 | 13,271.6 |
| Total .....                      | 4,675.2       | 4,771.2       | 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 16, 1939 | June 23, 1939 | Aug. 1, 1938     | Aug. 1, 1939 |
| American .....                                | 20.3          | 18.2          | 1,120            | 919          |
| Brazilian .....                               | 8.5           | 6.8           | 254              | 280          |
| Peruvian, etc. ....                           | 4.9           | 3.6           | 104              | 121          |
| Egyptian .....                                | 6.4           | 4.4           | 320              | 317          |
| Sudan Sakel ...                               | 3.2           | 3.2           | 131              | 134          |
| East Indian .....                             | 18.2          | 5.5           | 345              | 408          |
| Other countries .....                         | 10.9          | 5.6           | 152              | 181          |
| Total .....                                   | 72.4          | 47.3          | 2,426            | 2,360        |

| Metals                         |               |               |                              |  |
|--------------------------------|---------------|---------------|------------------------------|--|
| SALES ON LONDON METAL EXCHANGE |               |               |                              |  |
|                                | Week ended    |               | From Jan. 1 to June 28, 1939 |  |
|                                | June 21, 1939 | June 28, 1939 |                              |  |
| Copper .....                   | Tons 3,625    | Tons 3,800    | Tons 145,510                 |  |
| Tin .....                      | 1,445         | 1,220         | 34,660                       |  |
| Lead .....                     | 4,800         | 5,800         | 142,200                      |  |
| Spelter .....                  | 2,450         | 4,900         | 93,070                       |  |

| U.K. STOCKS                      |               |               |
|----------------------------------|---------------|---------------|
|                                  | June 17, 1939 | June 24, 1939 |
| Copper (Br. official wh'houses): | Tons 5,366    | Tons 5,025    |
| Refined .....                    | 24,914        | 25,407        |
| Kough .....                      | 11,067        | 10,814        |
| Tin (London and Liverpool)...    |               |               |

| METALS—(cont.)                         |               |               |               |
|----------------------------------------|---------------|---------------|---------------|
| TINPLATE INDUSTRY                      |               |               |               |
| Production—per cent. of capacity ..... | Week ended    |               |               |
|                                        | June 18, 1938 | June 10, 1939 | June 17, 1939 |
| ...                                    | 38.47         | 63.13         | 72.23         |
| Shipments—warehouse and in vans .....  | Tons          |               |               |
|                                        | June 23, 1938 | June 15, 1939 | June 22, 1939 |
| ...                                    | 3,185         | 4,706         | 5,810         |
| ...                                    | 6,437         | 4,497         | 4,329         |

| Foods                                                 |               |               |               |               |
|-------------------------------------------------------|---------------|---------------|---------------|---------------|
| WORLD SHIPMENTS OF WHEAT AND FLOUR<br>(‘000 quarters) |               |               |               |               |
|                                                       | Week ended    |               | Season to     |               |
|                                                       | June 17, 1939 | June 24, 1939 | June 25, 1938 | June 24, 1939 |
| From—                                                 |               |               |               |               |
| N. America.....                                       | 654           | 555           | 21,509        | 28,218        |
| Argentina and Uruguay .....                           | 976           | 670           | 7,768         | 13,021        |
| Australia .....                                       | 167           | 191           | 14,850        | 11,525        |
| Russia .....                                          | 255           | 180           | 5,190         | 4,488         |
| Danube and dist. ....                                 | 255           | 180           | 6,270         | 8,955         |
| India .....                                           | 93            | 89            | 1,426         | 424           |
| Other Countries...                                    | 93            | 89            | 691           | 1,636         |
| Total .....                                           | 2,145         | 1,685         | 57,704        | 68,267        |
| To—                                                   |               |               |               |               |
| U.K. ....                                             | 620           | 448           | 14,079        | 17,174        |
| "Orders" .....                                        | 634           | 398           | 12,949        | 14,919        |
| France .....                                          | ...           | 20            | 829           | 1,065         |
| Belgium .....                                         | 77            | 124           | 4,578         | 4,705         |
| Holland .....                                         | 73            | 50            | 2,911         | 3,556         |
| Italy .....                                           | 158           | 131           | 1,055         | 1,928         |
| Greece .....                                          | 21            | 14            | 2,208         | 1,387         |
| Scandinavia .....                                     | 31            | 18            | 1,481         | 1,494         |
| Other European Countries .....                        | 216           | 33            | 6,112         | 5,233         |
| Ex - European Countries .....                         | 315           | 427           | 11,451        | 16,804        |
| Total .....                                           | 2,145         | 1,685         | 57,704        | 68,267        |



## BRITISH WHOLESALE PRICES

| CEREALS AND MEAT                  |  |  |  | SUGAR (per cwt.)—cont.            |  |  |  |
|-----------------------------------|--|--|--|-----------------------------------|--|--|--|
| June 21, 1939                     |  |  |  | June 21, 1939                     |  |  |  |
| 1939                              |  |  |  | 1939                              |  |  |  |
| s. d.                             |  |  |  | s. d.                             |  |  |  |
| 1939                              |  |  |  | 1939                              |  |  |  |
| GRAIN, etc.—                      |  |  |  | Crushed                           |  |  |  |
| Wheat—                            |  |  |  | Granulated                        |  |  |  |
| No. 2, N. Man. 496 lb.            |  |  |  | Home Grown                        |  |  |  |
| Eng. Gav. av., per cwt.           |  |  |  | TEA* (Auction Average) (per lb.)— |  |  |  |
| Liv. July per cental              |  |  |  | N. India                          |  |  |  |
| Flour, per 250 lb.                |  |  |  | S. India                          |  |  |  |
| Straights, d/d London             |  |  |  | Ceylon                            |  |  |  |
| Manitoba, 11 store                |  |  |  | Java                              |  |  |  |
| Barley, Eng. Gav., av. per cwt.   |  |  |  | Sumatra                           |  |  |  |
| Oats                              |  |  |  | Africa                            |  |  |  |
| Maize, La Plata, landed, 490 lb.  |  |  |  | Total                             |  |  |  |
| Rice, No. 2 Burma, per cwt.       |  |  |  | TOBACCO (per lb.)—                |  |  |  |
| MEAT—                             |  |  |  | Virginia, stemmed and un-         |  |  |  |
| Beef, per 4 lb.—                  |  |  |  | stemmed, common to fine           |  |  |  |
| English long sides                |  |  |  | Rhodesian, stemmed and un-        |  |  |  |
| Argentine chilled hinds           |  |  |  | stemmed                           |  |  |  |
| Mutton, per 8 lb.—                |  |  |  | Nyassaland, stemmed and un-       |  |  |  |
| English wethers                   |  |  |  | stemmed                           |  |  |  |
| N.Z. frozen wethers               |  |  |  | East Indian                       |  |  |  |
| Lamb, per 8 lb.—                  |  |  |  | Stemmed                           |  |  |  |
| N.Z. frozen                       |  |  |  | Unstemmed                         |  |  |  |
| Pork, English, per 8 lb.          |  |  |  | COTTON (per lb.)—                 |  |  |  |
| BACON (per cwt.)—                 |  |  |  | Raw, Mid-American                 |  |  |  |
| English                           |  |  |  | Sakellariadis, F.G.F.             |  |  |  |
| Danish                            |  |  |  | Giza, F.G.F.                      |  |  |  |
| Dutch                             |  |  |  | Yarns, 32's Twist                 |  |  |  |
| Irish                             |  |  |  | 40's West                         |  |  |  |
| 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                             |  |  |  | Slantz Medium, 1st sort           |  |  |  |
| COCOA (per cwt.)—                 |  |  |  | HEMP (per ton)—                   |  |  |  |
| Accra, g.i.                       |  |  |  | Italian PC                        |  |  |  |
| Trinidad                          |  |  |  | Manilla, June-Aug. "J2"           |  |  |  |
| Grenada                           |  |  |  | JUTE (per ton)—                   |  |  |  |
| COFFEE (per cwt.)—                |  |  |  | Native 1st mks., c.i.f. H.A.R.B.  |  |  |  |
| Santos supr. c. & l.              |  |  |  | June-July                         |  |  |  |
| Costa Rica, medium to good        |  |  |  | Daisee 2/3 c.i.f. Dundee          |  |  |  |
| Kenya, medium                     |  |  |  | June-July                         |  |  |  |
| EGGS (per 120)—                   |  |  |  | SISAL (per ton)—                  |  |  |  |
| English (15-15½ lb.)              |  |  |  | African, June-Aug.                |  |  |  |
| Danish (15½ lb.)                  |  |  |  | SILK (per lb.)—                   |  |  |  |
| FRUIT—                            |  |  |  | Canton                            |  |  |  |
| Oranges, Denia & Valencia         |  |  |  | Japan                             |  |  |  |
| (Bernas), 12 cases I-II           |  |  |  | Italian, raw, fr. Milan           |  |  |  |
| Brazilian (Peras) boxes           |  |  |  | WOOL (per lb.)—                   |  |  |  |
| S. African (Navels) boxes         |  |  |  | English, Southdown, greasy        |  |  |  |
| Lemons, Naples boxes              |  |  |  | English, Lincoln hog, washed      |  |  |  |
| Sicilian Verdelli pkgs.           |  |  |  | Queensland, scd. super combg.     |  |  |  |
| Apples, N.Zealand (var.) boxes    |  |  |  | N.S.W. greasy, super combg.       |  |  |  |
| Australian                        |  |  |  | N.Z., greasy, half-bred 50-56     |  |  |  |
| Grapes, S. Africa boxes           |  |  |  | Crossbred 40-44                   |  |  |  |
| Grapefruit, S. African (M.S.) bxs |  |  |  | Tops                              |  |  |  |
| Pears, Tasmanian boxes            |  |  |  | Merinos 70's average              |  |  |  |
| LARD (per cwt.)—                  |  |  |  | 64's                              |  |  |  |
| Irish, finest bladders            |  |  |  | Crossbred 48's                    |  |  |  |
| U.S.                              |  |  |  | 46's                              |  |  |  |
| PEPPER (per lb.)—                 |  |  |  | MINERALS                          |  |  |  |
| Black Lampong (in Bond)           |  |  |  | COAL (per ton)—                   |  |  |  |
| (Duty paid)                       |  |  |  | Welsh, best Admiralty             |  |  |  |
| White Muntok (i.a.g.) (in Bond)   |  |  |  | Durham, best gas, f.o.b. Tyne     |  |  |  |
| (Duty paid)                       |  |  |  | Sheffield, best house, at pits    |  |  |  |
| POTATOES (per cwt.)—              |  |  |  | IRON AND STEEL (per ton)—         |  |  |  |
| English, King Edward, Siltland    |  |  |  | Pig, Cleveland No. 3, d/d         |  |  |  |
| Wisbech                           |  |  |  | Bars, Middlesbrough               |  |  |  |
| SUGAR (per cwt.)—                 |  |  |  | Steel rails, heavy                |  |  |  |
| Centrifugals, 96", prpt. shipm.   |  |  |  | Tinplates, per box                |  |  |  |
| c.i.f. U.K./Cont.                 |  |  |  | NON-FERROUS METALS (per ton)—     |  |  |  |
| Refined London                    |  |  |  | Copper                            |  |  |  |
| Yellow Crystals                   |  |  |  | Standard cash                     |  |  |  |
| Cubes                             |  |  |  | Three months                      |  |  |  |
|                                   |  |  |  | Tin                               |  |  |  |
|                                   |  |  |  | Standard cash                     |  |  |  |
|                                   |  |  |  | Three months                      |  |  |  |
|                                   |  |  |  | Lead, soft foreign                |  |  |  |
|                                   |  |  |  | Cash                              |  |  |  |
|                                   |  |  |  | English, pig                      |  |  |  |
|                                   |  |  |  | Spelter, G.O.B.                   |  |  |  |
|                                   |  |  |  | Spot                              |  |  |  |
|                                   |  |  |  | Aluminium, ingots and bars        |  |  |  |
|                                   |  |  |  | rolling billets                   |  |  |  |
|                                   |  |  |  | Nickel, home and export           |  |  |  |
|                                   |  |  |  | Antimony, Chinese                 |  |  |  |
|                                   |  |  |  | Wolfram, Chinese                  |  |  |  |
|                                   |  |  |  | Platinum, refined                 |  |  |  |
|                                   |  |  |  | Quicksilver                       |  |  |  |

## THE ECONOMIST

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services that have been created. "We must be prepared" is spelled in terms of men and women; and statistically the response in so brief a space as only a few months has been remarkable. "The call has been answered," said His Majesty on Sunday, "and the volunteers are already at work." It is a vast citizen army that has been made, in A.R.P. and fire-fighting no less than in striking power on land and sea and in the air; it has been done at a time when activity in factory and workshop has been rising to a new high pitch; and it remains to make sure that not an atom of the personal service that has been called forth will be wasted.

It is enough to say that 1,170,000 men are now enlisted in the regular, reserve and auxiliary ranks of the Army, Navy and Air Force, and 1,402,000 men and 658,000 women in the civilian defence services, to realise something of the magnitude of the effort that has already been made. A total of three and a quarter million citizens are at work on national defence for all or part of their time. Their distribution and respective rôles are shown in the following two tables—which can claim no final authority since recruits are still flowing in daily and certain of the items have necessarily been estimated.

TABLE I—THE ARMED FORCES

|                               | Army           | Navy           | Air Force      | Total            |
|-------------------------------|----------------|----------------|----------------|------------------|
| Regulars .....                | 204,000        | 133,000        | 118,000        | 455,000          |
| Reserve and Auxiliaries ..... | 584,000        | 27,500         | 104,000        | 715,000          |
| <b>Total .....</b>            | <b>788,000</b> | <b>160,500</b> | <b>222,000</b> | <b>1,170,000</b> |
| Women .....                   | 17,500         |                | 2,000          |                  |

TABLE II—CIVILIAN DEFENCE

| Services                          | Men              | Women          | Total            |
|-----------------------------------|------------------|----------------|------------------|
| A.R.P. ....                       | 893,000          | 541,000        | 1,434,000        |
| Auxiliary Fire .....              | 171,000          | 177,000        | 348,000          |
| Women's Voluntary Services .....  | 6,000            | 91,000         | 97,000           |
| Nurses .....                      | ...              | 11,000         | 11,000           |
| Midwives .....                    | ...              | 1,000          | 1,000            |
| Land Army .....                   | ...              | 8,000          | 8,000            |
| Regular Fire .....                | 20,000           | ...            | 20,000           |
| Regular Police .....              | 68,000           | ...            | 68,000           |
| Auxiliary Police .....            | 232,000          | ...            | 232,000          |
| Merchant Navy Reserve .....       | 10,000           | ...            | 10,000           |
| Auxiliary Coastguard .....        | 1,000            | ...            | 1,000            |
| National Wireless Register .....  | 2,000            | ...            | 2,000            |
| General Reserve .....             | 5,000            | ...            | 5,000            |
| <b>Total (May 31, 1939) .....</b> | <b>1,402,000</b> | <b>658,000</b> | <b>2,060,000</b> |

It is an impressive picture. The regular strength of the three armed forces of the Crown (excluding the Army in India and Burma) stands not far short of half a million; and their combined reserve and auxiliary strength is nearing three-quarters of a million—of whom about a tenth are to be called up this year for an extended period under the new Reserve and Auxiliary Forces Act. The Army itself is nearing the size needed for a satisfactory trained nucleus to give aid overseas in the event of war as well as to man home defences; behind the 204,000 Regulars there are 139,000 Regular Reserves, 35,000 Supplementary Reserves and 410,000 Territorials (making 584,000 reserves and auxiliaries who would be trained full-time soldiers in war); beside them, there are the 220,000 militiamen who are to be called up in batches of 20,000 for six months' training in the course of the next twelve months. The total is a million men for the Army, and it has lately grown with striking speed; 170,000 new Territorials have been recruited in only two and a half months. The potential Army for the next war has been almost doubled this year.

Indeed, it is the rapid uprising of the readiness to serve that is chiefly noticeable in all branches of defence work. On January 25th just on a million and a quarter men and women had volunteered for civilian defence; by May 31st, four months later, the total had passed two millions. And it is the speed of this inflow of personnel that presents the major difficulties of to-day and to-morrow. Efficiency for war and defence cannot be measured simply by counting

heads; and there are wide-flung problems of supply, training and equipment still to be smoothly and satisfactorily solved.

This is the *fons et origo* of the Ministry of Supply; and it is because the multiplication is most evident and necessary in the Army that Mr Burgin's initial tasks will be chiefly in relation to War Office supplies. But the problem of provisioning the armed and civilian defence services and their three and a half millions of personnel cannot be departmentalised. It represents many-sided demands upon the raw material and productive resources of the country and upon the fruits of the labour of a growing proportion of the nearly 13 millions of gainfully occupied insured workers that must sooner or later be marshalled under a single authority. There has been notable progress in the speed and scope of supply this year, in the provision of aeroplanes, anti-aircraft artillery, Bren guns and general Army supplies. But the pace of demand is still hot, and a fully ordered supply organisation is imperative.

Nor is this all. At present the swelling total of the gainfully occupied includes the 715,000 reserves and auxiliaries of the three fighting services and the 220,000 militiamen, as well as the two million-odd civil defenders. On the outbreak of war or the declaration of emergency, even before new classes of men were conscripted or recruited for the expanded war-time fighting forces, at least a million men would be called from civil life to the colours; and, although nothing very certain is yet known about the number of men in civilian defence whose duties would be whole-time in war, it is possible that over half a million (A.R.P. wardens, fire-fighters, nurses, police, merchant navy reserve, etc.) would be taken away from their ordinary work for practically full-time occupation. And of the 700,000 recruits who are still required for civilian defence, for the fire services, to drive ambulances and to train as nurses, etc., an appreciable number would be similarly called away. Indeed, the need to make of civilian defence a permanent service with the steady loyalty and application of the other services, instead of the fluctuating enthusiasm that comes in a flood in crises and ebbs away, already makes it likely that more civil defenders will be put to work full time, even in peace. The need for immediate planning of the country's labour supplies—bearing in mind equally the requirements of the forces and inescapable needs of essential industries—is seen to be imperative from the merest glance at these figures.

The truth is that preparedness is indivisible. It is needful to assess the magnitude of the man-power required for war and its desirable distribution; to set this against the labour available now and its current allocation; and quite frankly and firmly to prepare for all the processes of transfer and replacement that an emergency would at once call for—even to anticipate them by diverting people from one occupation to another now or in the near future if it seems expedient to do so. To train and mobilise these millions is not enough. To organise supplies for the services they are in, even fully, is not enough. It is the task of the Government, in consultation with employers and trade unions, to marshal the supply of men and women themselves; and there is small sign in the Schedule of Reserved Occupations, which is presumably the present yardstick of the Government's near-war labour policy, that this is effectively in train. The voluntary principle has done wonders, but the final process of fitting the pieces into the mosaic of national defence it cannot do. This is the Cabinet's task. It may be that in the Government's files there is a Census of Man-power, as well as a casting-up of man-power needs. If there is not, there should be, and it is these that should inform the nation's use of its man-power from this time forward. It is above all peace that is sought—but it is peace through strength. And the measure of that strength can only be the requirements of the war that it is sought to avert.

## England and Eastern Europe

THE European kaleidoscope has shifted sharply several times in a single week, but the pattern remains much as it was, one of uncertainty and danger, but not of crisis. Only a few days ago fears that the Danzig dispute might burst into flames on the instant were widespread. Even more recently, hopes that the higgling and haggling in Moscow might at last result in an immediate deal were freely expressed. Neither hopes nor fears have, in fact, been realised.

It is the view of the German Press, in familiar scornful vein, that the dangers of conflict over Danzig were no more than figments of democratic imaginations. Actually there were, and still are, good grounds for the apprehension that the stage was being set in the Free City for a coup to return it to the Reich; and it was solely the Germans themselves, by their exportation of men and war materials to Danzig, who were responsible for the fear that the expected crisis might be closely at hand. In flagrant contravention of the status of the Free City in international law a process of militarisation is going on there. It is not concealed, either in Berlin or in Danzig, that the near object of German policy now is to bring back the Free City to the Reich; and it is not imagined for a moment, in Poland and in the Western States, that this proximate ambition is anything less than the starting point of a plan to eat up the Corridor.

But the gage has not yet been definitely thrown down. The steps taken so far constitute a challenge, but it is a muted one. There is time, though only just, for the Powers that have resolved to resist further aggression in Europe to take stock of their strength and plans of action. It is because of this chance to eliminate all irresolution from the policy of the Peace Front Powers and to close the gaps in its ranks that the present breathing space is invaluable. The past week has indeed been notable for the firm and unmistakable words of warning to the aggressor that have come from the leading statesmen of the Western democracies, beginning with Lord Halifax's remarkable statement on Thursday of last week. There can be small doubt that the cautious progress of Herr Hitler's Danzig plans is due in an appreciable degree to this clear determination, as well as to the unquestioned readiness of the Poles to stand firm on the instant that their independence or national security is put in danger. There can be no doubt at all that it is the prevailing view now in all the countries that are pledged to collective resistance that any kind of coup in Danzig would in fact mean the widest menace to Poland; the status of Danzig cannot be written off as a local issue to be settled in terms of local self-determination; it is another Sudetenland in the march of Nazi policy and the trick that won Munich from the fearful and trusting statesmen of the West to the ultimate destruction of Czecho-Slovakia cannot be played again. The annexation of Danzig to the Reich would be a long step towards the establishment of a German protectorate over Poland; a German protectorate over Poland would in turn be a step towards a Nazi hegemony over Europe. This is, in brief, why under present conditions (i.e. in the present state of mind of the present rulers of Germany) any German attempt, whether direct or indirect, to annex Danzig to the Reich is a *casus belli* for Great Britain and France, as well as for Poland. The entire British Cabinet, inner and outer, must surely now know this without one atom of doubt; and, if they act otherwise than upon this certainty, it will be deliberately and with their eyes open.

So much has been gained in understanding in high places here and in France since the Ides of March. Yet it would be idle to deny that there are still steps to be taken if the Germans are to be held back from risking a coup in Danzig in the hope that the men in the French and British Govern-

ments who were lately wedded to appeasement would relapse again if they were confronted with a *fait accompli*. It is a singular fact that the resolute speeches of Lord Halifax and Mr Chamberlain have not stated in indisputable terms that Britain's unconditional determination to stand with Poland against the aggressor applies specifically to the case of an internal *putsch* in Danzig. There is no evidence that this omission does, in fact, represent an anxiety to retain a get-out clause; indeed, it is to be left to Poland to decide when the machinery of collective resistance must be set in motion to protect her independence; and it is said that the Polish Government is well satisfied with the assurances that have been privately given. But, if it is true that the one thing that will deter Herr Hitler from threatening war to gain his ends is the certainty that, if he does, he will get war—and this supposition is the foundation of the Peace Front policy—there can be no harm at all in restating again and again, in positive terms and words of one syllable, just how far in detail the determination to resist aggression goes.

It is owed to Poland that this should be done. It is a plausible interpretation of the latest Nazi manoeuvrings that their object is to strain Polish nerves and morale to the breaking point and to throw the onus of the trouble that may ensue upon the Poles themselves. Called upon to steer their course between the Scylla of premature and ill-timed action against German provocation and the Charybdis of over-tolerance in face of a vital threat, the Poles have so far behaved magnificently. But the burden upon them is heavy; it has been an act of courage and not of cowardice to permit the recent comings and goings in Danzig with no more than a formal protest, drafted but not yet handed over. It has been left to them and them alone, though it must most assuredly be done in consultation with her allies, to catch upon the right moment for tolerance to end and implacable resistance to begin. This responsibility for timing the moment which may decide the fate of Europe can only be borne if it is known in every capital, and not least in London and Berlin, where precisely Britain stands on the Danzig question. And it cannot be more than days before the activities in the Free City must be finally estopped.

The duties of the British Government in this grave hour do not end with this need to trumpet abroad, and at home, the determination that the status of Danzig must not be altered by force or threat. A speedy alliance with Russia would, more than any one thing, set the seal upon the proof that Britain was willing and able to resist aggression by force. Its deterrent value might be decisive for peace. But the pact, after three months, is still only a hope. The camel of a Russian alliance has been swallowed. The gnat of named guarantees to the Baltic States has at length been swallowed, too; but new and seemingly indigestible fauna have now been added to the repast in Moscow. Russia is unready to add specific guarantees to Holland and Switzerland as a *quid pro quo* for Britain's Baltic concessions; or, at least, not unless Poland and Turkey in their turn promise aid to Russia herself. It is desperately hard to see why the British negotiators chose to set up these new hurdles when the finishing-line was at last in sight. The argument that new commitments in the East must be balanced by fresh ones in the West has little more than doctrinaire validity.

The issue is a practical one. Assuming that both sides want to make a pact, and we cannot, unhappily, be sure even of this, agreement has now been reached on every necessary point. In the three months that have elapsed since an Anglo-Russian agreement first became practical politics, however, both its character and its place in the general

scheme of buttressing peace have considerably altered. Had it been concluded quickly in the last fortnight of March, it would have been a crushing rejoinder to the rape of Bohemia, which would have thrown the Nazis off their course and flustered their diplomacy. It would have put the initiative squarely back into the peaceful Powers' hands. Now, it is almost true to say that the chief importance of the negotiations lies not in the gain to be derived from their success but in the disaster that their failure would be.

The delay has not merely put a discount on the strategic value of the projected alliance. It has served to thrust Great Britain into a very weak, an almost humiliatingly weak, bargaining position. For this we cannot with justice put the blame on any shoulders but our own. British diplomacy has had very few striking successes in recent years. But in no direction has it made more elementary errors than in its relations with Soviet Russia. Great Britain has frequently, in the last few years, acquiesced in the ostentatious exclusion of Russia from the concert of Europe. The Stresa Conference was a minor (because ineffective) example; Munich, where the fate of one of Russia's allies was decided, was the supreme instance. If we had been determined to create in Moscow the maximum suspicion of our motives and our reliability we should hardly have needed to alter the Munich procedure. And, whatever the balance of blame between the parties for the delay since mid-March may actually prove to be, the British share is considerable. The Government has been feeling its way fearfully and reluctantly in a policy in which it had never previously believed and which it had never thought out.

## The Progress of Public Health

IT is deeply significant that in France, the home of logic, as well as the residence of the principles of liberty, equality and fraternity, two successive national polls to determine the country's most famous men have found Louis Pasteur at the head of the list. There can be little question that, on any assessment, the contribution made by doctors to the well-being of the world's peoples exceeds the gift given by any other class of public practitioners. It may be true that the finest flowers and the final fruits of civilisation are to be found in the spheres of intellect and the spirit; but it is beyond question, as Aristotle has pointed out to the countless generations, that these cannot be culled without the prior provision of a degree of material and physical well-being. The trouble is that the doctor is helpless to reap the rewards of his researches and labours without the aid of politicians and administrators, whose task it is to apply the discoveries of science to the needs of complex communities.

It is hard, for instance, to state the record of public health in this country, simply in terms of medical and surgical advance. It has necessarily been left to the administrators of parishes, boroughs and counties to conduct the campaign against the twin evils of disease and poverty; and the doctor's contribution to the betterment of the people's health has been conditional at every stage upon social, economic and personal considerations. This is pre-eminently true to-day. It is possible for Sir George Newman, in a remarkable account that he has just written of the lessons which twenty-seven years of official care for the health of the nation has given him,\* to call attention to the fact that the state of the nation's health is now better than it has ever been before; but, in his recommendations for the improvements that are still urgently needed in the

The net effect now is that if we want a Russian alliance we must take it on Russia's terms. That is an unpalatable fact, since Russia's terms are naturally drawn up in Russia's interests, and Russia has not hesitated to huckster to her own advantage. But even on Russia's own terms, we must have the pact. Soviet Russia, it is true, is an entirely unknown quantity; her military strength, her policies and her ulterior motives are all unknown. But those who are still in doubt can make up their minds about the desirability of the alliance by asking themselves one simple question: Would they like to see Soviet Russia, unknown quantity though she is, in the hostile camp?

Some sympathy is due to His Majesty's Government as they surrender their reservations, one by one. But sympathy, it may be hoped, will not further delay or impede the process. Now, as never before, an alliance with Russia is essential. It may no longer be the certain way to save the peace that it would have been not very long ago—though it is probably still the only way of doing so. It is not sure now, at this late hour, that the Nazis can be deterred, and if a successful pact were quickly to be plucked from the present confusion of reluctance, suspicion, half-heartedness and pique (on both sides) it might only bring on the attack before the agreement could be made good by military preparations. But the pact is more than ever vitally needed. As Mr Churchill remarked only a week ago, an Anglo-Russian Agreement presents the best chance of avoiding a war and the virtual certainty of winning it if it cannot be avoided. The price may be high, but it is less than the cost of the appalling alternative.

practice and administration of health services, he calls attention, not to the need for new discoveries by doctors, but rather to the urgent necessity for economic and administrative reforms, in addition to education of the public in the fundamentals of healthy living.

It was with a chorus of praise that the revelation that over 90 per cent. of the recruits for the new militia had been found physically fit for service was lately greeted. And, while there may be justified doubts about the absolute validity of the clinical tests that have been applied to militiamen, there can be no question at all that the achievements of the last two generations, in instituting health services, in creating the conditions for healthy living and in raising the standard of life, have brought about notable results. A hundred years ago, the expectation of life at birth for a boy was 40 years and for a girl two years longer. To-day, the expectation of life at birth for a boy is as long as 58 years; and for a girl it is 62. It is not easy to determine how far this striking change has been due to the improvement and spread of medical attention. It is certain that improvements in social and economic conditions have been at least as responsible. The fall in the death rate in England and Wales from over 21 per thousand living persons 68 years ago to under 12 to-day, the decline in infant mortality from 153 per thousand to 62 in the same period, and the steady diminution of deaths from tuberculosis and children's infective diseases, are all to be accounted for by the betterment of the earnings and environment of the people, as much as by the improvement in doctors' methods of treatment.

The truth is that it is in the organisation of society that the ability to conquer pestilence and ill-health is chiefly found. "The greatest of all the lessons taught by cholera," said Bishop Creighton several generations ago, "was the need of sanitary reform." It was the necessity of averting spreading sicknesses that caused communities, local and then national, to close their ranks by forthright action

against the impact of disease. The record of public health that Sir George Newman tells is a century-long story of communities empirically compelled by the onset of leprosy, sweating sickness, smallpox, plague, typhus fever and cholera to take thought for their own future protection, as well as for the cure of their stricken members. It was this need for new modes for communal organisation that produced, between the sixteenth and nineteenth centuries, provision for sanitation, hospitals, the isolation of infectious cases and clean and adequate water supplies. These items have their place even more in the story of government than in the record of medicine.

The outstanding issue now is that, as Sir George Newman tersely avers, "health is not really obtainable by Act of Parliament." The measures taken by parishes, boroughs and national Ministries, on the one hand, to supply conditions of sanitation, housing, and economic well-being conducive to good health; and, on the other hand, the care for and cure of sick citizens, in institutions or by the medical services which have been provided for the poor, the young, the aged and the insured, are not in themselves enough to render the nation's health consonant with the ability of medical and surgical sides to defeat disease. If the right conditions are provided—which has by no means been fully done yet—the burden rests upon the people to help themselves.

The fact is that the good health from which freedom and happiness flow can only be erected upon three broad foundations which are as old as recorded history. The first is the Mosaic law, which lays down that good health depends upon a regime of healthy living. The second is the dictate of Hippocrates that nature is itself the healer of disease. The third is the truth given out by the Greeks that without economic security and knowledge of the needs of the body there can be no assured well-being. Vast strides have been made, within the compass of a brief century, to write these ancient maxims into the practice of British social life. Better wages, better sanitation, better houses, healthier conditions of work and higher earnings have all but put an end to those dread diseases, like cholera, typhus, typhoid, plague and dysentery, that spring from an unhealthy and unsuitable environment; and it is well known that, among the physical afflictions that remain, environmental causes like overcrowding, low wages, unemployment and inadequate feeding are pre-eminently influential. It is well known, too, that in only the space of our own lifetime there has come upon the attitude towards disease and health a new character; it is no longer the cure of established illness that is the sole or chief objective; it is the prevention of these ills by regular care and favourable conditions of living that is to-day's objective.

The trouble is that the cause has been carried only half-way so far. Against the decline in epidemic diseases which has come from the immunisation of the population by medical treatment, and by better social and economic conditions, must be set two things: the growth of such scourges as influenza, cancer, diabetes and heart diseases; and the persistence among the distressed and impoverished sections of the people of old ills, due to lingering of social and economic distress. Three steps are needed if the wisdom of Moses, Hippocrates and Aristotle are to be successfully translated into achievements consonant with the miracles that have been wrought in the profession of medicine, since the craft of doctoring took on a scientific and organised guise. These are, first, a continued campaign to relieve and remove poverty; and, secondly, the full translation of the axiom that prevention is better than cure into practice. The proper rôle of the doctor is not simply to be called in when illness has begun, but rather to be constantly consulted, in good health or bad, to ensure that disease shall be averted. This is the lesson which is being taught in South-East London to-day by the Peckham Health Centre; and it is one which might with advantage be the principle

of reform and expansion in the development of the health services.

Thirdly, there is the reform of administration. At present we have a remarkable sequence of health services, either subsidised by the State or paid for by insurance or voluntary contributions. They are administered by a multitude of chaotic and overlapping authorities and committees; there are vast differences between the services and benefits given in one region of the country from those given in another; there are still gaps in the provision made for the protection and preservation of good health—children between infancy and school age are not cared for, young people between school leaving and fully-insured work are only partially protected, dependants who do not earn wages have no protective services at all.

It can plausibly be argued that, in spite of the economic, social, administrative and financial deficiencies that still exist, notable headway is being made towards the realisation of the proper conception, which goes back to Hippocrates, that the task of the doctor, the ruler and the patient is to preserve good health rather than to relieve sickness. It is a fact that attention to-day in public policy is directed towards adequate nutrition and physical training which, together with immunisation against disease by social and medical means, are the bases of preventive medicine in its practical application. There is no party in politics to-day which is not vastly alarmed by the fact that a substantial portion of the population, running in varying estimates to about half the total, is not so well nourished as it ought to be to maintain full health and resistance to disease; there is no group in the country that did not welcome the Physical Training and Recreation Act of two years ago which aimed to give five million children and an uncertain number of adolescents and adults the chance to make their own natural inclinations for personal well-being and health the safeguard against disease. "Sufficient and suitable food," says Sir George Newman, "is an answer to malnutrition." "Clean and healthy living," he adds "postpones death." The ground principles of public health in its truest sense are now fairly fully embodied in public policy; but the great deterrents to the successful achievement of that policy remain the persistence of poverty, the possibility of disease coming unawares and unforeseen upon people lacking either the resources to resist it or the constant expert supervision, without which good health in the conditions of modern life is impossible to guarantee, and the widespread ignorance of the public about health matters. We cannot but acknowledge, with praise and gratitude, the progress towards well-being and welfare in home and factory that has been made in the last two hundred years. But, if that advance is to be converted into a permanent and unique characteristic of our civilisation, it will only be by closing the gaps that persist in what we have already achieved and by steady and concrete progress in the establishment of the conditions, personal and educational no less than social, economic and medical, which are still needed to reach the goal which no society can ignore—a healthy mind and a healthy body for all citizens.

### THE WORLD OVERSEAS

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\* "The Building of a Nation's Health." By Sir George Newman, formerly Chief Medical Officer of the Board of Education and the Ministry of Health. Macmillan. 479 pages. 21s.



## Two Years of War in China

FRIDAY of this week is the second anniversary of the clash at Lukouchiao, south-west of Peiping, which was the occasion of the outbreak of the present war between Japan and China. For two years this great struggle, involving directly over 500 millions of people in the two warring States, has been going on—a conflict which would continually be absorbing the attention of the world were it not for the war of even wider scope which has been threatening to break out in Europe and drag all the Great Powers of the West into its vortex. As it is, it is only when a British concession in China is subjected to blockade that events in the Far East assume real importance. Such an Anglocentric view of the world is only natural for us, but it is possible that “the fate of China’s four hundred millions may seem to the historian of the future the most important event of the early twentieth century.”

Miss Freda Utley’s recently published book *China at War*,\* from which the above quotation is taken, gives a striking picture of the Chinese scene, in which a record of personal experience as a newspaper correspondent during the last year is combined with a searching analysis of the political factors at work in the Far Eastern cataclysm. On a journey to the front near Nanchang the author came to the town of Yangsin, one of China’s many Guernicas, where “at least a thousand civilians have perished in one day of intensive bombing.” The inhabitants had neither shelters nor anti-aircraft guns nor interceptor planes to defend them; they simply endured without any means of escape the assault from the sky.

It is hard to convey in words a picture of a town thus intensively, indiscriminately and systematically bombed. . . . We stumbled from street to street over a mass of rubble and stones, out of which protruded sometimes a cooking pot or fragment of furniture, and sometimes a human fragment.

The bomb-blasted and deserted town is terrible enough; but even worse is the horror of the green countryside, sweltering in the summer heat, after the warriors of the air have passed. For the Japanese airmen rake with machine guns every patch of cover where they suspect that Chinese are hiding from them.

Such is the war that the people of China sustain against the invaders of their country. For what purpose do they continue to resist and for what purpose do their enemies attack them? The answers must be given in another language from that which is appropriate to description of the ruins of Yangsin or the smell of corpses in bamboo thickets—in the language which belongs to the study of *raison d'état*. Japan’s basic aim,

is to establish a new *disorder* in Asia, to prevent the industrialisation and modernisation of China, and to destroy her newly won political unity.

The primary motive of Japan has been to prevent China from becoming a Great Power. In this respect Japan’s war on China differs fundamentally from Italy’s war on Abyssinia and even from Germany’s conquest of Czecho-Slovakia. Neither Abyssinia nor Czecho-Slovakia could have become Great Powers or rivalled in strength the nations which have subdued them. But China in 1937 was well on the way to attaining the rank for which her population and resources qualified her, but which her prolonged resistance to the civilisation of the West and the following period of civil strife and confusion had denied to her. The turning-point was the Leith-Ross mission to China in the winter of 1935-36; this, and the Chinese currency reform then successfully carried out with the co-operation of British banks, constituted in Japanese eyes the abandonment by Britain of her traditional pro-Japanese policy. The pros-

pect that China would soon be receiving large credits for a thorough-going industrialisation on the basis of her new financial stability “was most alarming to the rulers of Japan.”

This reminder of the importance of the Leith-Ross mission is very much to the point at a time when the war is turning more and more from a contest with guns into an ordeal of economic attrition, and when Japanese animosity is being increasingly diverted from the Chinese to the British. “We are not really fighting China but Britain,” declared an eminent Japanese recently, and this is no phrase, as the crisis at Tientsin has shown. It seems fantastic that the Japanese should be accusing Britain of preventing them from winning their predestined victory over China, when this country has so conspicuously failed to apply any kind of sanctions against Japan on account of the war, and shares with the U.S.A. the responsibility of supplying Japan with the greater part of her essential war material imports. Nevertheless it is a fact that British financial support has been a factor of vital importance in enabling China to withstand the Japanese invasion. That is why many Japanese now believe that the only way to win the war is to drive Britain by pressure and threats into withdrawing this support. It is only by intimidation and by bargaining with her freedom of choice between neutrality or enmity in a European war that Japan can hope to succeed in this aim. Japan must attempt to drive out foreign, and especially British, interests from China, if she is to derive profit from her conquests, because

so long as the door is open in China to the trade of other nations, Japan’s industrial and raw material weakness must leave her last in the race.

China’s independent industrialisation would produce a great market for all kinds of capital goods, but in this sphere Japan with her poorly developed heavy industry could not compete with Britain, the U.S.A. and Germany; her object therefore is to subject China’s economy to her own needs and close the open door.

That Japanese policy runs counter to the *economic* interests of Germany as well as to those of Britain is evident from the figures of German trade expansion in China before the war began. German industrialists have, in fact, little liking for Hitler’s policy of semi-alliance with Japan at the expense of Germany’s Far Eastern trade. It is open to question, on this ground at least, how long the German-Japanese alignment can last. It has lost much of its value for Germany because Japan is deterred by fear of the United States from converting it into a full alliance, and because Japan has exhausted herself in her war against China. There are indeed signs that Germany, without definitely breaking with Japan, is to-day reinsuring herself with China. Up to the end of 1937, Germany was supplying more arms to China than any other country; and, since the Sino-German barter agreement of March this year, it has been reported that over 50 per cent. of China’s munition imports are of German origin.

So the war goes on. Somewhere on a hillside in the heart of China one of Chiang Kai-shek’s peasant soldiers, bombarded by Japanese artillery made out of British scrap iron, is defending himself with a German machine-gun. As Miss Utley remarks in the closing sentences of her book:

China has long since realised that neither ideologies, nor principles, nor treaties, have anything to do with the treatment she receives at the hands of the European Powers. Whatever the future brings of friendship or enmity, she must rely, in the main, on her own strength and the determination of her people to fight against their enslavement.

In the end, it is the Chinese, and not the Japanese, the British or the Germans, who will decide the fate of China.

\* “China at War.” Freda Utley. Faber and Faber. 12s. 6d.

## NOTES OF THE WEEK

**A Cabinet of Confidence?**—It is evidence of the strange pass into which English politics has come that the Government should have been broadly pursuing for the last three months the programme that until March was anathema to them. The responsibility for this curious variation of the Box and Cox principle upon which Parliamentary government normally works must be laid at the door of the Opposition. Labour never came within sight of offering the men to win and maintain popular confidence and support at the moment when the annexation of Bohemia revealed how right their proposed measures had been and how wrong the Government’s. There was no alternative to Mr Chamberlain and his colleagues. This position has not been advantageous since. A certain ingrained reluctance to stray too far away from the path of appeasement has been accompanied by clear failure to grasp the full implications of the policies that have been so oddly taken over. The negotiations at Moscow have not been helped by this or by the suspicion which not unnaturally attaches in Kremlin circles to the makers of Munich. The Ministry of Supply and other items in preparedness might have been better contrived had their drafters not been the men who had formerly denied their necessity.

\* \* \*

Some sense of these anomalies has lately spread widely, even within the ranks of the Conservative Party; and it is not confined to Opposition circles to argue that a Government which is called upon to impose conscription and a host of heavy burdens upon the people should be so constituted as to inspire a deeper and broader confidence than mere pious loyalty can provide. It is not yet a question of substituting or bringing in the Opposition’s leaders. There are in the Conservative ranks themselves men who have stood out even more consistently and forcefully than the Opposition for the policies that the Government has been compelled to adopt. It may be as a man of vigour, experience and personality that Mr Churchill has lately been loudly chosen by members of his own party, as well as by the wider public, to make honest men of the Cabinet by his inclusion among them. But it is equally as a symbol of the only policy that can save England and peace that he has been singled out. The cry for his inclusion, and Mr Eden’s too, is growing. It is augmented by forward-looking Conservative concern for the next election. It is firmly rooted in the traditions and procedure of British political practice. The Prime Minister cannot safely hold out indefinitely.

**Retreat from Moscow?**—This week we have caught a more generous glimpse than usual into the maze of claim and counter-claim in which the negotiations at Moscow are entangled. Briefly stated, the position seems to be as follows. Mr William Strang either took with him to Moscow, or received when he was there, the Government’s agreement to British guarantees for the three Baltic States so that Russia might be insured against “indirect aggression.” There was, however, one condition attached to this agreement: that Russia, in return, should provide guarantees that she would support Britain in the event of a war arising out of a German attack on Holland and/or Switzerland. It is said that in the initial part of the discussions an understanding was reached, in substance if not in final form, whereby these “indirect aggression” guarantees (offspring of the Peace Front unwanted by the countries obliged to take them in) would be included in a separate document which would not be made public. By that arrangement Britain was providing guarantees for Poland, Roumania, Turkey, Greece, Finland, Estonia, Latvia and Belgium (her treaty with Portugal is not relevant); Russia, on her side, was providing guarantees for Poland, Roumania, the three Baltic States and Belgium. The balance of risk was clearly weighted heavily on Britain’s side. Accordingly the British Government raised the question of Soviet guarantees for Holland and Switzerland. At that point the London-Moscow express rumbled once more to a jolting halt. Two further obstacles to agreement have since appeared: first, that the Soviet definition of what shall constitute “indirect aggression” seems to go much further than was originally thought, and to comprehend changes of policy which are not necessarily the result of foreign pressure; secondly, that the Soviet Government is apparently ready to guarantee Holland and Switzerland only provided that Poland and Turkey improve upon geography and put their signatures to reciprocal guarantees to Russia. Clearly such a system would draw tight the bonds of European security, but at best it would take long to complete, and at worst it might stumble in a crucial moment and come to nothing. It is reported, therefore, that all three Governments are considering the advisability of concluding a partial agreement, possibly in the form of a three-Power mutual assistance pact; this would at least provide the Western Powers with the assurance of Russian goodwill and of whatever help that might be forthcoming from the U.S.S.R. In any case, the negotiations are far from ending. It may be noted that, as far as their bearing on the military situation is concerned, the commonly expressed German view that they would come to nothing is receiving dangerous support. Staff talks cannot now begin for some weeks; and how many weeks are there left?

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**Danzig and Poland.**—The covert occupation of the Free City and its territory by military and para-military forces from Germany, has continued this week. It is reported that numbers of guns and tanks have been taken over the frontier from East Prussia in a more or less open way, that stocks of small arms and ammunition are being accumulated, chiefly on the small Holm Island situated in the Vistula delta, that a pontoon bridge across the Nogat River is nearing completion, and that the number of men in barracks is increasing. The game of provoking the Poles is being played with skill, at great expense, and in multifarious ways. The vital question now must be at what point this occupation will demand counter-measures on the part of Poland (it may be pointed out that the Danzigers have long since broken the provisions of the treaty statute). From a military standpoint the occupation is probably not of great importance, and represents little more than an extension, though a wide extension, of Nazi control over civil life that in large measure already existed. The number of "tourists" who have come from Germany may not be stated exactly, though it is unlikely to be many more than 4,000; to this number must be added the para-military organisations of the Free City itself. The total number of men enrolled in these organisations is again not available; according to the 1929 census figures there are in Danzig some 75,000 German-speaking males between the ages of 20 and 50. On a generous estimate, therefore, the total effectives available will be less than 30,000, and by no means all of these will be trained men. Of four railways entering Danzig, three come from Poland; and of ten roads, only three from East Prussia. If it comes to a localised fight the Polish army will have little trouble in dealing with them—though the chances would then be, of course, all against the fight remaining localised. On an immediate view, then, it would seem militarily possible for the Polish Government to allow the occupation to remain unchallenged up to the point of the Danzig Senate's proclaiming the Free City's union with the Third Reich, or of some similar *coup*. Whether it will be commercially possible is another matter. Deliberate interference has already taken place with private Polish business, and if matters continue as they are going at present the point of deliberate interference with Polish public property cannot be many days ahead. Polish public property in Danzig is not extensive, but it does include those sections of railway which connect the harbour with Polish territory, a number of post offices, a share in the harbour authority, operation of the Customs, and a number of other establishments and responsibilities. The economic ties of Danzig with Poland (and of Poland with Danzig) are described in a letter on page 63, and their importance is beyond dispute. The sign for Poland's counter-measures may be expected whenever the Germans seek to weaken the security of those ties.

**Money for Britain's Allies.**—Trade used to follow the flag; now, perforce, it follows political alliances and guarantees. Some of Britain's new friends have already

knocked on the door and obtained financial support, and if others have not yet gained admittance, it is not because their requests have not been heard. Under the Overseas Trade Guarantees Bill, published this week, a substantial part of their wants should be satisfied. The Bill empowers the Board of Trade to give guarantees for export transactions which might not commend themselves on strict business canons, but which are in the national interest. Thus, it extends existing powers under the Export Guarantees Act which, however, are limited to £10 millions total liability. The proposed limit under the new Bill is £60 millions, exclusive of interest; hence, the total liability which is now contemplated will probably be well in excess of £60 millions. Such guarantees will be available only for British manufacturers or traders, and credits in respect of goods not produced in this country (such, for example, as re-exports of raw materials) are restricted to £6 millions—a figure which may be rather low if adequate supplies of raw materials are to be ensured for those allies which need them. Works or services in connection with guaranteed exports will also be covered by the scheme, to the extent of one-third of the price of the goods concerned. This is a highly desirable provision, whose absence has limited the effectiveness of the existing guarantee powers in the past. Normally, the bills arising from guaranteed transactions will be marketed with the Board of Trade's endorsement, but powers will be taken by the Board of Trade to hold the bills with the assistance of Treasury advances in case difficulties arise in marketing owing to the granting of longer term credits. Thus, the overseas trade guarantees will be different in character from those covered by the Export Guarantees Act, which is limited to £75 millions, including interest liability. And that difference will also be marked by the separation of the transactions from the business of the Export Credits Department. The Advisory Council will, in fact, exercise no judgment regarding guarantees under the new Bill. The new powers should mark a satisfactory first step in providing the means to make the Peace Front fully effective. Few would argue that they are unnecessary; all will hope that they prove transitory.

**Food and Shipping.**—Great Britain's daily expenditure on imported food, not counting in the feeding stuffs and fertilisers that are vital for the maintenance of domestic food production itself, is £1 million; and it is as a shortage of shipping that the chances of underfeeding and famine in a future war present themselves. This is the point that Sir Arthur Salter and Mr Amery put trenchantly in a letter to *The Times* newspaper only this week; and it is the burden of yet another admirable bulletin by the Air Raid Defence League. It is not unwarrantedly pessimistic to claim, as they do, that, unless large-scale buying and shipping of reserves of food and materials from abroad is put in train at once, with a parallel programme of bulk storage, the next war, if it comes, may take on, for a time, the character of a losing struggle. It may be true that the Navy will have complete command of the seas, though it cannot be very much more complete than it was a quarter of a century ago. Even so, it would be unwise to ignore the power of the Third Reich's commerce raiders to do appreciable damage in the early stages of a war; and the ability of enemy airplanes to assail ships and ports is a new factor that cannot be easily discounted. In any case, it is not the enemy's power to strike so much as the certain strain of war itself that affords the key to provident policy. Our population is five millions more now than in the last war, and our shipping tonnage (omitting tankers) is 18 per cent. smaller. The ships themselves are, on the average, larger and faster; but, on the outbreak of war, many would be needed to tranship men and supplies overseas, to provision allies and to bring in war materials. Even if the Admiralty's apparent optimism about the small enemy menace to shipping were fully justified, the urgent need to take measures now to economise shipping in a future emergency would remain unaltered.

**Reserves for War.**—It is the need to save shipping that is the crux of near-war food planning. In the long run, something can be done to adapt domestic agriculture by lessening its own dependence upon imports, by concentrating its output upon import-saving products and by reserving a sufficiency of man-power for farming. But the net effect would even then be small; and, as it is, no long run can be assumed. The immediate task is to economise ton-miles in war by storing reserves now; and, although various Government departments have power between them to buy food, fodder, petroleum, agricultural machinery, fertilisers and other essential commodities, in relation to the magnitude of the need that power has been scarcely used. The equivalent of less than a fortnight's supply of food has been laid in—apart of course from normal commercial stocks which are, in any case, proportionately much smaller than they were in 1914. Germany has stocks for six months. What we need to do is to buy and store a reserve of food and raw materials equivalent to, say, a year's supply of wheat and "calculated to save at least three months' shipping normally required for food imports." This would involve raising from £80 to £100 millions by loan, at an annual charge of £5 to £6 millions; and the transhipment ought to begin at once. It is a convincing case that Sir Arthur Salter and the A.R.D.L. have made out. Their approach may be markedly pessimistic; but it is the only way in making ready for emergency to hope for the best and prepare for the worst. It is a sign of grace in the Government that, only this week, Mr Morrison has counselled the local storage of an iron ration of readily consumable foodstuffs by householders to simplify distribution and avert local shortages in war. This, too, is part of the pundits' plans for food safety, but it is a minor part; and it is the major need to press all available ships into service to bring in stores that is most urgent.

**Tientsin and Tokyo.**—There continues to be a wide discrepancy between the attitude of the Japanese Government in Tokyo and the attitude of the Army's representatives at Tientsin. If the British Government is to stick to its presumption that indignities to British citizens in the treaty ports will cease when negotiations are opened in Tokyo, then it will need a very narrow pair of blinkers. And to carry on the negotiations after they have begun the British Government will further need a determination to limit the scope of discussions, which can spring only from a proper and far-sighted appreciation of British Far Eastern interests. Fortunately, there is evidence that such a determination is not entirely lacking; Sir Robert Craigie, our Ambassador in Tokyo, on his own showing has received instructions to limit negotiations with the Japanese Government to the local issues at Tientsin; any attempt on the part of the Japanese will presumably be met (and must be met) by a retort that general questions, the co-operation of Britain in Japan's conquests, can be discussed only on a scale which would affect the whole position of non-Asiatics in the Far East. There must be no giving way over this. The best interests of the unlucky inhabitants of the British and French Concessions in Tientsin will be served, not by climbing down now and thereby permanently undermining their status, but by firm support of their rights to live and trade in North China without molestation. And, at the same time, it must be made clear that we do not intend to worsen the plight of our own interests by conniving at the destruction of the Chinese National Government. Perhaps, however, the Japanese will be feeling in a lenient mood. They are, if reports from Tokyo may be taken to be more than symbolic, phenomenally successful against the Russians. Fleets of Russian warplanes have gone down before a few Japanese aviators; for the Japanese it is like falling off a log, or dropping bombs on unprotected populations. Only the bombs, sadly, have really been dropped.

**The American Neutrality Bill.**—The outcome of the debate on the new Neutrality Bill in the House of Representatives in Washington at the end of last week illustrates one of the chief factors in the present uncertain and tragic state of world affairs. All countries are to-day so closely knit together that no nation can ignore the effects of its action on the fortunes of the world as a whole, without producing momentous world effects which may well recoil, with particular force, upon the very nation that thus mistakenly fancies itself able to go on living insulated and safe from danger. Yet this truth has hardly begun to be taken to heart on the American side of the Atlantic (just as it did not finally win recognition on the British side of the Channel until after March 15th last). When the Opposition in the United States House of Representatives succeeded, by a narrow majority, in inserting an arms embargo in the Administration's new Neutrality Bill, and in defeating a substitute Bill in which this amendment was again left out, they no doubt believed that they were voting to keep the United States out of another general war. It may be asked how Congressmen could lightly take this line, in face of the considered view of the Administration and the State Department that any American action threatening to prevent American supplies of arms and other sinews of war from reaching the States members of the European Peace Front will, in the first place, encourage Hitler to go to war, and, in the second place, increase the risk of his emerging victorious—thus exposing the United States to the risk of having eventually to fight for her own security against the Berlin-Rome-Tokyo Triangle. The truth seems to be that most Congressmen have not been thinking in international terms at all. They have seen in the Neutrality Bill an occasion for another round in the domestic political struggle between pro- and anti-Roosevelt political factions. The rebuff to the President's foreign policy in the House, if it is to be seen in its true perspective, must be looked at in the light of the rebuff to his monetary policy in the Senate. The foreign observer, conscious that his own fate is involved, is painfully reminded of the conflict between President Wilson and Congress in 1919, when the question of American membership of the League was likewise debated in domestic, and sometimes in sheerly personal, terms. In the present case the Administration is refusing to accept defeat, and we can only hope that at some later stage of procedure the tide in Congress may be turned by a wider appreciation of the great issues which the Administration has in mind.

**Pointers from Italy.**—It seems that the South Tyrol is at last to become, by language as well as by frontier, the Alto Adige. The German Government is understood

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to have agreed upon the emigration of the South Tyrolese, or at least a greater part of their 230,000, to Germany; and this, coming after twenty years of vain Italian effort to get the Tyrolese out of habits of thought as obviously German as their jaunty leather shorts and knapsacks, is no small gain to Signor Mussolini. Does he receive it as the price for co-operation in the past, or because the building of the Peace Front has increased that price for the future? The probable answer is the first, though there are repeated rumours from Rome that the German-Italian military alliance signed some weeks ago is not quite the automatic instrument of mutual assistance which it seems. On the face of it, Rome's willingness to lend aid to Germany in a war against Poland must remain in doubt even now; and it is worth noting that if Herr Hitler withdraws from his aggressive designs upon Danzig the balance of opinion will almost certainly award Signor Mussolini a strengthened position within the Axis. The silence he has kept during the past weeks points to a repetition of his policy of last September. Then, having refrained from precise statements of what Italy would do in the event of war, he was able to come in at the last moment in the unwonted but welcome character of mediating angel. The German Press campaign against Britain finds no counterpart, as it did some months ago, in an Italian campaign against France, though hostile comment against Britain in the Italian Press shows signs of growing this week. The army manoeuvres now taking place in the Po valley, believed to be engaging 1,250,000 men, and the naval occasions whenever the Italian fleet touches port on its Atlantic exercises, are providing plenty of material for those writers whose task it is to tell the Italians of their readiness to face any fate which may fall to them. Yet it seems that no special military preparations are in train; the Libyan garrisons do not appear to be above their normal strength, even though that strength may constitute a permanent threat to Egypt and Tunis; the civilian population can be scarcely more prepared against air raids than it was nine months ago; nor, most significant of all, is there taking place any tightening of morale by specially directed propaganda. It looks as if the Duce, like the rest of us, is waiting for something to happen at a few weeks' distance; in the meantime, he is preparing to sit tight upon the fence.

**Incomplete Plans for Transport.**—The fact that considerable modifications of the internal transport system of the country will be a necessary feature of a wartime economic organisation is well known and accepted. The Government has provided for road transport regulation in an emergency through the control and rationing of fuel supplies, and plans for the grouping and unified direction of road goods vehicles with a view to their most economical use in war time are well advanced. A further statement has been made by the Ministry of Transport about public service passenger vehicles. The majority of operators have already provided the Ministry with particulars of their fuel consumption in 1938, and the formulation of definite arrangements for the war-time re-arrangement and restriction of services, on the basis of a weekly allotment of fuel proportionate to each operators' normal consumption, is thus possible. All this is sound progress. But the best possible arrangement for the most economical use of vehicles and fuel cannot function adequately on a defective road system. There are certain essential road improvements which are desirable in any event and cannot safely be postponed, but Captain Euan Wallace's speech in support of the Ministry of Transport Vote on Wednesday contained no assurance at all that an attempt to carry out even a few of the most urgent of these improvements will in fact be made. He stated that plans for some 3,000 miles of trunk roads out of a total programme of 4,500 would be put into effect as quickly as financial circumstances permitted. But evidence of immediate progress was lacking. It is not possible now to devote labour and materials to the wholehearted adjustment of British roads to British transport needs. That should have been done long ago. But to postpone all improvements to the problematic date when

armament expenditure will have diminished is to ignore the vital importance in preparedness of an adequate road system.

**Germany's Struggle.**—The picture of Germany presented by the latest report of the Reichs-Kredit-Gesellschaft is one of prodigious efforts to maintain the present rate of increase in armament production and to call in all available resources. The efforts have had considerable success. Industrial production is now a third greater than it was in 1928 and it is even higher than last year. The Greater German Reich now accounts for 15 per cent. of the world's industrial production. But the progress has been predominantly, if not exclusively, in the production of arms and capital goods, and every advance intensifies the shortage of materials, capital and labour. The new entrants to industry are now mostly those who have never been employed before, and half of them are women and girls. The Government has failed to keep down wages in either skilled or unskilled occupations. The tax burden has grown. Income and corporation tax receipts have increased by 42 and 55 per cent., respectively, compared with the financial year 1937-38, while the tax taken from emigrants has increased more than threefold in the same period, amounting in the year 1938-39 to Rm. 343 millions. And yet, the demand for consumption goods has risen to a degree that it has not been possible to satisfy, either from domestic sources or by imports, while difficulties in the export trade have prevented the import of any but essential supplies from abroad. Agriculture, too, is being carried on under the most difficult conditions. Last year, Germany was able to meet four-fifths of her agricultural needs from home supplies and in addition, as a result of an excellent harvest, to increase stocks of wheat by nearly five million tons to 10.1 million tons on April 30th last. But the number of cattle has declined and milk production has fallen as a result of the ravages of foot-and-mouth disease and the lack of semi-skilled agricultural labour. First impressions of this authoritative survey are that it reveals a state of affairs in which appreciable achievement is closely intermixed with serious strain.

**French Preparedness.**—The week has passed in France with further demonstrations of preparedness. Both the President and the Prime Minister have now spoken in grave terms of the dangers of the hour, and many lesser voices have echoed what they have said. The contrast of to-day with the confusion of last summer received a decisive addition with the report that M. Bonnet, over last week-end, told the German Ambassador in Paris that France's undertakings to Poland were precise and unequivocal, and would be carried out to the letter; specifically, that the maintenance of the *status quo* in Danzig was part of the letter of those undertakings. This is a change from the attitude taken up by M. Bonnet last September, evinced at that time by ruthless pressure on the Czechoslovak Government; and it may be hoped that this change is as permanent as it is complete. It may be taken, too, as symptomatic of that anxiety for the immediate future which marks prevailing opinion in Paris. It is natural that this anxiety should sound a deeper note than it does in London, for the French are on the Continent of Europe, and see more sharply the day-to-day fluctuations in the balance of power. Their approval of the British re-armament effort is bound to be tempered with impatience at the British Government's slowness in coming to final terms with the U.S.S.R. And their assessment of those terms, if and when they are laid down, is bound to be made from a more strictly military standpoint than seems to be at present in the minds of Whitehall. It might be well for the British Government at this moment if it took a lesson in realism from across the Channel.

**The Cost of Defence.**—The tussle between revenue and expenditure is never determined by the results of the first quarter of the fiscal year. Hence the fact that ordinary revenue has increased by only £12,170,141 to £144,056,777, compared with the first quarter of 1938-39, while expenditure has increased by £46,188,667 to £281,137,248 lacks any special significance, even though the deficit has increased, compared with a year ago, from £103,061,945 to £137,080,471—without taking into account £14,750,000 provided from Defence Loan borrowing. But the return (reproduced on page 92) illustrates the growing magnitude of defence finance. Total defence expenditure rose to £123,850,000 for the quarter—this figure includes issues under the Defence Loans Acts, which appear "below the line"—compared with £66,350,000, met entirely from revenue, in the corresponding quarter a year ago. The first quarter's defence expenditure is invariably the smallest of the four, and the fact that the June quarter's total was this year within £4 millions of the record level of £127,500,000 reached in the previous quarter suggests the astronomical figures which will follow in succeeding quarters. The acceleration of defence costs since 1935 is shown below:—

|                   | DEFENCE EXPENDITURE, INCLUDING ISSUES UNDER DEFENCE LOANS ACTS |         |         |         |         |
|-------------------|----------------------------------------------------------------|---------|---------|---------|---------|
|                   | (£ millions)                                                   |         |         |         |         |
|                   | 1935-36                                                        | 1936-37 | 1937-38 | 1938-39 | 1939-40 |
| First quarter ... | 27.5                                                           | 37.5    | 46.3    | 65.8    | 123.9   |
| 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   | ...     |

Our present spending rate is nearly double that of a year ago, and nearly treble that of the first quarter of 1937-38. Despite the increase in the volume of Treasury Bills from £850,980,000 at June 30, 1938, to £992,960,000 at the end of June last, there is probably room for a further expansion in the floating debt (which stood at a record level, since 1921, of £1,076,170,000 on June 30th) sufficient to

cover the bulk of defence expenditure in the second quarter of the year. That possibility and the present state of the new issue market may have some bearing on the timing of the next instalment of defence borrowing. The problem of defence finance leaves room for only slight consolation in the rise in Customs revenue over the quarter from £53,718,000 to £61,523,000, a rate of collection which is well in excess of that required to provide the anticipated Customs revenue of £232,560,000 for 1939-40.

**Labour's Appeal to the German People.**—The belief that the most effective antidote to the present trend of propaganda in Germany is the dissemination of the truth from other countries has received an adherent in the National Council of Labour of Great Britain. The appeal to the German people broadcast by this body last Saturday repudiated in forthright if familiar terms the contention that the democratic Powers wish to encircle Germany. It riveted the responsibility for the present British policy of defensive alliances on Herr Hitler and Signor Mussolini, and exhorted all Germans to insist on the settlement of differences by peaceful discussion. In Germany these ideas have retained a great deal of the essentially dynamic quality of doctrine that is at once reasonable and revolutionary, and it is vitally important that they should receive as wide publicity as possible. The agencies which have been utilised to that end in the case of Labour's appeal are a somewhat surprising combination—secret wireless stations on the Continent, underground organisations in Germany and the British Broadcasting Corporation. Moreover, the dedication of a B.B.C. Saturday night broadcast in five foreign languages to a pronouncement which was undoubtedly propagandist rather than completely objective is in itself significant; and there is at least a mild presumption that it was not condemned outright in Governmental circles. Its effective justification will depend upon the way in which it is received by the German people themselves.

## THE WORLD OVERSEAS

### The Commerce of Danzig

(From a Correspondent)

AN understanding of the economic position of Danzig is essential to any discussion of its political position. Danzig lives on Poland in the same way as Memel lived on Lithuania. The Free City's commercial relations with the Polish hinterland and the Polish port of Gdynia are therefore vital elements in its political administration. Berlin's conciliatory policy over the last few years (until very lately) in regard to Danzig proves how well the Germans know this. It will be instructive to examine Danzig's gains and losses since Gdynia became important. In 1938 both Danzig and Gdynia suffered severely from the depression of the first nine months, but with a considerable revival in Polish exports after the Munich Agreement their final turnovers—despite losses in Central European transit—showed comparatively little change.

TRAFFIC HANDLED BY DANZIG AND GDYNIA  
(In millions of tons)

|              | 1936 | 1937 | 1938 |
|--------------|------|------|------|
| Danzig ..... | 5.30 | 7.13 | 7.20 |
| Gdynia ..... | 7.74 | 9.01 | 9.17 |

The figures in the above table clearly are not unfavourable to Danzig. Even if Gdynia is now nearly two million tons ahead and can boast a turnover exceeded only by Rotterdam, Hamburg and Antwerp among Continental ports, Danzig's trade grew much faster during the boom and fell but little in the depression. Another good year and her peak figures of 1928, 8.6 millions, are well within reach.

But it would be wrong to think that the continual complaints from Danzig of Polish commercial policy and the serious effects of Gdynian competition are entirely un-

founded. The structure of trade differs widely between the two ports; the predominant part played in Danzig by bulk goods of great weight but relatively small value makes total figures deceptive. Thus in 1937 Danzig exports, other than coal, which amounted to no less than 3.56 millions against 2.38 millions in 1936, decreased by nearly 200,000 tons; while imports, other than metal ores, which jumped from 0.61 to 1.08 millions, rose by only 88,000 tons. At the same time Gdynia's exports other than coal rose by over 55,000 tons, and Gdynia's exports other than metal ores rose by nearly 1.27 millions. The disproportion was accentuated in 1938, Danzig registering a further increase in coal exports.

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Grain and timber are also significant. Here Danzig has an established reputation, with long experience and handling facilities extensive enough to justify export monopolies on which she has largely relied. In 1937, when the Free City was badly hit by Polish export restrictions on rye, barley and fodder following the worst harvest in many years, it was hardly conducive to good feeling to find grain appearing in Gdynia, however modestly, as an export commodity. In 1938 a considerable rise in the Polish grain trade, particularly barley, brought scant revival in Danzig (301,000 tons); Gdynia, however, with the operation of modern elevators, forged ahead to 57,000 tons. It has been much the same story with timber. Danzig's exports fell from 1.18 million tons in 1937 to 813,000 tons in 1938, compared with a rise in Gdynia's exports from 237,000 tons to 383,000 tons.

These statistics, tiresome to the lay observer, are nevertheless crucial, for they largely account for the most significant factor of 1938: namely, the notable discrepancy between the slight rise in tonnage and the fall in average value, from 62 zlotys to 54 zlotys per ton, of Danzig's purely Polish exports. Danzig's imports in 1938 remained level in tonnage, but their value dropped from 125 zlotys to 117 zlotys per ton. In Gdynia, significantly enough, while imports rose by only 100,000 tons over 1937, their average value rose from 489 zlotys to 538 zlotys. The valuable goods are more and more being sent through the Polish port.

Danzig's losses are thus beyond dispute. The table printed below shows how strikingly the values of Poland's imports and exports through the two ports have changed.

But there is another side to the picture. If at the outset Danzigers had not blinded themselves to the material advantages of acting as Poland's *entrepreneurs*, if it were not for the active enmity of successive Danzig administrations, Poland might never have needed in the interests of her national security to go to the colossal expense and effort of constructing an alternative harbour. If latterly Gdynia has appropriated the lion's share, Danzig has only her Nazis to blame. Nor are the facilities she can offer entirely attractive. The generous scale on which the port was planned has proved not generous enough; the length of wharfage and the number of basins, the area of warehouses and the supply of cranes are already insufficient; the railway system is inadequate. This disproportion between volume and capacity means increased harbour dues, as well as a good deal of night work, which involves a greater outlay in wages and higher Customs expenses. Poland therefore has every interest in the size and efficiency of Danzig's harbour.

In any case, with the maximum capacity of either port a good 6 million tons short of their combined turnover, it would be absurd to suppose that Poland has not now the same vital interest in Danzig as she has always had.

Danzig business men and shippers, for their part, would certainly welcome co-operation with Poland: no propaganda can disguise their reliance on the only hinterland they possess. Poland's maritime commerce can secure prosperity for both ports; and if her vast industrial schemes were to materialise it might even be necessary for Tczew, further up river, to come into operation as a port of distribution. The men of Danzig have suffered enough already from Nazi policies. Apart from the Gdynia business, they also lost transit traffic after the Austrian Anschluss, and again after Munich; they have now lost their entire Czech hinterland, worth to them nearly 1.5 million tons. They know that absorption into the Reich would spell their own disaster. Tradeless, Danzig could only contribute to the further unbalancing of the German economy.

Specifically Danzig interests, of course, have long been lost to hearing in a welter of oratory. The Nazis of the administration, Reich Germans almost to a man and dependent

POLISH TRAFFIC THROUGH GDYNIA AND DANZIG, 1928-1938

|                     | 1928  | 1929  | 1933 | 1934 | 1935 | 1936 | 1937  | 1938  |
|---------------------|-------|-------|------|------|------|------|-------|-------|
| (In million tons)   |       |       |      |      |      |      |       |       |
| Exports:—           |       |       |      |      |      |      |       |       |
| Gdynia .....        | 1.6   | 2.5   | 5.0  | 5.9  | 6.3  | 6.3  | 7.2   | 7.4   |
| Danzig .....        | 6.7   | 6.9   | 4.6  | 5.3  | 4.2  | 4.4  | 5.1   | 5.2   |
| Imports:—           |       |       |      |      |      |      |       |       |
| Gdynia .....        | 0.1   | 0.2   | 0.7  | 0.8  | 0.9  | 1.2  | 1.5   | 1.3   |
| Danzig .....        | 1.6   | 1.6   | 0.4  | 0.4  | 0.4  | 0.5  | 0.8   | 0.8   |
| Total:—             |       |       |      |      |      |      |       |       |
| Gdynia .....        | 1.7   | 2.7   | 5.7  | 6.7  | 7.1  | 7.4  | 8.6   | 8.7   |
| Danzig .....        | 8.4   | 8.4   | 4.9  | 5.6  | 4.6  | 4.9  | 5.9   | 6.0   |
| (In million zlotys) |       |       |      |      |      |      |       |       |
| Exports:—           |       |       |      |      |      |      |       |       |
| Gdynia .....        | 45    | 71    | 239  | 270  | 311  | 370  | 477   | 485   |
| Danzig .....        | 588   | 699   | 284  | 328  | 278  | 306  | 316   | 278   |
| Imports:—           |       |       |      |      |      |      |       |       |
| Gdynia .....        | 34    | 64    | 297  | 385  | 451  | 578  | 721   | 698   |
| Danzig .....        | 888   | 793   | 124  | 84   | 77   | 71   | 100   | 98    |
| Total:—             |       |       |      |      |      |      |       |       |
| Gdynia .....        | 79    | 135   | 536  | 655  | 762  | 948  | 1,198 | 1,183 |
| Danzig .....        | 1,476 | 1,492 | 408  | 412  | 355  | 377  | 416   | 376   |

financially on Berlin, have nothing to lose by the successful accomplishment of their mission. And the Reich Government, for all its professed motives, is evidently thinking a good deal more of its own commercial ambitions in East Europe and, more immediately, of ways and means of breaking up the embryonic "Peace Front" by sterilising Poland as an anti-German military power. Towards both these ends it is quite obvious that a Danzig fortified by Germany and dominating the Polish coast would be of decisive importance.

July 3rd.

## Financing the United States Debt

[FROM OUR NEW YORK CORRESPONDENT]

ONE of the reasons commonly given for the depression of 1937-8 is that the setback was caused by an abrupt reduction in Federal spending. The cutting-down of the Federal deficit, like the reduction in the excess reserves of the banks, occurred in 1937, and coincided with, or just preceded, the slump in business. What are the facts?

The Federal deficit dates from the end of the 1930 fiscal year, i.e. from June 30, 1930. At that time, the public debt was approximately \$16,000 millions, of which approximately \$1,000 millions was held by Federal trust funds, etc., and about \$15,000 millions in the market, including almost \$600 millions held by the Reserve banks. At the end of 1935, the total interest-bearing debt had risen to just under \$30,000 millions, and virtually all the increase had taken the short term form. The combined figure of notes, certificates and bills had risen from \$3,000 millions to \$15,000 millions. The first five years of the deficit had increased the debt by about \$12,000 millions, of which almost \$8,000 millions had been taken by the Reserve banks and the member banks; \$500 millions to Federal funds; and the remainder by all other investors, including non-member banks. In short, not more than \$3,000 millions had been demanded of the national savings. This was the period of deflation; and the mechanism of deflation was the financing of the Federal deficit by the banking system.

In the course of the fiscal year 1936 (that is, the year ended June 30, 1936) further large demands were made on the Treasury. In addition to the deficit, there was an increase in debt by reason of the veterans' bonus of close to \$2,000 million. To finance this, both long- and short-term issues were employed, and the increase for the fiscal year was just under \$4,000 millions. Of this, the Federal reserve banks took none, and Federal trust funds only about \$300 millions; a substantial sum, however, was represented by uncashed bonus certificates.\* The member banks took approximately half of this financing, lifting their holdings from \$9,871 millions to \$11,721 millions.

\* The bonus certificates took the form of ten year bonds, of which the greater part were, of course, promptly cashed.

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OF THE CITY OF NEW YORK

Statement of Condition, June 30, 1939

### RESOURCES

|                                                                    |                           |
|--------------------------------------------------------------------|---------------------------|
| CASH AND DUE FROM BANKS . . . . .                                  | \$1,208,137,695.47        |
| BULLION ABROAD AND IN TRANSIT . . . . .                            | 6,841,148.65              |
| U.S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED . . . . . | 835,044,606.29            |
| STATE AND MUNICIPAL SECURITIES . . . . .                           | 117,595,990.20            |
| STOCK OF FEDERAL RESERVE BANK . . . . .                            | 6,016,200.00              |
| OTHER SECURITIES . . . . .                                         | 155,648,757.85            |
| LOANS, DISCOUNTS AND BANKERS' ACCEPTANCES . . . . .                | 575,427,173.17            |
| BANKING HOUSES . . . . .                                           | 33,857,363.26             |
| OTHER REAL ESTATE . . . . .                                        | 8,391,925.40              |
| MORTGAGES . . . . .                                                | 10,643,688.51             |
| CUSTOMERS' ACCEPTANCE LIABILITY . . . . .                          | 16,956,091.56             |
| OTHER ASSETS . . . . .                                             | 8,874,680.74              |
|                                                                    | <u>\$2,983,435,321.10</u> |

### LIABILITIES

|                                                                 |                           |
|-----------------------------------------------------------------|---------------------------|
| CAPITAL FUNDS:                                                  |                           |
| CAPITAL STOCK . . . . .                                         | \$100,270,000.00          |
| SURPLUS . . . . .                                               | 100,270,000.00            |
| UNDIVIDED PROFITS . . . . .                                     | 30,819,439.57             |
|                                                                 | <u>\$231,359,439.57</u>   |
| DIVIDEND PAYABLE AUGUST 1, 1939 . . . . .                       | 5,180,000.00              |
| RESERVE FOR CONTINGENCIES . . . . .                             | 16,030,956.02             |
| RESERVE FOR TAXES, INTEREST, ETC. . . . .                       | 2,037,784.60              |
| DEPOSITS . . . . .                                              | 2,696,486,353.65          |
| ACCEPTANCES OUTSTANDING . . . . .                               | 18,446,987.22             |
| LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS. . . . . | 6,838,784.97              |
| OTHER LIABILITIES . . . . .                                     | 7,055,015.07              |
|                                                                 | <u>\$2,983,435,321.10</u> |

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### A Turning Point

The end of the 1936 fiscal year is a turning point. The long awaited bonus was "out of the way." The circulating medium (currency and demand deposits) had been reflation as a consequence, not merely of deficit financing, but also of gold imports. The economy had realised a considerable revival of production, and was, if not at a prosperity level, at least in a prosperity zone. Bank loans were rising. Moreover (and this should be emphasised) the floating debt was relatively large—even though the actual ratio of short-term debt to long-term in June, 1936, was slightly lower than in June, 1935, owing to the fact that the major 1936 financing had been at long term. Two inferences could reasonably be made: (1) that the period of large deficits was past; and (2) that it was time to undertake the funding of the floating debt.

In addition, new features became important in debt financing in the fiscal year 1937. U.S. Savings bonds (ten-year, non-negotiable issues available in small denominations) had become popular, and the social security legislation increased the funds available for special issues. The result was that, although the "interest-bearing public debt" increased in that fiscal year by just under \$3,000 millions, the "public debt publicly offered" increased by only \$2,400 millions, and the increase in "market issues" was just above \$1,500 millions, of which the reserve banks took about \$100 millions. In comparison with recent previous years this increase in market issues was a comparatively small sum. Yet, in March, 1937, there was a severe flurry in the Government market, which served as a prelude to the ensuing economic debacle.

Several comments may be made on this period between June, 1936, and March, 1937. Total bonds, notes and bills were increased by roughly \$1,000 millions; at the same time the Treasury was funding shorts into longs; and the banks reduced their holdings of notes and bills by almost exactly the same amount as the Treasury retired them. Indeed, between June and December, the banks were virtually exchanging shorts for longs; but they were taking no part of the net new offerings. The net result of the nine months from June, 1936, to March, 1937, was that a market that had come to lean heavily on the banks had been obliged to absorb, not only the bulk of the new offerings, but also a great share of the funded issues.

### Recent Trends

This phase of credit liquidation lasted approximately until the spring of 1938. In the June quarter of 1937, Government financing again sought the short-term market, and this was the last major demand by the Treasury until the autumn of 1938. In the second quarter of 1938 the retirement of bills and the conversion of notes amounted to over \$2,000 millions and for the first time since the last half of 1936 the banks exchanged their maturities for approximately half of the funding bonds offered. The release of the inactive gold fund had given the banks excess reserves; the heavy liquidation of loans had reduced bank earnings; they were receptive to any offering; and the only suitable openings available were the funding bonds.

Since then until now the demands of the Treasury upon the market have been comparatively small. The total of "market issues" rose only from \$28,815 millions in February, 1938, to \$29,454 millions in March, 1939. But it was a period of enormous funding operations, of rapidly mounting excess reserves and the continued liquidation of bank loans. In the aggregate the holdings of the member banks at the end of March this year were almost what they had been on March 7, 1938. They had in that period taken almost none of the new financing, but had converted almost \$2,000 millions of shorts into longs.

The chronology is clear, though the moral is not. Until almost the end of 1935, deficit financing was (a) predominantly or almost exclusively by means of short-term securities; and they were (b) taken by banks. The second phase was a great funding operation, during which bank holdings were reduced. The third and current phase has been a continuation of the funding of short debt, with the banks maintaining their position. The consequences upon the credit system and

upon business of all this is debatable. But it is reasonable to suppose that these marked changes in the structure as well as the magnitude of the public debt and the method of its financing were appreciably influential upon the economy.

June 26th.

## The New French Imperialism

[FROM OUR PARIS CORRESPONDENT]

IN the past few months, and particularly since the first tumultuous expression of the Italian demand for French colonial territory and the Premier's tour of Tunisia, Imperial sentiment and governmental interest in the development of the colonies have acquired a remarkable impetus. Similar phenomena have been observed in France in the past—in the period immediately following a war. But on those occasions Imperial enthusiasm was a derivative of diplomatic policy, and was moreover encouraged by other continental Powers as a means of dividing France's attention. This time it is not a matter of military conquests, but of defensive organisation and colonial economic expansion proceeding side by side and both supporting the organisation of national defence on the Continent. French Imperial advance represents primarily a direct reply to the Axis Pact; but its advocates are careful to point out that it may also be used as a new means to European collaboration.

It is not difficult to discover what are the principal material objects of the new Imperialism. They are the immediate need to place larger numbers of colonial troops at the disposal of France in case of war; and the long term requirement of imported raw materials and markets for French manufactures. These are required to support the exchanges and lessen an import balance which may be aggravated by a prolonged programme of arms production.

This country is a large importer of raw materials and food-stuffs, but exports only a modest amount of manufactured goods. An excess of imports over exports is the normal situation. But the import balance tends to grow as a result of re-armament, while the declining birth rate tends to limit the country's capacity for economic and financial expansion. Some counterweight must be found, and the present tendency is to seek it in the Empire, which offers in return for increased military and civil liabilities an impressive field for economic expansion.

The following table indicates the importance of the colonial market to the French economy:—

|                                                                             | 1935 | 1937 | 1938 |
|-----------------------------------------------------------------------------|------|------|------|
| Percentage of imports from colonies in total external trade of France ..... | 25.8 | 24.4 | 27.1 |
| Percentage of exports to colonies in total external trade of France .....   | 31.5 | 28.3 | 27.4 |
| Percentage of imperial trade in total French trade .....                    | 28.2 | 27.2 | 27.2 |

The part played by North Africa, and notably by Algeria, is particularly important, and represents nearly three-fifths of the whole colonial trade of France.

### Developing the Colonies

The effort expended by France in the past five years to develop the territory of her overseas territories, and thereby to increase their importance both as producers and as markets, has been considerable. It has rapidly borne fruit in the reduction of the import balance in French trade with foreign countries, to the benefit both of the home country and the colonies.

It is interesting to note that this progress has been registered in a period of crisis both in the national finances and for capital in general. It has been supported less by appeals for credit than by "the policy of support" through minor taxes on consumption.

The lead has been given. Future advances will be even more decisive. They will be indispensable, for although France can now secure three-quarters of her imported food-stuffs from her colonies, she still purchases from foreign countries in each year 15 milliard francs' worth of raw materials—which is manifestly too much.

The intensification of the development of the overseas territories is limited by certain difficulties. First difficulties of

a financial character. The progress of the territories necessitates powerful financial aid at a time when the exigencies of re-armament absorb nearly all the resources of the capital market. Secondly, there are fiscal difficulties. It has been observed that while the excess of French imports over exports has been reduced from 14,800 million francs in 1937 to 11,329 millions in 1938, the import surplus of the colonies *vis-à-vis* foreign countries, which was 990 millions in 1935, rose to 1,600 millions in 1937 and 1,800 millions in 1938. This deficit is no doubt due to world conditions, but it is also due to the deficiencies of the policy of the home country and to international trading arrangements which place the colonies in a position where they are unable to offer much resistance to their powerful foreign competitors. This is why there is a demand in French colonial circles that the home country shall place her interests on a common level with those of her colonies in the forthcoming bilateral negotiations, and thus supply some return for the effort of organisation and discipline which has been demanded of the colonies in order to secure that their products should not compete with her own.

Greater France has attained her geographical outline and status. She possesses in a powerful navy the means of her defence. What she still lacks is an Imperial system, a will to cohesion, and an economic impetus which could complete in the wider sphere the local exploits of great individuals of the stature of Lyautey. The impoverishment which succeeded the war, and needs which have been resuscitated by the external menace, have provided a stimulus which may yet lead to the filling of the gaps.

July 6th.

## Reich Finance and the Reichsbank

[FROM OUR BERLIN CORRESPONDENT]

A STRIKING impression of Germany's difficult financial position is suggested by the new Reichsbank law and by the yearly report of the Reichsbank itself. The Reichsbank law was ostensibly intended to eliminate finally the influence of the Versailles Treaty and the Dawes and Young plans upon the Reichsbank, but it was really designed to reorganise the bank, for the earlier restrictions and foreign influence on the bank's policies had already been done away with. The point is that the old bank law allowed the Reichsbank directorate (especially when under the leadership of a personality like Dr Schacht) to stand in the way of the financial experiments of the National Socialist regime—although, even under Dr Schacht, the Reichsbank was extensively used for State financing.

It should be noted that the Reich debt amounted to only Rm. 11,690 millions at the end of March, 1933, of which Rm. 1,514 millions were in short-term debts. At the end of March, 1939, however, the funded Reich debt amounted approximately to Rm. 24,208 millions and the floating debt to Rm. 6,535 millions, giving a total of Rm. 30,743 millions. Thus the debts have nearly tripled under Nazi rule; and during the same period, the currency circulation has almost doubled, rising from Rm. 5,656 millions at the end of 1932 to Rm. 10,388 millions at the end of 1938.

It is common knowledge that the expansionist aims of the National Socialist regime have necessitated a huge armaments programme and a correspondingly high need for financing. Just how high the required sums have been is shown in the rise of the Reich debt, which has increased so heavily, despite the fact that Reich tax and Customs receipts rose from about Rm. 6,600 millions in the fiscal year 1932-33 to about Rm. 17,700 millions in the last fiscal year. And the armaments certificates still in circulation, amounting to many milliards of marks, are not included even in this total of the Reich debts.

### Arms and the Money

At the start of 1938, the earlier system of financing projects in advance through the use of armament certificates led to a financial crisis; full employment had been reached; and, with the existing scarcity of consumers' goods, any further extension of credit would have led straight to inflation. Dr Schacht attempted to stay the increase in the indebtedness by substituting the use of forward Treasury certificates for armament certificates; at the same time he hoped to attain

some control over State investments, and to avoid a further increase in the currency circulation by the fact that the Treasury certificates, being non-rediscountable, would flow back to the Reichsbank. For political reasons, however, the Schacht plan could not be retained, and the system of forward Treasury certificates now means, in practice, the continuation of a policy of incurring debts in order to pay for State projects. This resulted in an acute cash scarcity last winter; on the one hand, money was required to meet current demand; on the other, it was needed for the redemption of short-term obligations.

It was this crisis that led to a reorganisation of the Reichsbank board of chairmen, which was followed by a tax revision, the New Finance Plan, and later by the new Reichsbank law. (The tax revision and the New Finance Plan have already been discussed in previous letters from Berlin in the issues of *The Economist* dated March 4 and April 1, 1939.) The new Reichsbank law places the bank under the sole authority of the Reich and the Reich Chancellor, and the directorate will retain only an advisory capacity.

Characteristic of the intended increased use of the Reichsbank for State financing are the changes made in the conduct of the bank's business activities. The Reichsbank may buy or sell three-month Treasury bills of the Reich, to a total specified by Herr Hitler, and may grant to the Government loans for temporary working capital, the size of which is also to be determined by the Fuehrer. These two rules allow for a practically unrestricted use of the Reichsbank for State financing.

Similarly, the law specifies that Reichsbank notes and Reichsbank gold coins are the only unlimited legal currency. The currency circulation must be covered by bills, cheques, Reich Treasury bills, securities and demands falling due daily (collateral loans). These regulations, in view of the unlimited issuing of Treasury bills and Reich credits, permit of an unlimited extension of credit and an unlimited increase in the currency circulation.

### Signs of Inflation

The yearly report of the Reichsbank is little less significant. The increase in the currency circulation within the last year from Rm. 7,478 millions to Rm. 10,388 millions is attributed to the currency conversion in Austria and the Sudeten territory. But new Reichsmark means of payment were issued for this purpose only to the value of Rm. 1,125 millions. It is true that there was an increase of production in Germany and in the newly acquired territories, but the German currency circulation increased by only about Rm. 500 millions yearly during the years of the Reich's greatest productive activity in the past, and last year's total increase of about Rm. 2,900 millions in the circulation seems to indicate an undoubtedly inflationary tendency.

The Reichsbank further reports that its gold and foreign exchange holdings are unchanged and still unsatisfactorily low. The Austrian and Sudeten holdings of gold and foreign exchange, as well as their assets held abroad, are not mentioned at all. And there must have been an increased strain of the Greater Reich's total holdings since, against declining exports, there was an increased need for imports—and at the same time supplies were stored for defence reasons; it was through the acquisition of Austrian and Sudeten gold and foreign exchange holdings that this was possible.

July 3rd.

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## Books and Publications

### Australian Trade Policy

THE period of office of the late Mr Lyons's first two Ministries in Australia, from 1931 to 1937, was one of steady economic revival in the Dominion. It reached a peak of prosperity rivalled only by a few privileged countries like South Africa. Those years were also a time of fairly steady downward adjustment of the Australian customs tariff from its crisis levels, a policy interrupted only by an unfortunate interlude, in 1936, of experiment with the so-called "trade diversion policy." The moderate tariff policy was tested under very favourable conditions, and emerged from the test with honour, since at the end of the period unemployment in the manufacturing industry, where the degree of protection had been cut, was scarcely above minimal proportions.

This policy was not conducted without many criticisms, and these form a large part of the valuable collection of documents\* that has been edited by Professor Copland and Mr Janes. Much of the attack was on familiar protectionist lines, but it is interesting to note the recurrence of criticism, from various quarters, of Articles 9, 10, 11 and 12 of the Anglo-Australian Ottawa agreement. These were the so-called general clauses of the Ottawa pacts, undertaking that Australian protection would not be given to industries not assured of sound prospects of success, and that, when given, it would not exceed such a level as would afford British producers full opportunity of reasonable competition with the Australian manufacturers. The application of these clauses was to be entrusted to the Tariff Board, whose resultant recommendations the Government undertook to im-

\* "Australian Trade Policy": A Book of Documents 1932-1937. By D. B. Copland and C. V. Janes. Sydney. Angus and Robertson. 10s. 6d.

plement. The critics hotly maintained that this removed the tariff-making power from the hands of Parliament, where it belonged, and placed it in those of a non-elective expert body. The force of such criticism accounts for the successful insistence of the Australian Government, in their negotiations for a revision of the Ottawa pact, that their pledges under these articles should be suspended.

At the same time, the documents printed also reveal the strength of an exactly opposite line of criticism. The ill-fated "trade diversion" policy of Sir Henry Gullett, which aimed at greatly reducing Australia's purchases of Japanese manufactures (though she had a large credit balance of trade with Japan), and at correcting the debit balances of trade that she had with the United States and certain other countries, was vigorously attacked, not only on its merits, but also on the grounds that it meant completely discarding the skilled advice which the Government received from the Tariff Board, and which saved it from error or excess in its protective policy.

In practice, the Tariff Board interpreted their instructions under the Ottawa agreement with a light hand. The report in which they explained that the Ottawa general clauses did not mean what they said, but something much more common-sensible, is particularly interesting. British exporters were inclined to complain of this gloss, as continuing protection to inefficient Australian industries and as denying them rights of competition in Australia that they had been promised; but, in sum, they had cause to be grateful for the results of a less legalistic interpretation than that adopted, for instance, by the Canadian Tariff Board.

The Australian Board handed down one decision (fully documented in this book) of great value to British exporting interests. They held that the depreciation of the Australian pound afforded uncovenanted protection to local industries, and that the tariff should be adjusted accordingly. Within a few months the New Zealand Tariff Commission, faced by similar circumstances, reached precisely the opposite conclusion (a cross-reference that might incidentally have been recorded by editors who go so far afield as to include the resolution of the Indian Legislative Assembly in favour of terminating India's Ottawa agreement).

One necessary criticism of the book is that it is not up to date. Though only just published in England, it was prepared in 1937, with the result that it omits the last chapters of a continuous story, in the shape of the agreement to disagree reached by the United Kingdom and Australian Governments last year, in lieu of a revised trade pact to take the place of Ottawa, and an account of the part (positive and negative) played by Australia in the negotiations of the Anglo-American trade agreement. However, the editors fortunately assure us that they hope to continue in future volumes their series of documents on Australian economic affairs. Perhaps it is not too late to remind them that, in a collection largely concerned with the controversy over various aspects of the Ottawa agreement, it would have been useful to print at least the salient clauses of that agreement itself.

### Books Received

- Atti dell' istituto nazionale delle Assicurazioni.* Vol. XI. (Rome) Istituto Nazionale delle Assicurazioni. 156 pages. L.50.
- The Military Strength of the Powers.* By M. Werner. (London) Gollancz. 376 pages. 7s. 6d. net.
- Canada: An Illustrated Survey of the Dominion.* Reprinted from *The Times* Canada Number. (London) *The Times* 276 pages. 5s. net.
- The Community and Social Service.* By W. Blackshaw. (London) Pitman. 266 pages. 7s. 6d. net.
- Economic Adaptation to a Changing World Market.* By C. M. Wright. (Copenhagen) Ejnar Munksgaard. 301 pages. 10s. 6d. net.
- The Study of Society.* Edited by F. C. Bartlett and Others. (London) Kegan Paul, French, Trubner & Co. 498 pages. 10s. 6d. net.

## THE BUSINESS WORLD

### United States Monetary Sabotage

IF we wish to view in its true perspective the tussle between the United States Senate and the Administration on the Monetary Powers Bill, it may be useful as a preliminary to set out the milestones in the dollar-gold policy and the silver policy of the United States since April, 1933, when the dollar was severed from its previous gold parity. Both policies were evolved out of the "reflationary" fervour which seized the President and his then advisers after the culmination of the banking crisis. They were based on the most simplified and crudest versions of the Quantity Theory of Money, and on the belief that appropriate tampering with the volume of currency and credit would have the desired effects on the level of prices and *ipso facto* on the business situation. By April 5, 1933, when the banking system was awakening from the coma of the moratorium, all private gold holdings in the United States had been nationalised and an embargo had been placed on the export of gold. On April 20th the former parity of the dollar was abandoned and the currency was left to find its own level in the foreign exchange market. In the following month Congress passed the Agricultural Adjustment Act which authorised the President to fix the gold contents of the dollar, with the proviso that this content should not be less than half the previous weight.

By October, 1933, the Reconstruction Finance Corporation had begun to quote a dollar price for gold which rose gradually from \$31.36 to \$34.45. The latter figure was reached in January, 1934, by which time the Gold Reserve Act was passing through Congress. This measure demanded by a special Presidential message to Congress gave the President the power to devalue the dollar between limits of 50 and 60 per cent. of the old parity. This power was conferred for a period of two years with an extension of a further year at the discretion of the President. At the end of January, 1934, the dollar price of gold was fixed in accordance with this measure at \$35 per ounce, equal to a devaluation ratio of 59.06 per cent. At the same time a Stabilisation Fund of \$2,000 millions was set up and endowed with part of the paper profit derived from the revaluation of the gold reserve. At the end of two years the President extended his powers for the additional twelve months provided for in the Act. This expired in January, 1937. Congress approved an extension of the monetary powers of the President until June 30, 1939, when its maturity provided the occasion for the recent trouble.

Before the struggle between the President and Senate is described the outline of American silver policy should also be traced since the Monetary Powers Bill in its passage through the Senate acquired some unexpected amendments dealing with silver.

The Agricultural Adjustment Act gave the President the power to fix and vary the weight of the silver as well as that of the gold dollar. In June, 1934, the Silver Purchase Act was passed, a measure providing the "rehabilitation" of silver by official purchases of this metal at prices limited only by the monetary price of \$1.2929 per ounce and proceeding until—at some unspecified date—the silver reserve of the Treasury represented one-third of the gold reserve. The price paid for domestic silver under the discretionary powers given to the President by the Agricultural Adjustment Act has always represented a substantial premium over the world price which in its turn has

anchored itself to the price for imported silver fixed by the United States Treasury. After various changes the domestic and import prices had remained at 64.64 cents and 43 cents respectively since early in 1938. The import price was that applied in a number of bilateral agreements for the purchase of silver entered into between the United States and silver producing countries such as Mexico and Canada.

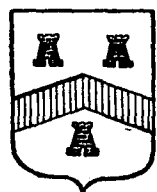
This was the position when the Somers Bill, sponsored by the Administration, began its rough passage through Congress. This measure provided for the extension for another two years of the President's powers of determining the gold and silver value of the dollar and for the corresponding extension of the life of the Stabilisation Fund. The Bill passed through the House of Representatives, but on its first appearance before the Senate it was subjected to such buffeting as to render it quite unrecognisable on its emergence from that assembly. The majority which effected this maltreatment was made up of a group of Republican and conservative Democratic Senators on the one hand and of representatives of the silver-producing States on the other. The first saw in the lapsing of the President's special monetary powers an opportunity to make a rousing demonstration against the principle of dictatorship which they pretend to see enshrined in every measure endowing the President—and President Roosevelt in particular—with any discretionary powers. They therefore voted against the extension of the devaluation powers and the Stabilisation Fund. Their action was sabotage with a political motive in mind. The silver Senators for their part were prompted by altogether more practical and less ideological considerations. They merely wanted the assurance of a higher price for domestic silver. They therefore appended to the Bill an amendment raising the domestic price for silver from 64.64 cents to 77.50 cents. A further amendment specifically repealed the powers of the Treasury to buy foreign silver.

Thus dismembered, the Bill returned to a joint Committee of the House and the Senate on June 29th, less than 48 hours before the powers of the President lapsed. In this Committee the more fundamental amendments of the Senate were defeated, the devaluation powers were restored, the decree against all future purchases of imported silver was removed, but as a tactful and politic sop to the silver *bloc* the amendment fixing a higher price for domestic silver remained—though the figure was lowered from 77.50 to 70 cents. On June 30th the Senate resumed its attack on a measure thus restored to something like its original form. No vote was taken, but the Bill was "talked out," and at midnight on June 30th, the powers having lapsed, the debate was adjourned.

Consideration of the Bill was resumed on Wednesday of this week, and to the general surprise the Bill, as re-amended in Committee, passed—though by the narrow majority of 43 to 39. This last stage of the debate was not so much concerned with the merits of the various amendments as with the legalistic niceties of the Administration's attempt to extend powers which had actually lapsed and been in abeyance for five days. The vehement discussion on this point provide an indication of the seriousness with which the monetary conceptions underlying the Senate's previous amendments were to be judged. In its final form the Act extends the monetary powers of the

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President for another two years, says nothing about imported silver, but fixes the price paid for domestic silver at 71.11 cents per ounce. This price is based on the monetary price of \$1.2929 per ounce less some stipulated seigniorage, which in this instance is placed at 45 per cent., compared with 50 per cent. charged since the beginning of 1938.

If this were all that had to be recorded as the result of this attempt at monetary sabotage by the U.S. Senate the incident would in retrospect have little more than mere curiosity value or interest. But while monetary affairs in the United States were seemingly being thrown back into the melting-pot, the U.S. Treasury saw and seized an excellent opportunity of lowering the price at which they buy imported silver. The reason for these changes has been stated by Mr Morgenthau to be the refusal of the United States, by paying a price higher than the world price for silver, to lend themselves to profitable operations by international speculators. This explanation will only have convinced the very gullible. The only reason why the world price for silver has fallen below the American parities has

been because very justifiable doubt existed on the score of future American silver policy. The disparities have provided no opportunity for "speculation" since the prevailing uncertainties have frozen the whole arbitrage traffic in silver into immobility. The truth is that everyone in the U.S. Treasury is now convinced of the expensive folly which the Silver Purchase Act perpetrated. It is no consolation to know that it helped reflation when to-day the Federal Reserve system is glutted with excess reserves. Far from "rehabilitating" silver it drove it out of circulation from the few countries that still adhered to this standard. It may not be possible completely to liquidate the Silver Purchase Act without doing grave damage, from which the United States themselves would be among the main sufferers. But at least there is a case for reducing the current cost of that legislation. This case has been forcibly put during the Congress debates on the Monetary Powers Act, and we may rest assured that the arguments in favour of further reductions in the price paid for imported silver will have found a most sympathetic echo within the Treasury at Washington.

## Home Rail Earnings

BY an irony of circumstance, the past half-year, which saw the recognition of the railways' Square Deal claims, has also provided an increase in gross receipts of £483,000, compared with the first twenty-six weeks of 1938. Sceptics who doubt the efficacy of the "multiplier" must find it hard to account for the transformation of the railway traffic trend during the past six months. The year opened, admittedly, with some credits; there were appreciable economies brought in from the second half of 1938, and sufficient was expected from the Square Deal negotiations to give the long-suffering stockholder hope, if not increased dividends. But at the beginning of the year, the traffic outlook was anything but good; few stockholders can have expected a recovery sufficiently dramatic to convert a cumulative deficit of £1,789,000 at the end of the twelfth week into a "plus" of £483,000 fourteen weeks later. In this short space, the net gain in railway receipts has amounted to £2,272,000—a sum equal to practically one-third of the total loss in traffic for the whole of 1938.

The incidence of the net gain for the half-year is uneven. Great Western has increased its takings by £309,000, L.M.S. by £110,000, Southern by £57,000, and L.N.E., thanks to a favourable traffic last week, has just managed to climb "out of the red" to the extent of £7,000. Such figures are the first—and most accurate—step towards an estimate of the possible outcome of the past half-year. A relatively small movement in receipts or expenditure produces a magnified result in net receipts. And during the past half-year the potential movement in operating costs is particularly difficult to express in precise figures. The estimates which appeared in *The Economist* of March 4th were based on the assumption that the volume of traffic would show no change compared with that of the second half of 1938. That assumption, as we know, has since been displaced by the striking recovery in gross receipts. This recovery, in turn, substantially modifies the expected "savings" which were realised in the second half of 1938 and were consequently available for the assistance of the first half-year's results of 1939, provided that the volume of traffic remained at the same level. The maximum potential savings can be put at £700,000 for L.M.S., £1,000,000 for L.N.E., and £500,000 for Great Western. To some extent, these savings were attributable to true economies of a permanent character—fuel economies, more efficient utilisation of labour supply, reduced superannuation liabilities and the like—in which L.M.S. has probably obtained the larger share. But possibly to a larger extent, they represented the mere absence of expenditure because traffic was not passing. As soon as the upward trend of traffic was

resumed, such economies would begin to slip away.

To determine to what extent they have been absorbed through the additional costs due to the increase in the volume of traffic handled during the past half-year is not a simple process. It involves the linking of economies attributable to the second half of last year with a volume of traffic for the first half of 1939 which is higher relatively, but lower absolutely, than the volume of the second half of 1938. In fact, the volume of traffic handled in the two halves of the year is not equal. In the three years 1936-38, for example, L.M.S. and L.N.E. obtained 48.3 per cent. of their total receipts in the first 26 weeks of the year, Great Western 47.7 per cent., and Southern 46.4 per cent. Hence if L.M.S. gross receipts in the second half of 1938 were £32,138,000 we can regard the comparable total for a first half-year's traffic on the same basis as equivalent to  $\frac{48.3}{51.7}$  of the traffic for the second half, or £30,000,000. Similar figures for L.N.E. and Great Western would amount to £22,000,000 and £12,500,000 respectively.

It would be on traffic of this magnitude that the "savings" brought in from the second half of 1938 would properly apply. In fact, the three lines concerned have obtained actual traffic of £31,241,000, £22,796,000 and £13,157,000 during the first 26 weeks of this year, and the additional volume of traffic handled will accordingly affect the retention of the savings. For purposes of estimation, it has been assumed that each company will retain only 40 per cent. of the increase, owing to the direct costs of handling the higher volume of traffic. The extra costs involved can thus be put at £750,000 for L.M.S., £475,000 for L.N.E. and £400,000 for Great Western.

At this point the results of the estimates may be summarised, and related to the marginal stocks. This is done in the following table:—

| (Amounts in £000's) |                                  |                          |                             |                           |                                  |                        |
|---------------------|----------------------------------|--------------------------|-----------------------------|---------------------------|----------------------------------|------------------------|
|                     | Marginal Stocks                  | Required for full divs.* | Traffic gain, 1st half 1939 | Maximum potential savings | Estimated additional expenditure | Net gain for half-year |
| L.M.S....           | 4% pref. 1923                    | 1,569                    | 110                         | 700                       | 750                              | 60                     |
| L.N.E. ....         | { 4% 1st pref.<br>5% 2nd pref. } | 2,129                    | 7                           | 1,000                     | 475                              | 532                    |
| G.W. ....           | Ord.                             | 429½                     | 309                         | 500                       | 400                              | 409                    |
| Southern            | Pref. Ord.                       | 399†                     | 57                          | ?                         | ?                                | 60                     |

\* Compared with 1938. † Including £266,600 for new debenture interest, of which £116,600 falls in first half-year. ‡ Cost of 1 per cent. dividend on ordinary.

On our assumed basis, L.M.S. may retain none of its maximum potential savings, since traffic has made a marked improvement compared with the second half of

1938. L.N.E., with a smaller rate of gain, may retain something like half the expected savings, while four-fifths of the Great Western's savings may have been absorbed, as a result of the outstanding improvement in traffic. The net results suggest a gain of £60,000 in the net revenues of the L.M.S., £532,000 for L.N.E., £409,000 for Great Western, and perhaps £60,000 for Southern. The latter company, however, has to be treated as a case apart, for it appears to have brought forward no appreciable savings from the second half of last year—which is readily to be understood in view of the nature of its traffic—while its gross takings for the first half of this year appear to be relatively lower than those of the second half of 1938—the only case of the sort among the four main lines.

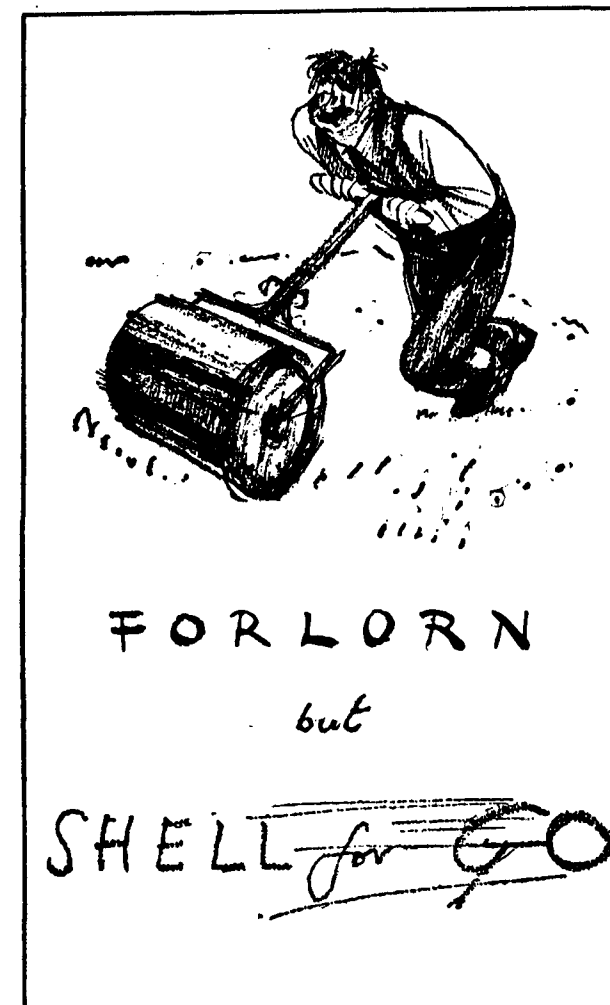
How far are these figures a trustworthy guide to dividend prospects? They are subject to a wider degree of error than most railway estimates, and that is saying a good deal. There is, secondly, the question of dividend policy; railway boards, no less than the directors of commercial undertakings, are hardly likely to commit themselves to the payment of generous interim dividends upon their marginal stocks in present circumstances. Yet, thirdly, at the present level of business activity, the companies' traffic during the second half of this year are bound to make a striking comparison with the depressed six months of 1938. Fourthly, the question of minimum wage claims is again being ventilated. Fifthly, there is the possibility of war itself. For these reasons, the manipulation of figures relating to a single half-year cannot be regarded as anything but a tentative experiment in probabilities. On the figures given above, L.M.S. 1923 preference might show a trace of earnings—say,  $\frac{1}{8}$ th per cent.—while L.N.E. first preference may be covered to the extent of 1 per cent. Something slightly below 1 per cent. is suggested for Great Western ordinary. For Southern preferred, the position is complicated by factors already referred to, and also by the debenture issue of January last, which will require an additional interest charge of £116,600 in the first half-year and £150,000 in the second half-year. Since the full preferred ordinary dividend was short-earned to the extent of £131,871 last year, a fairly considerable leeway has to be made up. But in this case the importance of ancillary traffic in the second half of the year is crucial. Moreover, the company will have the benefit of the 5 per cent. increase in London fares during the current half-year, though it is unlikely that half of the full year's estimate—£300,000—will be realised in the first six months of the operation of the increase.

If the gains of the past fourteen weeks were to be maintained at the same rate during the coming six months the railway stockholder could look hopefully towards gross receipts of £162½ millions for the full year—an increase of £5,000,000 over 1938, and little below 1937. In view of the depression of railway takings in the second half of last year, such an achievement would seem by no means impossible. There may, in fact, be a chance that the accelerated effect of defence expenditure may provide indirect assistance to railway receipts—already its direct effects in stimulating the heavy industries are plain from the fact that out of the £483,000 gross increase for the past 26 weeks, coal accounted for £674,000. Merchandise contributed only £47,000, and passengers showed a disappointing drop of £238,000. Hence the stimulation of secondary industries and the possibility of good holiday traffic may help the merchandise and passenger receipts in coming months. But even if the volume of traffic currently handled shows no improvement, the weekly traffic comparisons later this year will undoubtedly look impressive, though it will not follow that net receipts will jump to a corresponding degree. There may, indeed, be some danger that the market will not apply a sufficient rate of discount to gross traffic increases to take account of rising operating costs. If that should happen, the later months of this year may provide an opportunity for selling, rather than buying, marginal home rail stocks.

This interval of relative improvement does not mean, therefore, that the railway problem has been solved. But for the increase in coal, the traffic for the past six months would have looked very sorry, and but for the effect of defence expenditure on the heavy industries, coal traffic

would certainly have been lower than it was. With many branches of heavy industry operating virtually at capacity, a less striking rate of increase in the future might result in the heavier classes of traffic. As for the lighter grades, the immediate outlook may be determined by the effects of the "multiplier," but the long-term outlook rests upon the Square Deal arrangements. The Bill is promised as early as possible next session, but it could not possibly be enacted before the end of this year, and can have no effect, directly at least, on the revenues of the current year. The spirit which is animating the present discussions between rail and road interests is valuable, but it cannot assist this year's revenues.

Meanwhile, the present market quotations for the marginal stocks present some interesting comparisons for the short-term operator. L.M.S. 1923 preference now stands at 39, compared with 45 at the end of May, when the majority of home rail stocks touched the highest levels of the year. Its present earnings position, if the estimates opposite are any guide, is inferior to L.N.E. first preference, which stands 8 points lower at 31. Possibly this result is partly due to a defect in the L.M.S. estimates, for there is a strong chance in the case of this company that its effective retention of savings will be greater than that arbitrarily postulated in the estimates. But such an error would hardly explain the present price differential completely. Great Western ordinary at 32½ has, possibly, less impressive recovery prospects for the second half of the year than in the first half. Finally, the outlook for Southern preferred at 70½ is somewhat enigmatic. Unless a substantial increase in receipts accrues during the holiday season—they promise well, but are subject to the immediate impact of politics—something less than full earnings may be available for the stock at the end of the year. Both L.N.E. second guaranteed and L.M.S. first preference, at 63½ and 59 respectively, thus hold out alternative attractions, if the "heavy" lines continue to progress at their recent rate.





# Finance and Banking

**The Turn of the Half-year.**—The final day of the half-year brought no unpleasant surprises to Lombard Street. The market had based its preliminary arrangements for financing itself over the turn of June on the assumption that no serious stringency would be experienced on the final day of the month. Precautionary borrowing into July had, therefore, been of very modest proportions, and had there been any appreciable calling in of funds from the market on the last day of June recourse to the Bank of England would have been inevitable. Nothing of the kind happened and the market was able to sail over the turn of the month with the greatest ease. The anticipation of this ease had been based on the assumption that it would be left to the Treasury—owing to the incidence of Treasury bill payments and maturities—to raise the additional cash required by the customary window dressing and immobilisation of credit at the end of June. The Exchequer returns giving the position at the close of business on June 30 show how well the Treasury complied in this matter. The total of Ways and Means advances from the Bank of England on that day was £37,500,000, or rather more than the amount which the market would in the normal course be expected to borrow at the Bank at this period. The Government, having been deprived of any appreciable receipts from new Treasury bills by June 30—the bulk of the bills issued on the previous Friday being dated on Saturday, July 1—and having to pay out the whole of the £45,000,000 of bills maturing that week by June 30th, was forced to borrow at the Bank for this large amount and thus virtually carried the market over the turn of the half year.

The one factor which might have upset the calculations of the market lay in the dearth of June 30 maturities in the hands of the clearing banks. Special quarters had been heavy buyers of these bills in the difficult days of last April, and the market itself had subsequently been a most diffident seller of the balance of these maturities which remained in their portfolios. This might have led to rather heavier calling of loans by the banks on the final day of June than had been anticipated. That this did not occur was due largely to the expansion in the total "quick assets" of the banks over the previous two months. The bank balance sheets for June 30 already published reveal in most cases a cash ratio very near the 10 per cent. line. The expansion in bills and short loans had evidently obviated all necessity for window dressing the cash position. This expansion in bills has, however, served to maintain the discount rate at a higher level than the position in the short loan market would appear to warrant, and the discount market is continuing to earn an unusually high return on running its bills.

**Silver Market Activity.**—This silver market has during the past week been dominated by the tribulations of the Monetary Powers Bill in its passage through the U.S. Congress. Until Thursday, when the measure had become law, the silver market maintained a very bold front against the threat of a complete cessation in official U.S. Treasury purchases of imported silver. Indian oper-

ators have all along shown the greatest reluctance to believe in the prospects of further reductions in the American price, and though there are some highly vulnerable bull positions in Bombay, no distress selling from that quarter appeared until Thursday. In London, operators have made good use of the opportunities for switching provided by the emergence of an abnormal discount on the forward position, but they have given support to the spot rate, owing no doubt to Mr. Morgenthau's warning that he would reduce the U.S. import price whenever the world price fell below the dollar parity. The London price for spot fell to 17½d. on Tuesday, but this relapse could be made with impunity since the American markets were closed for Independence Day. On Wednesday, no price for domestic or imported silver was quoted in the United States pending the Senate vote on the Monetary Powers Bill. On Thursday, when the Bill, minus the amendment forbidding purchases of imported silver, had become law, some recovery in the price might have been looked for. Instead the spot price in London collapsed to 17½d., a fall of ½d., and the forward to 17d., a fall of ½d. The reasons for this slump were rumours that the Senate's approval of the Monetary Powers Bill was the result of a deal by which the Treasury for its part undertook gradually to lower the import price down to around 30 cents—or to an equivalent of 14½d. Thursday's slump took the London price well below the American parity and consequently the U.S. Treasury lowered its import price again, to 36.75 cents.

**"Black" Market in New Zealand Pounds.**—It was inevitable that the control of exchanges established in New Zealand would sooner or later result in the emergence of a free, or "black," market in New Zealand pounds. There has been some evidence over the past few weeks that such a market is developing, though it should be stressed that its turnover has been of the most exiguous proportions. Nevertheless, the phenomenon should receive the attention which, in principle, it merits. There are two features in the New Zealand exchange position from which the emergence of a "black" market may be said to derive. The first is that the control of the foreign exchange market is by no means all-embracing. For example, there is no compulsion on the New Zealand recipient of sterling interest on London investments to remit those receipts to New Zealand. Nor does the conversion of the proceeds of export trade into New Zealand currency appear to be altogether watertight. Secondly, the New Zealand Government have distributed import licences and permits for certain exports of capital with a liberality which has certainly not been justified by the state of the London funds. The result has been, in the first place, a small accumulation of sterling funds held by private interests in New Zealand, and, secondly, a demand for sterling from New Zealand which has exceeded the resources available to the trading banks. The banks have been forced, much against their will, to ration sterling to their customers, even though these have been armed with the necessary permits from the New Zealand authorities. Under these circumstances, what could be more natural than the development of direct dealings between the unofficial non-banking New Zealand holders of sterling and those whose urgent and duly sanctioned requirements cannot for the time being be satisfied in the official market? Such dealings have, of course, taken place at rates showing a greater discount on New Zealand currency than the official rates. As against the official rate of £NZ125 to £100 sterling, business in the unofficial market is reported to have been done between the range of £130 and £135.

**Half-year's Money Rates.**—The following table shows the average level of short loan and discount rates in the first half of 1939, compared with previous years:—

| AVERAGE MONEY RATES      |           |    |    |                             |    |     |                            |    |    |
|--------------------------|-----------|----|----|-----------------------------|----|-----|----------------------------|----|----|
| Year                     | Bank Rate |    |    | Market Rate 3 Months' Bills |    |     | London Deposit Rate, Banks |    |    |
|                          | £         | s. | d. | £                           | s. | d.  | £                          | s. | d. |
| 1929                     | 5         | 10 | 0  | 5                           | 5  | 4   | 3                          | 10 | 0  |
| 1930                     | 3         | 8  | 5  | 2                           | 12 | 3   | 1                          | 8  | 5  |
| 1931                     | 3         | 18 | 7  | 3                           | 11 | 0   | 2                          | 1  | 0  |
| 1932                     | 3         | 0  | 2  | 1                           | 16 | 9   | 1                          | 5  | 2  |
| 1933                     | 2         | 0  | 0  | 0                           | 13 | 10  | 0                          | 10 | 0  |
| 1934                     | 2         | 0  | 0  | 0                           | 16 | 7   | 0                          | 10 | 0  |
| 1935                     | 2         | 0  | 0  | 0                           | 11 | 3½  | 0                          | 10 | 0  |
| 1936                     | 2         | 0  | 0  | 0                           | 11 | 10½ | 0                          | 10 | 0  |
| 1937                     | 2         | 0  | 0  | 0                           | 11 | 6½  | 0                          | 10 | 0  |
| 1938                     | 2         | 0  | 0  | 0                           | 12 | 7   | 0                          | 10 | 0  |
| 1939 (Jan. 1 to June 30) | 2         | 0  | 0  | 0                           | 14 | 11  | 0                          | 10 | 0  |

The table shows an interesting divergence between discount and short loan rates. In the first quarter of the year, when there was an acute shortage of bills, the market rate for the three months bank bill remained at just over ½ per cent.; but in the beginning of April it rose sharply under the stress of international events, and in spite of a drop in May the undertone has continued to be firmer. Credit conditions were also affected in April by the Albanian crisis, combined with the Easter currency withdrawals, but throughout May and June money was very comfortable, so that the average short loan rate for the half-year is very low. In view of the withdrawal of funds from London, the cheapness of bond money may be thought surprising; the

explanation probably lies in the preference of outside banks, under the present uncertain conditions, to lend money at call rather than to tie up their funds even in so short an instrument as a bill, while the general lack of interest in the gilt-edged market has restricted the demand for loans against bonds.

**Gold Deposits in Argentina.**—The London market has during the past week effected the first safe deposit of gold in the Argentine under the scheme recently devised between Messrs Samuel Montagu and Company in London and the Banco Central in Buenos Aires. The scheme under which such deposits can now be made is intended to meet the requirements of holders of gold who wish to keep their stocks at a safe distance from the European storm centres. Under these arrangements gold in bars or coin is deposited with the Banco Central in Buenos Aires in exchange for certificates granting the depositor the irrevocable right to withdraw and re-export such gold within a period of three years. These certificates are non-transferable, but by making them out in the name of the bank transacting the business on this side the resale of the gold they represent should present no difficulty whatsoever. The minimum quantity of gold which the Banco Central will receive under this arrangement is £15,000. These arrangements, which cut right across the previous legislation on gold in the Argentine Republic, provide another example of the ingenuity exercised in the search for ever safer "funk holes" for gold.

## MONEY MARKET NOTES

### The Money Market

THE international situation was the cause of the poor competition at last week's Treasury bill tender, which resulted in an average rate of allotment of 17s. per cent., compared with under 15s. in the previous week. There was an immediate rise in market discount rates, ½-¾ per cent. being quoted for the three

|                          | July 27, 1938 | June 29, 1939 | July 6, 1939 |
|--------------------------|---------------|---------------|--------------|
| Bank Rate                | 2             | 2             | 2            |
| London Deposit Rate      | ½             | ½             | ½            |
| Short Loan Rates:        |               |               |              |
| Clearing Banks           | 12-1*         | 12-1*         | 12-1*        |
| Others                   | 58-78         | 58            | 58-84        |
| Discount Rates:          |               |               |              |
| Treasury bills           | 12            | 34            | 13½-78       |
| Three months' bank bills | 17½-9½        | 84            | 15½-78       |

\* Via 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.

months' draft, and on Monday the clearing banks raised their buying rates to ½ per cent. for the August bill and ⅞ per cent. for September. There has since been a slightly weaker tendency, as the clearing banks have been good buyers throughout the week, but the quotations are still at the higher levels.

### Foreign Exchanges

VERY little business has been done in the foreign exchange market. The dollar has been quietly bid, except on Tuesday, when premature reports of progress in the Anglo-Soviet talks caused a general selling of dollars and buying of sterling. The spot rate rose to 4.68½, but has since come back to 4.68½. Forward dollars were in demand last Saturday on fears of a coup in Danzig over the week-end, but bear covering operations on Monday brought about a sharp con-

traction. They were again bid later in the day, but have since moved in the pound's favour, partly as a result of official forward operations, and on Thursday afternoon were quoted at ½-¾c. for one month and 1½-1¾c. for three months. The reduction in the Belgian bank rate from 3 to 2½ per cent. had no immediate effect on the belga; but on Thursday afternoon it was rather offered at 27.544-½, although the three months' forward belga improved to a discount of 13c. from 14c. on Wednesday. The guilder was rather weaker on Thursday on rumours of more internal political difficulties. On Monday the Chinese Government announced that an import ban was being imposed on luxuries in order to reduce the unfavourable trade balance; henceforward, too, all foreign exchange arising from exports must be released to the two Government banks at places in the interior under the direct control of the Government, since much exchange has been lost through being surrendered at places where it quickly found its way into the hands of the Japanese. The nominal quotation of the Chinese dollar has not been affected by these restrictions.

### The Bullion Market

A CERTAIN amount of surprise was aroused by the extent of the arbitrage demand for gold, which on Wednesday accounted for the bulk of the relatively big turnover, despite a premium of 1d. in the price. Normally, it would not be possible for arbitrageurs to work at a profit when the premium is as high as that, and on the previous day, as is shown by the low turnover, they had been effectively discouraged. It is understood, however, that some arbitrageurs have engaged in gold shipments without covering the war risk at all, and as the premium is calculated on a basis that

| Date    | Gold               |                   |               | Silver price per oz. standard |           |
|---------|--------------------|-------------------|---------------|-------------------------------|-----------|
|         | Price per fine oz. | Prem. or Discount | Amt. dealt in | Cash                          | Two Mths. |
| 1939    | £ s. d.            | £ s. d.           | £'000         | £ s. d.                       | £ s. d.   |
| June 30 | 148 6              | ½ pm              | 206           | 18                            | 17½       |
| July 1  | 148 6½             | 1 pm              | 39            | 18½                           | 17½       |
| " 3     | 148 6½             | 1 pm              | 108           | 18½                           | 17½       |
| " 4     | 148 6½             | 1 pm              | 72            | 17½                           | 17½       |
| " 5     | 148 6½             | 1 pm              | 527           | 18                            | 17½       |
| " 6     | 148 6              | ½ pm              | 235           | 17½                           | 17        |

\* 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.

allows for war risk insurance, they have been able to ignore it.

### The Bank Return

THE big increase in the note circulation this week may be put down to currency requirements over the half-year. It has been practically offset by a rise of £4.8 millions in Government securities and a net rise of £1.6 millions in the other securities item; bankers' deposits, nevertheless, show a fall of nearly £5 millions as a result of a

|                      | July 6, 1938  | June 21, 1939 | June 28, 1939 | July 5, 1939 |
|----------------------|---------------|---------------|---------------|--------------|
| Issue Dept.:         | £ mil.        | £ mil.        | £ mil.        | £ mil.       |
| Gold                 | 326.4         | 226.3         | 226.4         | 226.4        |
| Value per oz. fine   | 85. 148s. 5d. | 148s. 5d.     | 148s. 5d.     | 148s. 5d.    |
| Notes in circulation | 488.2         | 494.7         | 499.0         | 505.7        |
| Banking Dept.:       |               |               |               |              |
| Reserve              | 39.2          | 32.2          | 28.2          | 21.4         |
| Public Depts.        | 12.5          | 25.2          | 15.4          | 19.3         |
| Bankers' Depts.      | 115.7         | 97.2          | 101.4         | 96.5         |
| Govt. Secs.          | 36.0          | 36.1          | 37.0          | 37.6         |
| Govt. Secs.          | 111.9         | 112.6         | 113.9         | 118.7        |
| Discounts & Advances | 10.7          | 6.5           | 6.8           | 8.8          |
| Other Secs.          | 20.4          | 25.2          | 22.9          | 22.5         |
| Proportion           | 23.8%         | 20.3%         | 18.3%         | 13.9%        |

switch over to public deposits. The fall in the Reserve owing to the currency withdrawals has brought the "proportion" down to the very low figure of 13.9 per cent.

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## Investment

**Markets and Politics.**—Relief at the absence of any immediate disturbance in Danzig failed to stimulate the Stock Exchange on Monday, and throughout the week politics have played a magnified part in thin markets. Premature reports that a pact with Russia had virtually been completed produced a sharp recovery on Tuesday, and even the disillusionment which followed in mid-week was relatively short-lived. There is, in fact, no market trend at present. Price movements are skittish, and the relative motive force of a normal deal in sub-normal markets is capable of producing disconcertingly sharp movements in prices. Possibly the feature of greatest consolation to the market was the firmness of the new scrips in mid-week. Here is proof that even tactless timing of new issues cannot completely negative the influence of accumulating investment support. An impression of doubtful calm has succeeded a phase of active political disquiet at the end of last week. While it continues, business is bound to remain sub-normal, for if there is no immediate incentive to sell, there is hardly any to buy.

**The Incidence of A.P.D.**—Further committee proceedings on the Armament Profits Duty have provided greater clarification of the scope of the new tax. It is now clear that public utility companies avoid the definitions of the tax. It is also clear that contracts placed by local authorities will not be included, not apparently on grounds of principle so much as administrative impossibility. It is possible, however, that after a year's experience of the tax, the class of contracts may be re-examined with a view to including local authorities' expenditure—an important point, considering the substantial sums which are now being spent by local authorities on civil defence. Steel, copper, nickel, cement, clothing, and oil were specifically mentioned as being included in the scope of A.P.D. during the debate, but coal is excluded. It required considerable pressure upon the Government, however, to secure the inclusion of food contracts within the charge of duty. So far as the investor is concerned, there are few industries which will escape liability to the charge; the fortunate ones are to be found in the consumption trades, and include tobacco, brewing and retail trade. A new clause dealing with succession and amalgamation appears to cover the possibility of evasion by dissolving one company and starting another in its stead. But cases are conceivable where a business was commenced long before July 1, 1936, but was converted into a public company in 1937 in which the profits standard, as at present defined, would not apply. If the percentage on capital standard were adopted in such cases, the principle of succession would fail to be observed, and an unfair calculation of the rise of so-called armaments profits might result. Such a case would hardly be one which can be covered, as Mr Burgin appeared to suggest last week, by the "ordinary income-tax law."

**British General Fixed Trust, Limited.**—On Thursday, the Unit Trusts Association announced that the National Fixed Investment Trust has been appointed to undertake the management of "such of the trusts of the British General group as may be found necessary on behalf of the Association." This decision will be welcomed, for the National group is the largest unit trust organisation in this country, and should be able to manage the British General trusts with a minimum of inconvenience and a maximum of efficiency. For this conclusion to an unfortunate affair, the Unit Trusts Association deserves full credit. Two further points remain to be settled, however.

The first is the names of the trusts to be transferred to new management. It is understood, in this connection, that one of the associated management companies is fully capable of maintaining an independent existence, and that its trusts have not been covered by the published references to the trusts managed by British General Fixed Trusts, Ltd. The other associated management company, however, may be in a less favourable position. Such details, however, can be determined at a later stage; the important present fact for unit holders in the group is that management, in either case, will be in strong hands. The second point concerns the position of the escrow funds. No formal statement has been made regarding the adequacy of the provision for future management which is available for the British General trusts under their new management. It is known that provision has been made, but not its extent. In view of the importance of escrow funds in providing safeguard against the very contingencies which have arisen in the British General case, it seems desirable that the trustees should provide some indication of their extent, either publicly or, as is usually required in more recent trust deeds, with the half-yearly distribution warrants.

**Defaults of the Month.**—With the renewal of grave political fears, the modest recovery in foreign bond prices in May was reversed in June, and the index calculated by Municipal and General Securities Co. (January-June, 1934 = 100) fell by 4 points to a "low" of 53.8. Movements in the separate series are recorded below:—

| End of Month | AVERAGE JANUARY-JUNE, 1934=100 |                 |       |                           |            |       |                |                    |                  |
|--------------|--------------------------------|-----------------|-------|---------------------------|------------|-------|----------------|--------------------|------------------|
|              | Europe                         | Near & Far East | Egypt | South and Central America |            |       | Complete Index | Unde-faulted Bonds | De-faulted Bonds |
|              |                                |                 |       | States                    | Pro-vinces | Total |                |                    |                  |
| 1938         | (27)                           | (31)            | (4)   | (35)                      | (11)       | (46)  | (108)          | (48)               | (60)             |
| June.....    | 89.0                           | 68.5            | 98.0  | 65.9                      | 51.2       | 62.0  | 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             |
| June .....   | 68.6                           | 49.2            | 75.7  | 51.2                      | 40.9       | 48.5  | 53.8           | 57.1               | 51.3             |

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

The general index, however, is the result of somewhat varied factors. For European bonds, the low point of the year occurred in April, and the decline of no more than 2.7 points between May and June suggests that the market had already discounted the main political dangers. The Chinese defaults (discussed on page 75) and events in China are responsible for the sharp drop in Eastern bond prices. It should be noted that the separate indices for defaulted and undefaulted loans will be adjusted for the latest Chinese defaults in July. In the South and Central American group, Brazilian bonds have weakened on the absence of any debt offer before July 1st, but the Brazilian Government has since expressed its willingness to receive a representative of the British bondholders to discuss scales of repayment with the Brazilian Finance Minister. Guatemala has defaulted on the June 30th coupons of her two 4 per cent. loans, on which sinking fund payments had been suspended from 1933. The pretext that Guatemala's resources suffice only to pay reduced interest can hardly be squared with her willingness to expend the balance on redemption. Finally, the Danzig Senate has declared its inability to meet its foreign debt service, which had already been

## Company Notes

generously reduced by her creditors as from March 1, 1938. Although no official intimation has yet been received, the technique of political default is evident in the decision, which cannot be justified by the current economic position of the Free City.

**Chinese Loan Problems.**—The decision of the Chinese Government to pass the half-year's coupons on the Reorganisation Gold Loan of 1913 and the 6 per cent. 1934 loan both due on July 1st was received philosophically by the market. Indeed, the 1913 loan rose 1½ points to 33, and other issues also improved. The statement adds nothing to that of January 16th, which was discussed in *The Economist* of January 21st. It may be recalled that the Chunking authorities after meeting the 1938 coupons out of sadly attenuated resources, then decided to make no further advances towards the payment of Customs loans service, but undertook to earmark amounts proportionate to the revenues collected in areas still in Chinese control in a special account. On March 27th, discussions for a settlement were opened between the Government and the foreign bondholders' committees, pending the results of which payment of coupons on the above loans will be withheld. So far this year, the coupon on the 4½ per cent. Gold Loan of 1898 (the senior Customs loan) has been met, but the two junior loans are in default, and payment on the 5 per cent. loan of 1925, which ranks after the 4½ per cent. of 1898, is due on July 15th. According to Japanese estimates, about 20 per cent. of the total Chinese Customs receipts for the first quarter this year was collected in Chinese controlled territory. This proportion (and it is hardly likely to increase) leaves no possibility of full payment of all Customs obligations. But the negotiations should at least ensure that priority rights, especially as between interest and sinking fund payments, receive due consideration.

**Industrial Profits in June.**—There is no significant change of trend, compared with recent months, in the profits of industrial companies reported in June. The 257 companies concerned show a fall of 8.33 per cent. in profits from £38,293,990 to £35,104,850. If oil, rubber and tea companies are omitted, the balance of £18,527,557 (consisting largely of the results of home industrial companies) shows a fall of 8.4 per cent. on the year. Though this figure includes £6,850,885 in respect of coal, iron and steel profits, which showed a fall of 10.7 per cent. on the year, it would appear that industrial profits have not yet shaken off the effects of the depressed conditions of last summer and autumn, and that costs are rising. The course of profits over the past two years is shown below:—

| 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           |             | £            | %                    |  |  |
| June .....                 | 265         | 43,924,563   | 21.19              | June.....      | 260         | 38,076,415   | +11.09               |  |  |
| July .....                 | 193         | 15,260,299   | 19.62              | July.....      | 181         | 16,530,811   | + 3.44               |  |  |
| Aug. ....                  | 62          | 6,042,402    | 9.41               | Aug. ....      | 81          | 8,300,386    | - 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         | 29,792,378   | 5.52               | Feb. ....      | 211         | 31,893,884   | - 5.19               |  |  |
| March ...                  | 337         | 56,721,336   | 9.19               | March ...      | 293         | 41,440,326   | -11.57               |  |  |
| April ...                  | 225         | 28,481,318   | 17.19              | April ...      | 233         | 24,067,714   | -11.57               |  |  |
| May .....                  | 320         | 45,915,238   | 11.42              | May .....      | 303         | 46,863,324   | - 6.29               |  |  |
|                            |             |              |                    | June ...       | 257         | 35,104,850   | - 8.33               |  |  |

\* After debenture interest.

Of the month's total profits, oil companies alone account for £15,691,285 (principally "Shell" Transport, Anglo-Iranian and Venezuelan Oil), and show a fall of 6.5 per cent., on the year. This group's influence on the total is largely counteracted, however, by the relatively heavy reduction in coal, iron and steel profits.

**Distillers Bonus and Profits.**—For many years past, the Distillers Company have consistently under-distributed profits to the extent of roughly 5 per cent. on the ordinary capital. It is, therefore, not surprising that the steady growth in the group's resources over a long period should be recognised by the issue of a capital bonus. The ordinary share bonus, announced at the end of last week, is at the relatively high rate of 40 per cent., and in the forthcoming report or at the annual meeting shareholders will look for some comment upon future distribution policy. To maintain dividends on the increased capital at the present rate of 22½ per cent., including a 2½ per cent. cash bonus (the distribution for 1938-39 is the same as for the previous two years) would require an increase in profits of over £300,000, assuming no reduction in allocations to various funds, and that profits were distributed in full. The company's financial record indicates solid strength rather than rapid growth in earning power, and the size of the scrip bonus leaves an open question whether some permanent increase in profits brought in from subsidiaries or an adjustment in the rate of dividend is to be expected. The preliminary statement for the year to May 15, 1939, gives no information regarding profits, but it shows that reserve and super-annuation and provident fund again receive £400,000 and £100,000 respectively, while the allocation to the fire insurance fund is raised from £50,000 to £150,000. By calculating dividend and other payments, it can be estimated that profits for 1938-39, after debenture interest and management expenses, are some £30,000 lower at £2,482,000, while earnings for the equity appear to be 27.6 per cent. against 28.9 per cent. This is a satisfactory result in a year of declining profits. In 1938-39 greater benefit may have been derived from the Booths Distilleries acquisition, while the new Cambus distillery has been in production for a full year. Until the meeting and the

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full report have been considered, the future dividend outlook for the new capital (on which the latest earnings would be equivalent to nearly 20 per cent.) must remain matter for conjecture. The £1 stock units stand at 94s. 6d. ex dividend but cum rights.

\* \* \*

**Bank and Discount Interims.**—The conventional nature of bank and discount company interim dividends makes them an insensitive guide to the course of profits, for they are usually altered only in the event of some major change in earnings or in order to re-adjust the total distribution as between the two half-years. A year ago, the great majority of bank interim dividends were unchanged, though eventually profits in 1938 were somewhat lower than in 1937. This week's announcements, however, leave a satisfactory impression, for the only change, that of Martins Bank, is an increase to 7½ per cent. The latter distribution, being equal to last December's payment, suggests that the directors have decided to raise the dividend basis to 15 per cent. per annum. The following table compares the latest interim dividends and prices with those a year ago, and gives the current yield and 1938 dividends.

| Name and Shares                   | 1938    |              | 1939 Interim | Price        |              | Yield July 6, 1939 |
|-----------------------------------|---------|--------------|--------------|--------------|--------------|--------------------|
|                                   | Interim | Year's Total |              | July 6, 1938 | July 6, 1939 |                    |
| <b>Banks</b>                      | %       | %            | %            |              |              |                    |
| Barclays "B" £1                   | 7½      | 14           | 7½           | 75/-         | 69/3         | 4 2 9              |
| National Prov. "B" £5             | 7½      | 15           | 7½           | 74/-         | 66/7½        | 4 12 0             |
| Westminster £4 (£1 pd.)           | 9       | 18           | 9            | 47½          | 45½          | 4 8 0              |
| Martins £20 (£2½ pd.)             | 7       | 14½          | 7½           | 8½x          | 89½          | 4 9 6½             |
| Williams Deacon's "A" £5 (£1 pd.) | 6¼      | 12½          | 6¼           | —            | —            | —                  |
| <b>Discount Cos.</b>              |         |              |              |              |              |                    |
| Alexanders £2 (£1 pd.)            | 7½      | 17½          | 7½           | 3½x          | 3            | 5 19 9             |
| National "B" £7½ (£2½ pd.)        | 9       | 26           | 9            | 13¼          | 12½          | 5 5 9              |
| Union Discount £1                 | 3¾      | 10           | 3¾           | 47/6         | —            | 4 4 3              |

\* July 5 for discount cos.

† Assuming 15% dividend.

Bank advances and discount rates this year have shown a slight advance, and further expansion may be expected as the arms programme progresses. On the other hand, the fall in gilt-edged values has probably affected internal reserves against investment portfolios, and the bank's own civil defence measures have involved additional expense.

\* \* \*

**Powell Duffryn Results.**—Reduction in coal output, due to general trade conditions, has been the experience of most colliery companies whose reports have recently appeared. Trade recovery, which first became marked last spring, has not affected colliery results for 1938-39 which are so far available. Export markets have been the most sensitive, and as exports are particularly important for the Powell Duffryn group, a reduction from £846,838 to £761,567 in the total profits of the operating company, Powell Duffryn Associated Collieries, for the year to March 31st, is not surprising. Some diminution in home trade, a large decrease in export demand, and some decline in prices—especially in the export markets—are reported. This setback, however, has occurred in spite of a £10,000 rise in ordinary dividend receipts from Stephenson Clarke, who act as selling agents for the group. Shareholders of the latter company, moreover, were recently informed that total tonnage sold fell by 4 per cent. last year, while exports were 2 per cent. lower. One-third of the distribution on the Powell Duffryn Associated equity goes to Welsh Associated Collieries, whose entire income of £128,397 comes from this source. After the preferential

dividend of 4½ per cent. on the preferred ordinary, the Welsh Associated ordinary dividend is reduced from 1½ per cent. to ½ per cent. and requires £18,408, against £46,020. Even this reduced payment is short-earned by £2,065. The holding company, Powell Duffryn Steam Coal Co., receives half the Welsh ordinary dividend, and two-thirds (that is, £256,667) of the Powell Duffryn Associated distribution, so that its total income amounts to £266,340. The balance available for ordinary dividends is £229,203, against £298,519, equivalent to 6 per cent., against 7.7 per cent., and the distribution is cut from 7½ to 6 per cent. In the past few months the outlook for colliery companies has much improved. Output is at a higher rate than a year ago, and prices are hardening. The Powell Duffryn group, it is true, is closely concerned with the export trade, but here, too, prospects are brighter. At the current price of 16s. 4½d., the Powell Duffryn Steam Coal £1 ordinary stock units yield £7 6s. 8d. per cent.

\* \* \*

**African and Eastern Offer.**—Simplification and consolidation of the group's structure has recently been an important part of Lever Brothers and Unilever policy. The company has this week made an offer of exchange for all the share capital of African and Eastern, which is now only a holding company. Its irregular profits record, its close dependence on the profits of United Africa (20 per cent. of whose capital it owns), and the absence of any ordinary dividend in 1938-39, would make any exchange offer peculiarly difficult to devise, but shareholders cannot complain that they are being ungenerously treated. The terms of exchange are summarised below, the market values being those shown in the circular to shareholders:—

| LEVER BROS. & UNILEVER OFFER |                |              |           | AFRICAN AND EASTERN |               |                          |            |
|------------------------------|----------------|--------------|-----------|---------------------|---------------|--------------------------|------------|
| Num. value                   | Market Value   | Class        | Div. 1938 | Num. value          | Market Value  | Class                    | New div. † |
| £ 1                          | £ s. d. 1/16/- | Ordinary ... | 10        | £ 1                 | £ s. d. 1/7/- | Ordinary ...             | 10         |
| 7                            | £ 12/12/-      | Ordinary ... | 10        | 7½                  | £ 7/19/-      | 12% Non-cum. Prefd. Ord. | 9½         |
| 6                            | £ 6/11/3       | Cum. Pref.   | 5         | 5                   | £ 5/9/4½      | 6% "A" Cum. Pref.        | 6          |

\* Based on average middle price in week to July 1. † Rate of dividend on African and Eastern holding, assuming Lever dividends are as in 1938.

There can be no dispute concerning the preference stock, for the dividend remains unchanged. The 9½ per cent. dividend which would be receivable by African and Eastern 12 per cent. non-cumulative preferred ordinary shareholders (assuming Lever's ordinary dividends remain at 10 per cent.) compares with distinctly variable payments in the past, while the advantage of the exchange to African and Eastern ordinary stockholders (whose only dividends in the past ten years have been 7½ per cent. in 1936-37 and 11 per cent. in 1937-38) is still more evident. On the basis of market values, however, the effective premium offered to African and Eastern preferred ordinary is greater than for the ordinary capital. An endeavour has apparently been made to strike a balance between market valuations and earnings prospects. The main impression is that the scheme exhibits great generosity to African and Eastern shareholders. Assuming full exchanges, Lever 5 per cent. preference capital will be increased by £360,000, or 18 per cent., and the ordinary capital by about £1,784,000, or 15 per cent. Since the offer, the market has naturally marked African and Eastern shares up and Lever shares down. Perhaps the terms will be the more acceptable to both parties in view of the intimation that Lever and Unilever profits for the year to date are higher than for the corresponding period of 1938.

\* \* \*

**Bleachers' Association Outlook.**—After the worst year in the company's experience, Bleachers' Association stockholders could hardly expect optimistic pronouncements from Sir Alan Sykes at last week's meeting. The

fall of 27 per cent. last year in the export of bleached piece goods to which Sir Alan referred, came as a heavy blow to a concern which is so largely dependent on the export market. The difficulty of obtaining a level of profitable operations has, indeed, compelled the postponement of any decision regarding the capital reorganisation scheme. Adequate revenues for the Association depend upon an improvement in international trade in those markets which still remain open. Meanwhile, the Cotton Industry (Reorganisation) Bill has introduced into the equation a further unknown, on the effects of which Sir Alan was necessarily non-committal. The directors recommend that the policy of eliminating redundant plant should be continued by a draft on general reserve. The concentration of work on the more efficient plant is also reflected in this year's transfer of £100,000 from reserve to writing down the share values in subsidiaries in cases where business has been transferred to other works. But stockholders, though appreciative of these efforts, will share Sir Alan's scepticism regarding their sufficiency. Increased co-operation within the cotton industry is inspiring a new degree of confidence, but government assistance is still necessary to regain those markets which have not passed completely beyond recall. For example, the recent tariff-quota agreement between Great Britain and India should increase exports to India. There may also be a further improvement in the African market. So far, at least, the Association's turnover shows a token improvement this year, but full recovery lies far distant.

\* \* \*

**Warner's Radio and Electric Questions.**—Warner's Radio and Electric, Limited, was formed in December, 1935, to take over a retail wireless business. Some 120,000 6 per cent. cumulative 10s. preference shares were issued at par, and 240,000 ordinary shares of 1s. at 100 per cent. premium, by a prospectus dated December 14, 1935. This showed an extremely rapid jump in profits of the vendor's business from £6,470 for approximately twelve months to September, 1933, and £8,268 for the following year, to £24,782 for the year to September, 1935. Subsequently the new company's published reports showed net profits of £45,847 for the year to September, 1936, and £52,910 for the following six months. A further £55,000 of ordinary capital was issued to ordinary shareholders at 100 per cent. premium in February, 1937. On March 16, 1938, a resolution for voluntary liquidation was passed, and a petition for compulsory winding-up failed a few days later. The report of the joint liquidators contains several unwelcome features. The approximate statement of affairs issued by the directors showed an amount due from subsidiaries estimated to produce £60,000; for the most part, however, a substantial deficiency will be shown. Further, a preferential claim of £15,500 due for income tax was discussed with the Inland Revenue, and the liquidators have reached agreement with the authorities that the company had, in fact, made no profits during the whole of its existence. Since dividends totalling £45,921 had been paid, the liquidators have entered into proceedings against the directors for the recovery of the amounts paid. These claims are now *sub judice*, and no comment can be offered upon the case. But although shareholders cannot hope for any return from the liquidation, they will doubtless derive satisfaction from the knowledge that the apparent difference between the results shown in the company's published reports and the contention of the liquidators is to be decided in Court.

\* \* \*

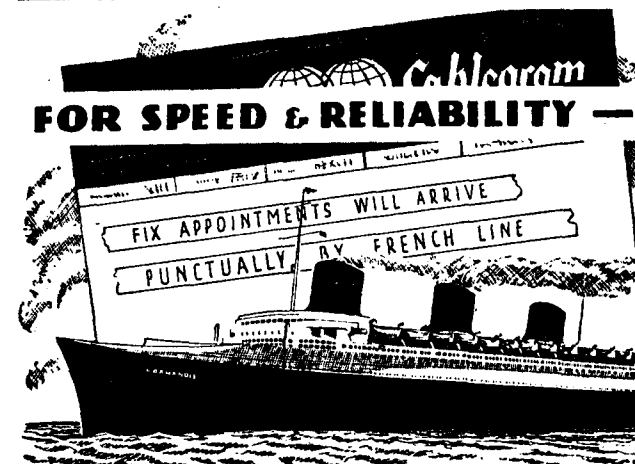
**Anglo-Dutch Plantations.**—Last year's results of this large commodity producer conform broadly to what was expected in view of the impact of rapidly falling prices and increasing restriction of output. Although these fluctuations in prices and output have been cushioned to some extent by the relative stability of tea prices and quota releases, the company's gross and net profits are each approximately halved. The following table shows that the

proportionate fall in net profits has only been achieved by a striking cut in the depreciation provision:—

|                       | ANGLO-DUTCH PLANTATIONS   |         |         |
|-----------------------|---------------------------|---------|---------|
|                       | Years ended December 31st | 1936    | 1937    |
| Total receipts .....  | £                         | 562,817 | 674,342 |
| Depreciation .....    | £                         | 206,879 | 194,746 |
| Debt interest .....   | £                         | 41,909  | 39,565  |
| Other expenses .....  | £                         | 57,237  | 25,741  |
| Income Tax .....      | £                         | 20,000  | 85,000  |
| Ordinary Stock—       |                           |         |         |
| Earned .....          | £                         | 234,756 | 329,291 |
| Paid .....            | £                         | 210,000 | 270,000 |
| Earned (%) .....      |                           | 8.1     | 11.7    |
| Paid (%) .....        |                           | 7       | 9       |
| General reserve ..... | £                         | 50,000  | 50,000  |
| Carry forward .....   | £                         | 57,565† | 66,856  |

† After crediting £2,035 profit on sale of an investment.

Tea accounted for 42 per cent. of total profits, but yielded 21 per cent. less than in 1937, since the increased quota did not suffice to offset a decline in the selling price of 0.72d. per lb., coupled with a modest rise in costs of production. Rubber profits, which accounted for 31 per cent. of the 1938 total, were equivalent to only 40 per cent. of the previous year's figure, and prospects for 1939 suggest no improvement, since the firmer price of the commodity is offset by the omission this year of a forward sale contract which assisted the 1938 results. Moreover, the rate of quota release for the first nine months of 1939 is slightly below the average of last year. The accounts also reflect a heavy decline in the profitability of sisal and tapioca. The reduction in the depreciation provision, upon which comment is made in the auditor's report, can only be judged in the light of the liberality of past appropriations and of the large annual replanting programmes. At 22s. 10½d. the shares appear fairly generously priced; at least the immediate return of £4 7s. 3d. per cent. is asking a good deal of recovery possibilities in primary commodities over the next eighteen months.



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SOUTHAMPTON—NEW YORK WEEKLY

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**The Week's Company Profits.**—This week our usual analysis of profit and loss accounts, appearing on page 98, again contains 46 companies for which comparable figures are available. Net profits of these concerns are £2,388,000, against £2,604,000, a decrease of 8 per cent., while aggregate net profits of the 1,495 companies reporting in 1939 to date are 8½ per cent. lower, or £197,758,000 against £215,906,000. The week's results are discussed in preceding Notes and on page 79 under the heading "Shorter Comments."

\* \* \*

**Company Meetings of the Week.**—Reports of company meetings will be found from page 84 of this issue. The meeting of *Bleachers' Association* is discussed on page 76. At the meeting of *Imperial Bank of Iran*, Sir Henry McMahon declared that the fall in discounts and advances, due partly to completion of the Trans-Iranian Railway, left the bank with liquid assets which could be employed in the country's other internal activities.

Mr B. W. Bloomer informed shareholders of *Trust Company of London and Scotland* that the trust had recently increased its holdings in British industrial securities. At the meeting of *The Metal Box Company*, Mr F. N. Hepworth dealt with the year's factory extensions and re-equipment at Newcastle, Hull and Carlisle. Mr H. C. R. Williamson informed shareholders of *Lobitos Oilfields* that during the year eight producing wells at Lobitos and 38 at El Alto had been completed. At the meeting of *Anglo-Ceylon and General Estates*, Sir Edward Rosling pointed out that the company's policy in recent years had been to obtain the crop from the smallest possible area, to rest other areas and reduce cultivation costs accordingly. Mr G. Dent informed shareholders of *Ohlsson's Cape Breweries* that in the past year new markets had been found for the company's products. At the meeting of *Hovis, Ltd.*, Mr A. H. Dence made a plea for Government storage of flour rather than wheat for national defence purposes. Mr T. Walton informed shareholders of *British Glues and Chemicals* that the increased demand for the company's feeding stuffs and fertilisers has offset the fall in prices of its other products.

## THE STOCK EXCHANGES

### London

#### SETTLING DAYS

TICKET      ACCOUNT  
JULY 18      JULY 20

THIS week the market has passed through a variety of moods, all induced by political factors, but which on balance have resulted in only minor changes. Monday saw a fresh decline, which was heaviest in the gilt-edged section, followed by greater cheerfulness on Tuesday on reports of an Anglo-Soviet pact. Towards mid-week the market recovered its balance, for disillusionment over the agreement with Russia and belief that the Danzig question is less acute for the time being tended to counteract each other. Prices and turnover have thus ended up more or less where they began, with some return to dullness.

*Gilt-edged* throughout the week were more sensitive than industrials to changes in political sentiment. Monday began heavily under the influence of the failure of the L.C.C. loan. Slight falls were widespread, though they did not usually exceed ½. These losses were more than wiped out the next day in a wave of optimism following the report that an Anglo-Soviet agreement was near the point of being signed. This hope was soon damped down, but in the absence of further alarms from Danzig prices recovered, and during the rest of the week movements were within narrow

limits. Among home corporations the process of adjustment continued; the new scrips began badly under the lead of the new L.C.C. loan, but tended to improve as the week went on. Among Dominion stocks, New Zealand issues recovered after early weakness. Foreign bonds made a mixed showing, European issues improving after a bad start, though Danzig bonds, of course, remained depressed on threats of default. Far Eastern issues, on the other hand, began fairly steadily, and then lost ground. There was little of interest in South American bonds.

*Home rails* began in subdued fashion on consideration of Mr Marchbank's warning of a 50s. minimum wage demand, but there was soon some recovery on hopes of good traffics to conclude the half-year. In mid-week they again tended to be dull, and then revived on the satisfactory traffics. On the completion of the financial year, London Transport "C" was heavy. Foreign rails were featureless.

*Industrials* provided a pale reflection of the gilt-edged market. Business remained on a small scale, though the undertone became rather better towards mid-week. Price movements were unexciting, with a few individual exceptions. The tendency among iron and steel shares was uncertain. Slight losses on Monday were followed by some recovery, with a return to indefinite conditions in mid-week. Coal shares were

dull but quite steady, while engineering issues made a mixed showing. The same uncertainty was shown in the electrical equipment section, where movements were diverse and unimportant. Motor shares were sensitive to the week's changes in mood. Aircraft issues hardened after a poor start. Textiles were not typical of the rest of the market and showed few signs of improvement until mid-week. Breweries were somewhat erratic, for although they shared in Tuesday's recovery, their gains were not in all cases held. The tobacco leaders improved towards the middle of the week. Provision and catering issues were more cheerful once Monday's dullness had been shaken off, and stores shares also became steadier after a weak beginning. In the miscellaneous section, the chief movements were the adjustments between African and Eastern and Lever Brothers prices on the share offer.

*Oil* shares were easier on Monday, Anglo-Iranian and Canadian Eagles declined fractionally, while the United British Oilfields announcement adversely affected Trinidad issues. On Tuesday, Continental support and better political news imparted a firmer tone, "Shell," Anglo-Iranian and Trinidad issues being particularly favoured. In mid-week the market went ahead further. In the *rubber* share market, the political situation and absence of a lead from the commodity left the market devoid of interest, though in mid-week a harder tone developed on selective investment demand for the leaders. *Tea* shares were firm where tested.

In the *mining* market, political rumours adversely affected turnover on Monday. Prices were easier, and Crowns and Sub Nigels were particularly on offer. The general improvement on Tuesday was reflected in renewed interest in "Sallies" and other favourites, assisted by bear covering. Price movements in mid-week were narrow and irregular. Developing issues were sold from local and Continental sources on Monday, but Venterspost and Western Holdings led a rally later in the week. Finance shares went ahead on Tuesday led by Gold Fields, though movements later became irregular. In a

firm West African market, Ashanti were a bright feature. Among diamonds, De Beers deferred were in demand in mid-week, while the trend in silver and tin gave a firmer tendency to base metal issues.

### "FINANCIAL NEWS" INDICATORS

| 1939         | Total Bargains | Corres. Day 1938 | Security Indices |                |
|--------------|----------------|------------------|------------------|----------------|
|              |                |                  | 30 ord. shares*  | 20 fixed int.† |
| June 30      | 5,140          | 7,220            | 77.2             | 117.9          |
| July 3       | 4,920          | 7,385            | 76.4             | 117.5          |
| " 4          | 4,515          | 6,550            | 77.2             | 117.8          |
| " 5          | 4,645          | 6,120            | 77.3             | 117.8          |
| " 6          | 4,335          | 6,870            | 77.8             | 117.8          |
| 1938 High... | ...            | ...              | 88.0             | 123.5          |
| Low...       | ...            | ...              | Mar. 10 73.7     | Jan. 3 114.9   |
|              |                |                  | Jan. 27 73.7     | May 1 114.9    |

\* Approx. total recorded in S.E. List. † July 1, 1935 = 100. ‡ 1938 = 100.

### ACTUARIES' INVESTMENT INDEX

A fall of 1.6 points on the week to Tuesday, July 4, 1939, is shown by the Actuaries' price index of 160 industrial equities. At that date, the index stood at 60.2 compared with 61.8 a week before and 64.9 a month before. Thus the average yield has risen to 5.77, against 5.63 and 5.40 respectively. A selection of the separate indices is given below:—

| Group (and No. of Securities) | Prices (Dec. 31, 1928 = 100) |               |              | Price 1939 High |
|-------------------------------|------------------------------|---------------|--------------|-----------------|
|                               | June 6, 1938                 | June 27, 1939 | July 4, 1939 |                 |
| Insurance (10).               | 113.1                        | 111.8         | 109.4        | 116.8           |
| Air. mfg. (5)†.               | 84.0                         | 74.2          | 71.9         | 86.7            |
| Bldg. mats. (6)               | 69.4                         | 65.9          | 62.8         | 76.6            |
| Coal (8).....                 | 83.2                         | 80.5          | 78.1         | 83.6            |
| Elec. mfg. (13)               | 119.8                        | 116.3         | 113.8        | 128.6           |
| Home rails (4)                | 48.6                         | 42.9          | 40.8         | 49.2            |
| Stores, etc. (18)             | 59.8                         | 56.9          | 55.1         | 60.9            |

† Dec. 30, 1938 = 100

| Group            | Yield (%)    |               |              | Price 1939 Low |
|------------------|--------------|---------------|--------------|----------------|
|                  | June 6, 1938 | June 27, 1939 | July 4, 1939 |                |
| Insurance.....   | 3.79         | 3.84          | 3.93         | 105.7          |
| Aircraft mfg.... | 9.35         | 10.62         | 10.94        | 71.9           |
| Bldg. mats.....  | 7.09         | 7.47          | 7.80         | 62.8           |
| Coal.....        | 6.34         | 6.46          | 6.37         | 74.0           |
| Elec. mfg.....   | 5.56         | 5.73          | 5.88         | 111.9          |
| Home rails.....  | 0.34         | 0.39          | 0.40         | 29.5           |
| Stores, etc..... | 5.32         | 5.54          | 5.71         | 50.6           |

### New York

AFTER the week-end's nervous tension, Wall Street opened quietly. Copper stocks, however came in for some attention, while steels were not affected by the lower percentage activity. In the bond market, gilt-edged tended to sag, but corporate issues were generally firm. Tuesday was a holiday. In mid-week, better political news and the trade report of the Department of Commerce imparted a more optimistic tone, the Dow Jones industrial average improving from 131.93 at the close on Monday to 133.68 on Wednesday. The *Iron Age* reports steel mill activity this week at 40 per cent. of capacity, compared with 54 per cent. last week. The decline is partially due to the holiday on Tuesday.

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 21, 1939 | June 28, 1939 | July 5, 1939 |
|                  | Low Apr. 12 | High Jan. 4 |               |               |              |
| 347 Ind'ls. .... | 92.8        | 114.5       | 100.2         | 96.7          | 97.3         |
| 32 Rails .....   | 23.6        | 32.5        | 25.4          | 24.4          | 24.7         |
| 40 Utilities ... | 77.8        | 88.3†       | 84.4          | 81.9          | 82.9         |
| 419 Stocks ...   | 79.3        | 95.6        | 85.7          | 82.8          | 83.3         |
| Av. yield* ...   | 4.34%       | 3.31%       | 4.13%         | 4.35%         | 4.29%        |
|                  | High        | Low         |               |               |              |

\* 50 Common Stocks. † March 8th.

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

| June 29 | June 30 | July 1 | July 3 | July 4 | July 5 |
|---------|---------|--------|--------|--------|--------|
| 104.3   | 105.1   | 106.2  | 106.4  | (a)    | 108.4  |

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 29 | 820            | 6,260         | 140         |
| " 30    | 600            | 5,740         | 94          |
| July 1  | 190            | 1,500         | 28          |
| " 3     | 240            | 2,530         | 40          |
| " 4     | (a)            | (a)           | (a)         |
| " 5     | 350            | 4,110         | 60          |

\* Two-Hour Session (a) Closed for Independence Day

### New York Prices

|                                        | Close Latest  |              | Close Latest                 |              |
|----------------------------------------|---------------|--------------|------------------------------|--------------|
|                                        | June 29, 1939 | July 6, 1939 | June 29, 1939                | July 6, 1939 |
| <b>1. Rails and Transport</b>          |               |              |                              |              |
| Atchafalaya.....                       | 241½          | 261½         | Shell Union.....             | 107½         |
| Balt. & Ohio.....                      | 4½            | 4½           | Socony Vaco.....             | 115½         |
| Ches. & Ohio.....                      | 31            | 32¾          | Stan. Oil Cal.....           | 25½          |
| G.N. Ry. P.I.....                      | 109½          | 111½         | Stan. Oil N.J.....           | 40¾          |
| Illinois Central.....                  | 13            | 14           | Texas.....                   | 35           |
| N.Y. Central.....                      | 71½           | 75½          | <b>4. Manufacturing</b>      |              |
| Northern Pac.....                      | 161½          | 163½         | Briggs.....                  | 183½         |
| Pennsylv. R.....                       | 111½          | 125½         | Chrysler.....                | 66½          |
| Southern Pac.....                      | 139½          | 143½         | Elec. Auto.....              | 29           |
| Southern Ry.....                       | 94            | 95           | Gen. Motors.....             | 411½         |
| Union Pac.....                         | 175½          | 175½         | Nash Kelvin.....             | 57½          |
| Greyhound.....                         | 175½          | 175½         | Boeing Airplan.....          | 181½         |
| <b>2. Utilities and Communications</b> |               |              |                              |              |
| Am. W. Works.....                      | 88½           | 87½          | Douglas Air.....             | 63           |
| Con. Edison.....                       | 29¾           | 30¼          | United Aircraft.....         | 341½         |
| Col. Gas & El.....                     | 54            | 6            | Allied Cheml.....            | 166¼         |
| El. Bond & Sh.....                     | 7             | 7½           | Dupont.....                  | 146          |
| Nat. Pwr. & Lt.....                    | 75½           | 71½          | Un. Carbide.....             | 73¼          |
| N. American.....                       | 201½          | 212½         | Allis Chalmers.....          | 32           |
| Pac. Gas & El.....                     | 29¾           | 30           | Gen. Electric.....           | 321¼         |
| Pub. Serv. N.J.....                    | 36¾           | 37½          | West. Elec.....              | 91½          |
| Un. Gas Imp.....                       | 129½          | 124½         | American Can.....            | 90           |
| Amer. Tel. & Tel.....                  | 156½          | 161½         | Caterpillar.....             | 41           |
| Inter. Tel. For.....                   | 61¼           | 61¼          | Int. Harvester.....          | 54½          |
| Westn. Union.....                      | 17½           | 18¼          | Johns Manville.....          | 70½          |
| Radio.....                             | 58½           | 57½          | Nat. Biscuit.....            | 26½          |
| <b>3. Extractive and Metal</b>         |               |              |                              |              |
| Am. Mol. Mill.....                     | 12            | 13½          | Corn Prods.....              | 63¼          |
| Beth. Steel.....                       | 51¾           | 53½          | I. I. Case & Co.....         | 73¼          |
| Republic St.....                       | 13¾           | 15           | Glidden.....                 | 16¼          |
| U.S. Steel.....                        | 44½           | 46½          | Celanese of A.....           | 20½          |
| U.S. Steel P.I.....                    | 106           | 107          | Eastm'n Kdk.....             | 160          |
| Am. Metal.....                         | 30            | 29½          | Loew's.....                  | 40½          |
| Am. Smelting.....                      | 39½           | 40           | 20th Cen. Fox.....           | 19           |
| Anaconda.....                          | 21¼           | 24¼          | <b>5. Retail Trade, etc.</b> |              |
| Cerro de Pas.....                      | 34            | 36½          | Mont. Ward.....              | 47¾          |
| Int. Nickel.....                       | 46½           | 45½          | Sears Roebck.....            | 73¾          |
| Kennecott.....                         | 31¾           | 32½          | Woolworth.....               | 45½          |
| U.S. Smelt.....                        | 50            | 48           | Nat. Biscuit.....            | 26½          |
| Phillips Petr.....                     | 33½           | 32½          | Nat. Dairy.....              | 15           |
| <b>6. Finance</b>                      |               |              |                              |              |
|                                        |               |              | Am. Tob. B.....              | 82¼          |
|                                        |               |              | Nat. Distillers.....         | 25½          |

### Capital Issues

| CAPITAL ISSUE TOTALS                                           |                 |             |             |
|----------------------------------------------------------------|-----------------|-------------|-------------|
| Week ending July 8, 1939                                       | Nominal Capital | Conversions | New Money   |
| To the Public.....                                             | Nil             | Nil         | 46,812      |
| To Shareholders.....                                           | 46,812          | ...         | 645,775     |
| By S.E. Introd.....                                            | 597,500         | ...         | 832,637     |
| By Perm. to Deal Savings Certs. six days to June 30, 1939..... | 318,995         | ...         | Dr. 150,000 |
|                                                                |                 |             | Dr. 150,000 |

| Year to date        | Including Conversions |             | Excluding Conversions |             |
|---------------------|-----------------------|-------------|-----------------------|-------------|
|                     | £                     | £           | £                     | £           |
| 1939 (New Basis)... | 80,704,495            | 76,034,414  | 203,445,482           | 187,027,429 |
| 1938 (New Basis)... | 203,445,482           | 187,027,429 | 51,150,867            | 47,500,788  |
| 1939 (Old Basis)... | 51,150,867            | 47,500,788  | 154,885,609           | 139,417,651 |

### Destination (Excluding Conversions)

| Year to date        | U.K.        |            | Brit. Emp. ex U.K. |             | Foreign Countries |           |
|---------------------|-------------|------------|--------------------|-------------|-------------------|-----------|
|                     | £           | £          | £                  | £           | £                 | £         |
| 1939 (New Basis)... | 49,666,074  | 24,187,336 | 2,181,004          | 145,602,253 | 38,995,947        | 2,429,229 |
| 1938 (New Basis)... | 145,602,253 | 38,995,947 | 2,429,229          | 31,340,697  | 15,840,091        | 320,000   |
| 1939 (Old Basis)... | 31,340,697  | 15,840,091 | 320,000            | 121,073,526 | 15,945,001        | 2,399,124 |

### Nature of New Borrowing (Excluding Conversions)

| Year to date        | Deb.        |           | Pref.      |             | Ord.      |            |
|---------------------|-------------|-----------|------------|-------------|-----------|------------|
|                     | £           | £         | £          | £           | £         | £          |
| 1939 (New Basis)... | 42,250,865  | 4,463,741 | 29,319,808 | 128,250,392 | 9,090,409 | 49,686,628 |
| 1938 (New Basis)... | 128,250,392 | 9,090,409 | 49,686,628 | 36,293,921  | 1,988,459 | 9,218,408  |
| 1939 (Old Basis)... | 36,293,921  | 1,988,459 | 9,218,408  | 118,510,223 | 3,897,496 | 17,008,932 |

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

**Silentbloc, Ltd.**—Issue of 250,000 2s. ordinary shares at 4s. 6d. Makers of anti-vibration devices. Net assets, £130,754. Profits after depreciation, years to May 31: 1937, £39,619; 1938, £39,725; 1939, £45,111. Lists closed 9.5 a.m. July 4th. Over-subscribed.

### PRIVATE PLACING

**Rugby Portland Cement.**—This company has placed privately for cash at par £50,000 4½ per cent. first mortgage debenture stock, ranking *pari passu* with the £400,000 stock already issued.

### BONUS SHARES

**Distillers Company.**—It is proposed to capitalise part of reserve and issue a capital bonus of 2 ordinary shares for £5 ordinary stock held.

### RESULT OF ISSUES

**London County Council Loan.**—Underwriters have been left with 94 per cent. of the £7,500,000 3½ per cent. stock, 1954-59, at 96½.

**Wessex Electricity Company.**—Underwriters have been left with 90 per cent. of the issue of £1,500,000 3½ per cent. stock, 1954-59, at 96.

### BY STOCK EXCHANGE INTRODUCTION

**B.A. Collieries, Ltd.**—Particulars of issue of £600,000 5½ per cent. first mortgage debenture stock. Redeemable at par by 1964 by drawings from 1940, or after 1944 on notice up to 1949 at 102, 1949-54 at 101, or thereafter at par. Acquired various collieries for £1,683,902 (£140,000 cash and 1,543,902 £1 ordinary shares). Total assets, £2,242,700. Profits before depreciation, years to March 31: 1937, £121,865; 1938, £135,065; 1939, £147,326. Leadenhall Securities take issue at 99, or £98 9s. 4d. net.

### SHORTER COMMENTS

**Company Results of the Week.**—SOUTH AFRICAN BREWERIES report a satisfactory increase in profits, by £47,173 to £676,815, though higher taxation provisions more than absorb this difference. The out-turn of tea by JOKAI (ASSAM) TEA for 1938 was 9,414,178 lbs. against 9,116,283 lbs., but the average price per lb. fell by nearly ½d., and the dividend is reduced from 12½ to 10 per cent. In common with most trusts, TRUSTEES CORPORATION report lower revenue for 1938-39. As the depreciation on the book value of

(Continued on page 80).

## 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 |
|----------------------------------------------------------------------------|----------------------------------------------|---------------------------------------------------|
| Completely Flexible Management Powers INVESTORS' FLEXIBLE TRUST            | 124                                          | 5½%                                               |
| A General Portfolio HUNDRED SECURITIES TRUST                               | 102                                          | 6½%                                               |
| Unique Savings Facilities SAVINGS UNIT TRUST                               | 26                                           | 5½%                                               |
| Protection against possible Currency Inflation INVESTORS' GOLD SHARE TRUST | 16                                           | 8½%                                               |
| Household Goods and Services PROVIDENT INVESTORS' TRUST                    | 30                                           | 5½%                                               |

# Industry and Trade

**Still More Employment.**—The official employment and unemployment returns for June provide further evidence of the rapid expansion of industrial activity in this country. The estimated number of insured persons aged 16 to 64 in employment (exclusive of agriculture) reached the all-time record of 11,969,000 on June 12th, an increase of 131,000 on the month and of 600,000 on the year. On the same date the number of registered

trades on which defence expenditure is largely concentrated. But although the official figure of total unemployment is still 1,350,000, reports of local labour shortages are already coming to hand.

\* \* \*

**Conditions in the Furniture Trade.**—The British Furniture Trades Joint Committee is to be congratulated on its investigation into working conditions in its trade. Too little is known about the habits and trends of the industries working directly for the retail market and the report of this investigation provides an interesting account of some aspects of this section of industry. The London furniture trade is characterised by the extreme complexity of its structure and by the small size of most of the working units. A firm may make all classes of furniture, it may concentrate on certain types, it may make parts for sale to other firms, it may specialise on certain processes such as machining or turning; it may work direct for the retail purchaser, for one of the large retail stores or for a wholesaler, and it may combine a number of these alternatives. There are very few public companies in the industry; many of the firms are family or one-man concerns, depending largely on personal contacts for their supplies and sales. From the 1930 Census of Production it has been estimated that 32,000 operatives, one-quarter of the total, were employed by 7,987 firms with 10 or fewer employees, averaging 4 per firm; a further 90,000 were employed in firms with 11 to 50 workers per firm. The complexity of the industry has been increased by the recent intrusion of mass production methods into what was at one time exclusively a craft. Most of the older men in the trade have been trained in the old style through apprenticeship, but since the war this system has largely disappeared and a number of the younger workers are to-day unskilled and could not be called craftsmen. One consequence, both of the change in technique and of the small size of the representative firm has been the difficulty of enforcing standard conditions throughout the industry. The influence of trade unions is restricted mainly to the older craftsman and one of the most valuable parts of this report is that which gives statistics of wages and hours. It is there shown that while

| EMPLOYMENT AND UNEMPLOYMENT IN GREAT BRITAIN |                                                            |                                         |                           |                                                                           |                                                         |                                         |
|----------------------------------------------|------------------------------------------------------------|-----------------------------------------|---------------------------|---------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------|
| Date of Return                               | Unemployment                                               |                                         |                           |                                                                           | Employment                                              |                                         |
|                                              | Registered unemployed aged 14 and over (incl. agriculture) |                                         | Of whom wholly unemployed | Percentage of insured persons (aged 16-64) unemployed (excl. agriculture) | Insured persons aged 16-64 employed (excl. agriculture) |                                         |
|                                              | Total                                                      |                                         |                           |                                                                           | Number                                                  | Index, adjusted for seasonal variations |
|                                              | Number                                                     | Index, adjusted for seasonal variations |                           |                                                                           |                                                         |                                         |
| 1937                                         | '000                                                       | 1935 = 100                              | '000                      | %                                                                         | '000                                                    | 1935 = 100                              |
| Sept. 13.....<br>1938                        | 1,339                                                      | 66.1                                    | 1,091                     | 9.5                                                                       | 11,706                                                  | 112½                                    |
| 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                     | 11.3                                                                      | 11,685                                                  | 112½                                    |
| May 15 .....                                 | 1,492                                                      | 74.7                                    | 1,234                     | 10.3                                                                      | 11,838                                                  | 113½                                    |
| June 12 .....                                | 1,350                                                      | 67.6                                    | 1,099                     | ...                                                                       | 11,969                                                  | 115                                     |

unemployed (inclusive of agriculture), at 1,350,000, was 142,000 less than in May and 453,000 less than in June, 1938. That the improvement cannot be attributed to seasonal influences is revealed by the movements of our adjusted indices of employment and unemployment. An examination of changes in unemployment between May and June by districts and industries shows that industrial production is advancing on a broad front and that the expansion is by no means confined to the

(Continued from page 79)

investments is stated to be more than covered by the carry forward, it is clearly of a satisfactorily small amount. ASSOCIATED WEAVERS report an excellent increase in net profits, from £28,884 to £42,907, as a result of larger turnover. The 20 per cent. dividend is unchanged. The first results of A. C. COSSOR, LTD., since the company became public, show total profits of £87,878 for 13 months to March 31st last. Profits of EASTWOODS CEMENT have been maintained, and the 12½ per cent. dividend is repeated. A satisfactory recovery in profits is shown by LOVELL AND CHRISTMAS, though no ordinary dividend is being paid. Another company to report some increase in earnings is THOMAS OWEN & CO., whose trading profits are some £22,000 higher. No ordinary dividend is being paid by UNITED BRITISH OILFIELDS OF TRINIDAD, since a large provision is required for exploration work. Total profits, however, are £1,664,761 against £1,233,443.

## MISCELLANEOUS

**United British Oilfields of Trinidad.**—Gross profits, 1938, £1,576,516 (£1,192,747). General expenses, £1,303,482 (£985,464). To depreciation, £172,601 (£116,390). To tax and N.D.C., £14,000 (£15,250). No ordinary dividend, against

8½ per cent., absorbing £35,820. Carry forward, £22,062 (after £50,000 to reserve for additional exploration). In May 1938, capital was increased by issue of 3,000,000 new ordinary 6s. 8d. shares at 12s. 6d. Cash has risen from £9,082 to £786,068 and debtors from £47,791 to £101,017.

**Singer Motors, Ltd.**—Trading profit for year to March 31, 1939, £33,906, against £51,264 for period December 18, 1936, to March 31, 1938. To plant maintenance, £24,343 (£27,126); £12,431 for depreciation. Written off jigs, etc., £18,962 (£22,768); development, £6,863 (£5,570). After debenture interest, net loss is £65,992, increasing debit forward to £118,890.

**Aircrow, Ltd.**—Net profit for year to March 31, 1939, £31,689 (£22,414). To reserves: Taxation, £14,000 (£7,000); general, £5,000 (nil). Carry forward, £19,770 (£23,665). Ordinary dividend increased from 20 to 22½ per cent., on an ordinary capital increased by a capital bonus of 25 per cent. a year ago.

**British Burmah Petroleum.**—Trading profit for the 18 months to January 31, 1939, £171,470 (against £75,765 for previous year). Expenses, £108,904 (£78,844). To sinking fund, £30,600 (£20,400). Carry forward, £49,766 (£1,574). Proposed capital reduction from £1,500,000 to £750,000 by writing off 4s. on the 8s. shares. Meeting July 24th.

**Nyasaland Railways.**—Gross receipts 1938, £170,265 (£161,466). Working expenses, £114,439 (£101,642). Net revenue, £55,826 (£59,824). Available balance, £105,330 (£110,017). After debenture interest, and £15,685 for taxation, carry forward is maintained at £863.

**A.W. Second Stock Trust.**—A second and final return of capital at the rate of £5 ls. per £100 stock is declared. A first distribution of £182 per £100 was made on October 13, 1938. Assets dealt with by the liquidator were £1,312,689, of which £35,351 is final distribution now announced.

**South African Breweries.**—Accounts for year to March 31, 1939, show profit, after South African income tax, of £728,129 (£686,823). To depreciation, £38,281 (£36,948). To special depreciation, £14,514 (£26,456). To U.K. income tax, £125,000 (£90,000); N.D.C., £37,500 (£35,000); income tax reserve, £50,000 (nil). Ordinary dividend and bonus 22½ per cent. tax free, as before. Carry forward raised from £105,166 to £118,633.

**Braithwaite and Co. Engineers.**—Trading profit year to March 31, 1939, before depreciation, £66,932 (£46,491). Total income, £79,661 (£59,328). To depreciation, £7,875 (£7,505); tax and N.D.C., £22,522 (£16,032); general reserve, £19,802 (£13,750). Ordinary dividend raised from 2½ to 5 per cent. Carry forward, £29,120 (£25,475).

a substantial proportion of juveniles earn slightly more than the standard rates (as laid down by the London Cabinet and Upholstery Trades Working Rules), the great majority of adult workers earn very considerably less, and the working hours are long and irregular. In spite of the rapid increase in the output of the trade, made possible by mass production, unemployment in London has been consistently above that of the average of other trades. The enforcement of some kind of standard piece rates and of working hours would, it seems, be of great advantage to the majority of workers and would help to limit that type of competition which results from sweated labour.

\* \* \*

**Centenary of the R.A.S.E. Show.**—In 1839 the Royal Agricultural Society of England held its first agricultural show in Windsor Park. Last week the Society staged its centenary show in the same place. In the intervening hundred years the application of the Society's motto—Practice with Science—has assisted in each case by economic depressions—those of 1874-95 and of 1929-34. Indeed, the progress and application of agricultural science has now become so important that much of the work with which the Society was originally concerned has been taken over by the State. Soil analyses, seed purity, research into diseases among farm animals and plants, the improvement of livestock, the testing of farm machinery—these tasks are now the concern of the Agricultural Research Council. But the functions of the Society have not thereby been superseded, for although the conduct of fundamental research has become part of the State machinery, there is still a lamentable gap between the practices of the few progressive agriculturists and those of the mass of farmers. The work of the Society is still needed in the interpretation of scientific knowledge into plain language and in hastening the spread of improved methods in British agriculture.

\* \* \*

**More and More Rayon.**—The increase in the world production of rayon yarn and staple fibre has been uninterrupted since the industry's birth in the 1890's. The figures for 1938 given in the bulletin *Rayon Organon* (New York) show a still further advance.

| RAYON YARN AND STAPLE FIBRE |                       |                                       |
|-----------------------------|-----------------------|---------------------------------------|
|                             | Production (000 lbs.) | Per cent. increase over previous year |
| 1930 .....                  | 457,450               | ...                                   |
| 1931 .....                  | 507,650               | 11                                    |
| 1932 .....                  | 534,605               | 6                                     |
| 1933 .....                  | 691,290               | 29                                    |
| 1934 .....                  | 824,365               | 19                                    |
| 1935 .....                  | 1,080,120             | 31                                    |
| 1936 .....                  | 1,320,750             | 22                                    |
| 1937 .....                  | 1,818,075             | 38                                    |
| 1938 .....                  | 1,948,045             | 7                                     |

Causes contributing to the heavy fall in the rate of increase in 1938 were the necessity for working off accumulated stocks of filament yarn, reduced world consumption of textiles, and in the case of Japan, difficulties in obtaining supplies of wood pulp. The percentage of total production attributable to Japan and Germany continued to expand and there was a corresponding decline in the share of Great Britain and the United States. The figures for the six principal producing countries are as follows:—

| RAYON YARN AND STAPLE FIBRE |                 |     |           |     |           |
|-----------------------------|-----------------|-----|-----------|-----|-----------|
|                             | 1936 (000 lbs.) |     | 1937      |     | 1938      |
|                             | lbs.            | %   | lbs.      | %   | lbs.      |
| France .....                | 66,100          | 5   | 77,700    | 4   | 72,550    |
| Germany .....               | 193,435         | 15  | 334,200   | 19  | 471,000   |
| Great Britain ...           | 442,970         | 11  | 152,420   | 8   | 138,195   |
| Italy .....                 | 196,100         | 15  | 262,900   | 15  | 268,310   |
| Japan .....                 | 320,850         | 24  | 508,600   | 28  | 584,600   |
| U.S.A. ....                 | 289,940         | 22  | 341,925   | 19  | 287,485   |
| Total World* ...            | 1,320,750       | 100 | 1,818,075 | 100 | 1,948,045 |

\* Including other countries

The continued increase in the combined shares of Germany, Italy and Japan now makes them responsible for 91 per cent. of the world production of staple fibre and 46 per cent. of the filament yarn. The balance is inclining increasingly in favour of staple fibre, and the output of filament yarn in fact declined from 1,198,760,000 in 1937 to 990,245,000 lbs. in 1938—the first fall recorded in 24 years. The decline was as heavy as 37 per cent. in Japan, and Germany was the only country to increase its production of yarn. The sectional decrease, however, was more than offset by a jump of 55 per cent. in the world production of staple fibre from 619,315,000 lbs. in 1937 to 957,800,000 in 1938. The effort to provide substitutes for cotton and wool undoubtedly underlies the increase in rayon production in Japan, Germany and Italy and the figures of consumption per head indicate the measure of their success. In Germany rayon production per head was 6.1 lbs., in Japan 4.8, in Italy 3.8, in Great Britain 2.4, and in U.S.A. 2.4 lbs. This expansion in production has been accompanied by a marked decrease in the world trade in rayon piece-goods, although overseas trade in rayon yarns has increased. To some extent this has resulted from Japanese and Italian shipments to China, but apart from this factor there remains a definite tendency towards the purchase of yarn in preference to piece-goods. Unfortunately, Britain has not shared in this improved trade for rayon yarns, which is concentrated on countries where prices are artificially supported or subsidised.

\* \* \*

**Revised Milk Bill.**—The Milk Industry (No. 2) Bill is an interim measure, which will continue until October, 1940, the subsidies for the cheap milk schemes, for the payment of premiums on quality milks and for ensuring to the Marketing Boards minimum prices for milk sold for manufacture into butter or cheese. In these respects the revised Bill follows closely the terms of its defunct predecessor, except that the guaranteed price for milk sold for manufacture into butter has been raised by 3s. in the summer half-year and by 5s. in the winter half-year; the guarantee will now come into force if the wholesale price of butter falls below 115s. per cwt. in the summer and 125s. per cwt. in the winter. The Bill contains no reference either to pasteurisation or to the reorganisation of the distributive side of the milk trade, but presumably it is hoped that these matters will be dealt with before the expiry of the eighteen months for which this Bill provides.

\* \* \*

**Redundant Cotton Looms.**—In anticipation of a safe passage through Parliament of the Cotton Industry (Reorganisation) Bill, the leaders of the Cotton Manufacturers' Association have been considering a draft scheme for eliminating surplus looms. It is estimated that at present there are approximately 480,000 looms in the weaving industry, of which 60,000 are considered to be redundant. The proposals are similar to those in the spinning branch of the industry. A Surplus Looms Board will be set up which will have power to purchase redundant machinery and buildings for a period of three years. The looms will be acquired by voluntary agreement. There will be an advisory committee, composed of six persons to be

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appointed by the Board of Trade, which will assist the Looms Board. The trade unions will have representation. The proposed annual levy will be 1d. per inch reed space for each loom. It is estimated that the average width of cotton looms is around 43 ins., so that on this basis the annual cost for a weaving shed of 1,000 looms would be approximately £180 a year. The scheme has already been considered by the Central Committee of the Manufacturers' Association and draft copies have been sent out to the nineteen affiliated local associations which are in membership with the official employers' organisation. The local committees will discuss the proposals without delay so that no time will be lost in submitting the scheme in its final form and receiving the trade's support. As soon as the Reorganisation Bill is placed on the Statute Book, application can be made to proceed with the redundancy scheme.

**Supplies of Tin.**—One year after the inception of the buffer pool, the London price of standard cash tin has reached £230 per ton, the higher limit set by the pool agreement. As a result the pool has begun to sell its holdings and the price has not so far exceeded this limit. The market is at present dependent on the pool for a considerable proportion of its requirements; shipments of tin in the first five months of this year totalled 54,000 tons, while absorption is estimated at 64,000 tons. The increase in the export quota from 40 per cent. to 45 per cent. of the basic tonnages will supply some of the deficiency, but at the present level of consumption supplies will still be some 1,750 tons per month short. Consumers' stocks are believed to be below normal, and visible stocks declined from 32,920 tons at the end of May to 28,851 tons at the end of June, according to the estimates of Messrs A. Strauss and Company, Ltd. Further, the Sino-Japanese War is diminishing the supplies of tin from China, the principal contributor outside the regulation scheme. A further increase in export quotas for the producers inside the scheme is therefore not unlikely in the last quarter of the year, and there is considerable pressure toward such an increase in production. The reduced output during the

last year has affected the profits of the mining companies and given rise to serious problems over the surplus of labour; further, there has been in recent weeks a substantial rise in the premiums for high quality tin, the supplies of which are uncomfortably small.

**Setback in Freight Rates.**—The improvement in freight rates noticeable in April and May has proved short-lived. As a result, partly, of the growing international tension, tramp shipping rates suffered a setback in June, reflected in the fall of *The Economist* indices shown below:—

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

|                    | Average, 1913 | May, 1938 | June, 1938 | May, 1939 | June, 1939 |
|--------------------|---------------|-----------|------------|-----------|------------|
| European waters    | 110.0         | 109.2     | 107.3      | 106.4     | 113.8      |
| North America      | 113.1         | 111.0     | 108.0      | 111.3     | 113.2      |
| South America      | 123.4         | 132.3     | 127.0      | 104.7     | 97.2       |
| India              | 106.3         | 111.7     | 111.9      | 109.6     | 114.8      |
| Far East & Pacific | 117.4         | 106.2     | 104.7      | 94.6      | 97.0       |
| Australia          | 127.9         | 113.0     | 112.8      | 108.3     | 107.7      |
| Total              | 116.3         | 113.9     | 111.9      | 105.8     | 106.9      |
| 1913 = 100         | 100.0         | 97.8      | 96.1       | 91.0      | 91.8       |

As the next table shows, the downward movement in freight rates between May and June was fairly widespread.

|                | Index No. | Inc. or Dec. Points |                 | Index No. | Inc. or Dec. Points |
|----------------|-----------|---------------------|-----------------|-----------|---------------------|
| Home trade     | 106.3     | - 7.1               | South America—  | 66.5      | - 6.1               |
| Bay—outwards   | 132.0     | + 3.5               | Outwards        | 121.6     | - 12.1              |
| Bay—homewards  | 127.5     | - 1.5               | Homewards       | 99.0      | - 10.4              |
| Mediterranean— | 100.2     | - 6.7               | India—outwards  | 127.4     | - 7.5               |
| Outwards       | 130.6     | + 1.1               | India—homewards | 96.1      | - 9.6               |
| Homewards      | 114.0     | + 0.8               | Far East, etc.  | 107.5     | - 1.6               |
| North America  |           |                     | Australia       |           |                     |

The latest reports indicate that the freight markets remain depressed and that there is little hope for an early improvement.

## INDUSTRIAL REPORTS

**THE** latest reports from industrial centres point to a further expansion in the activity of numerous industries. The demand for iron and steel, if anything, is still increasing, but it appears to be becoming more difficult to obtain full deliveries. The production of tinplates was reduced towards the end of June, as a result of an industrial dispute. The coal-mining industry continues to show improvement compared with a year ago. The cotton and wool textile trades remain active and the latter has again been asked for substantial offers of tops by the Government.

### Coal

**Sheffield.**—The steady demand for all grades of industrial steams is maintained, and outputs are being readily absorbed. The requirements of public utility undertakings are at summer levels, and demands for slacks are easily met. Household coal is steady, and quota restrictions are keeping stocks within reasonable compass. There is a distinct improvement in the call for coke, particularly blast-furnace qualities.

Export business is fairly brisk. On prompt account it is not easy to obtain all trebles, doubles and singles needed for shipments. Supplies are largely going to the Continent. Continental inquiry for coke is on a substantial scale. Bunkers are a quiet market.

**Newcastle-on-Tyne.**—Demand from abroad for North-East coals is not so persistent as a few weeks ago, but the market is steady and collieries have booked substantial contract business. Durham unscreened steam and gas coal offers more freely but coking grades are firm, and apart from small parcels this class of fuel cannot be obtained from this area until the end of the year. Northumberland steam classes are fairly steady but prompt loading turns for large coal are now available. Patent oven coke remains a very firm market in both the home and foreign section.

**Glasgow.**—The improvement of the Scottish trade is fully maintained, and the only dull feature is the household trade. At the moment there is a lull in new export inquiry, but the majority of the collieries engaged in this trade have good contract orders in hand and in life in particular some pressure for supplies is now being experienced in advance of the holidays. The position in the Lothians is more comfortable from the buyers' standpoint. In all districts there is a strong industrial demand, reflecting the marked improvement in general trade conditions. The week's shipments again showed a good increase over the corresponding week of last year.

**Cardiff.**—The volume of trade at the South Wales docks continues substantially greater than in the corresponding period last year. Last week the shipments totalled 437,200 tons compared with 351,960 tons, and the effect of the improvement in recent weeks has been to bring the advancing total for the current year to within about 250,000 tons of that for the same period in 1938. A few small orders have been placed by Tunis and Algiers, and tenders have been submitted for the supply of between 200,000 and 300,000 tons of large and through steam coals to the French State Railways. Otherwise export inquiries are less active than they were a few weeks ago, and stocks of second-class large steam coals are accumulating. Best large steams, sized coals, and duffs are comparatively scarce and very firm. There are only limited supplies of metallurgical and foundry coke available and there is still a good demand for patent fuel. The Customs provisional clearances of cargoes for foreign destinations in June totalled 1,400,890 tons, compared with 1,230,105 tons in May, and with 1,185,202 tons in June, 1938; and for the first half of the year 6,479,393 tons, compared with 6,666,156 tons in the corresponding period last year. Trade has been better this year with Italy, South America, Portugal, the North Sea markets, the Coaling Depots, and

Canada and Newfoundland, and the decrease in the aggregate volume is due almost entirely to a drop of 580,000 tons in shipments to France.

### Iron and Steel

**Sheffield.**—The demand for steel is still increasing, and for certain classes of material deliveries are falling in arrears. Heavy basic billets are difficult to obtain, and reliance is being placed on imports to ease the position. Acid billets are fully taken up. Makers of strip and wire rods are heavily booked, and it is not easy to place full business in small steel bars.

The most active feature of the iron market is hematite; the reduction of 5s. per ton from July 1st has brought in a good volume of business. Special qualities continue in strong demand. Foundry pig is rather more freely dealt in, but forge remains a dull market. Finished iron shows little change for the better. Common bars continue to be the best feature.

The stabilisation of steel-making scrap prices until the end of October at their present figures is generally welcomed. Heavy basic scrap is in short supply, but more imported material is becoming available and should ease the position to some extent. All other classes of steel are in firm request. Supplies of iron scrap are fairly adequate, and prices are unchanged.

**Middlesbrough.**—Whilst the producers of iron and steel in this area are successfully coping with the demand for material for Government purposes, they have been able to increase the shipments of manufactured steel during June by approximately 10,000 tons. This increase is chiefly in the export trade; the total quantity shipped during June from the Tees was 36,162 tons, against 26,466 tons during the previous month. Pig iron shipments are down; the quantity shipped during June was 1,897 tons, against 4,384 tons during May. The imports of ore during June amounted to 179,000 tons, which is practically equivalent to the quantity imported during the previous month.

A feature is the large import of steel scrap; two large cargoes have arrived from America during June. In addition, there has been an increase in the quantity of semi-manufactured steel imported, chiefly from the Continent; the intake in June amounted to 14,838 tons. There is little change in the Cleveland foundry pig iron trade, although there is a slight expansion in the demand from local foundries. East Coast hematite is in slightly better request and a cargo of about 1,300 tons has been despatched from the Tees to South Wales. All the basic pig iron produced is reserved for the steelworks locally and there is no surplus for the market.

**Glasgow.**—Pressure on the steel-makers has become intensified, users of any description of material being anxious to get deliveries before the holiday closure. All plants are working at capacity and despite that are unable to satisfy users. Shipyards on the Clyde-side are now absorbing heavy tonnages, and heavy calls are being made on the steel makers by the many manufacturing industries in Glasgow and neighbourhood which are largely employed on work for the various Government departments. Supplies of semis are now

more readily available and scrap also is somewhat more plentiful, though still not sufficient for comfortable working conditions. Sheetmakers in this district are experiencing what is probably the busiest time since sheet rolling was first established in Glasgow—largely on account of the large number of sheets for air-raid shelters. Export business in G. and C. sheets is expanding and considerable tonnages have been booked for different overseas markets. Makers of plant and engineers generally in Glasgow, who have been very busy for months past, continue to receive important contracts and have work on hand which ensures employment for many months to come.

**Cardiff.**—Seasonal influences in the home market and international complications in the export trade have tended to reduce the volume of business in tinplates, but the commitments of manufacturers are large enough to keep works fully employed. In the week ended June 24th production under the pooling scheme equalled only 61.69 per cent. of capacity compared with 72.23 per cent. the previous week, but the drop is attributed to the temporary suspension of work at 25 mills owing to an industrial dispute. The unexecuted orders amount to approximately 4,600,000 boxes. The sheet trade is exceptionally active, and the recent increase in the production of pig iron and steel ingots is being maintained.

**News from Abroad.**—The demand on international steel markets has experienced another slight recession. The requirements of the peace industries in various countries are comparatively modest, whereas the armament industries have recently covered their needs for some time ahead, but they will have to enter the market again sooner or later. The Dutch and Scandinavian consumers, for instance, are at present rather reluctant to add to their commitments. The Far Eastern trade is under the influence of the political uneasiness, and certain far off countries which were some time ago anxious to place large orders so as to be covered in case of political complications are now saturated.

The decline in business has had a slightly depressing effect on prices which, however, will scarcely undergo a major reduction so long as steelworks are occupied for about four months ahead. Rebates on official prices are granted, although on limited quantities, for merchant bars, sections, hot and cold rolled strips and galvanised sheets to the extent of 4s. to 7s. per ton. This development is a little disturbing as the granting of rebates often undermines the confidence of consumers, who had recently become used to paying official prices. A more favourable situation has been maintained for semi-products, plates and castings. A further additional quota for the import of semis into Great Britain, which was expected for some time, has not yet been allocated.

It has now been suggested to the Steel Cartel that the accounts period should not be extended beyond June 30th as was originally intended in order to give certain partners of the Steel Cartel an opportunity of adapting their deliveries to the quotas. A peculiar situation has arisen mainly because Great Britain has on the one hand substantially increased her purchases from other Cartel groups, and has on the

other hand not utilised her export quotas, particularly for sheets. Consequently several Continental groups will have to pay substantial fines for having exceeded their quotas, but it is hoped that the attitude of the British group will facilitate a reasonable settlement.

### Textiles

**Cotton (Manchester).**—The general position of the market has shown little change. Trade expansion has been impeded by the political tension. The latest unemployment returns are encouraging, the decrease on the month for cotton operatives being 4,522, with a decrease on the year of 91,931. Only minor fluctuations have occurred in raw cotton prices. The uncertainty as to the export subsidy in the United States still causes confusion. The American Government's estimate of the area under cotton, due on Saturday, is expected to be about 25,500,000 acres.

A feature of the yarn market has been the decision of the Lancashire Cotton Corporation to advance all prices of American ring qualities by 4d. per lb. Considerable sales were arranged just before the advance took place. Satisfaction has been expressed at the renewal of the 42's American wet price agreement for three months. Irregular buying has occurred in Egyptian yarns. There has been more evidence of cloth buyers, especially in foreign outlets, resisting the recent advance in Manchester prices. The higher quotations are due to the increased costs of production. Export demand has been at a low ebb. Only occasional orders have been booked for India. The home mills are suffering from over-production and an attempt is being made to organise curtailment of output. Further Government contracts have been placed, but buying for the home trade has continued quieter.

**Wool (Bradford).**—The War Office, through the British Wool Federation in Bradford, has asked for new offers of tops from 46's to 54's quality, lower and slightly higher qualities being asked for than previously, due no doubt to the fact that the market in 50's quality has been largely exhausted. There is also proof of this fact in that the Committee is prepared to consider offers of tops made from English wool. Offers had to be in last Thursday, and deliveries have to be completed by August 31st.

In connection with the Whitsuntide order, the quality specified was 50's and 17½d. was the price at which contracts were accepted. So far as the latest order is concerned no mention is made of any price, although the Committee handling the business must be aware of what each quality is worth in the open market, as every topmaker offering supplies knows what is a fair market price.

The new orders mean great activity among commission spinners and weavers in the West Riding. The pressure to deliver is so great that many firms are bound to encounter considerable delay. Labour is very scarce; minders and piecers are only allowed to work 44 hours per week against 54 during the Great War, and this is restricting output. There is a marked improvement at the civilian end of the trade, and altogether the position in the wool textile world is very healthy.

(Continued on page 88)



## COMPANY MEETINGS

## BLEACHERS' ASSOCIATION, LIMITED

## VITAL IMPORTANCE OF COTTON EXPORTS TO COUNTRY

## GOVERNMENT AID NEEDED TO RECAPTURE TRADE

## SIR ALAN SYKES' REVIEW OF TRADE OUTLOOK

The fortieth ordinary general meeting of Bleachers' Association, Limited, was held at the registered office, Blackfriars House, Manchester, on Friday, the 30th ultimo.

Sir Alan Sykes, Bt. (the chairman) presided.

Before dealing with the accounts the chairman referred to the recent death of Mr Joseph Thwaites, who had been a director of the Association since 1927. Mr Thwaites had been associated with the company throughout the whole of his business career and had also taken an active part in the commercial life of his native town of Bolton. His experience and valued help would be missed very much by the directors.

In comparing the balance sheet with that for the previous year, the chairman referred to the reduction in the value of land, buildings, machinery, etc., which he explained to be due to the writing down of the value of assets which had ceased to be productive, and which had involved the transfer of £50,000 from the general reserve fund.

Shares in subsidiary companies showed a decrease against last year of £115,400, which was almost entirely accounted for by the transfer of £100,000 from the general reserve fund to be written off the value of shares in subsidiary companies, the business of which had been transferred to other works.

Advances to subsidiary companies were nearly £122,000 less than last year, a reduction due to the diminished requirements of the subsidiary companies for working capital in consequence of the serious diminution in trade and the concentrations which had been effected.

Turning to the profit and loss account, the amount brought forward from last year's accounts was £187,360. The trading profits available after deducting sundry charges and interest, and after charging £157,009 for repairs and maintenance and including a sum of £15,000 transferred from tax reserve account, amounted to £190,411.

Against this were charges for directors' fees, depreciation and debenture interest, a total of £243,599, so that the profits were £53,187 short of the sum required to pay the debenture interest. This reduced the balance of profit and loss account to £134,172, which balance it was proposed to carry forward to the next year's accounts.

The chairman continued:—

The results of the past year's trading are more unfavourable than any which the Association has hitherto experienced, but, when you realise from the facts which I shall place before you how much the volume of our trade has shrunk, I think you will be inclined to share the view held by your directors that, in the circumstances, the results might well have been worse than they are. Although I am not bold enough to venture on prophecy in these difficult times, I can, at least, express the confident hope that, if world peace can be assured, the future can hardly fail to produce better results than those which we are now considering.

## GOVERNED BY EXPORT TRADE

It must always be remembered that the Association was established on a trade of which fully four-fifths was for export and that our fortunes are inevitably governed, to a major extent, by the export trade. It is unfortunate in one way that the structure of the cotton industry, which has been on the lines of horizontal sectionalisation, although well adapted to conditions when we had little foreign competition to face, has not proved so readily adaptable to meet the fierce competition to which we are now exposed. It is unfortunate, also, that we who work only on commission for the merchant distributors, can do so little ourselves to influence the volume of trade upon which our well-being depends. The only contributions which we can make are to produce the highest quality of work at the lowest practicable price. The quality of our work is beyond ques-

tion and our balance sheet shows that our prices are as low as they can be, unless we are now to present to the foreign consumer a portion of our capital with each order that we undertake.

Before the war we used to sell abroad some two thousand million yards of bleached piece goods per annum. Even during the four years of the war our exports averaged more than 1,500 million yards per annum, and up to 1929 the quantity ranged from 1,200 to 1,500 millions. Since 1931 there has been an almost continuous decline in our export trade and, last year, the exports of bleached piece goods were only just over 400 million yards—a figure equivalent to one-fifth of our pre-war foreign trade and less than one-third of our post-war exports up to 1931. Compared with 1937, the decrease last year was more than 27 per cent.

The experience of the bleaching trade is not exceptional. Other sections of the cotton industry have suffered a similar decline in exports—some in greater and some in less degree—according to the extent and severity of the foreign competition they have had to meet or to the changes in public taste.

## SERIOUS DECLINE IN OUTPUT

The decline in output has been so serious that we have been compelled to take drastic measures to meet it. You will have learned, from time to time, from our reports that we have been gradually concentrating production in our most efficient plants. By thus eliminating redundant plant, we have contributed a great deal to the stability of the bleaching trade and, at the same time, we have always endeavoured to maintain a fair and reasonable price for the services which we render to our customers.

The policy which we have followed is that which the cotton industry has now decided to be the only policy upon which the trade can be reorganised—that is to say, the elimination of redundant plant and, thereafter, the establishment of a fair level of prices based on conditions of fuller employment for the plant in operation. Had we not pursued this policy ourselves, and had we allowed the bleaching trade to degenerate into the conditions of ruthless price cutting which have characterised other sections of the industry, I can confidently say that the results which we should have presented to you to-day would have been very much worse than they are. I do not believe that, if our prices had been reduced by uncontrolled competition to the point at which they resulted in an absolute loss of capital, our merchant customers would thereby have been enabled appreciably to increase the total volume of trade.

## ASSOCIATION'S CAPITAL STRUCTURE

As you will have seen from our balance sheets in past years, and in the balance sheet now before you, we have taken steps to write down the value of those assets which have become non-productive, but I am sure you all must have realised that, eventually, this serious decline in the volume of our trade must entail the capital structure of the Association being brought into line with its productive capacity and earning power. This is a subject to which your directors have given the most careful consideration, but they feel that it is still too soon to reach a decision on a question of such far-reaching importance.

It is not yet possible to assess the extent of the recovery in trade which we confidently anticipate would follow the removal of the existing state of international tension, nor is it possible to assess the advantages which may accrue to the industry from the Cotton Industry (Reorganisation) Bill which is now before Parliament. In such circumstances, it is impossible to reach any safe conclusions with respect to the future earning power of the Association and, in the absence of such knowledge, a rearrangement of capital at this juncture would involve serious risks. The opinion which your directors have formed in this matter is fully confirmed by the expert advice which they have obtained on the subject. In the meanwhile, I can only assure you that the matter will be kept constantly in view

and, for the time being, we must do what we can to achieve the best results with that portion of our trade which is left but the volume of which we can do so little ourselves to influence.

## NEED FOR GOVERNMENT AID

Now that the cotton industry is practically united in the recognition of the need for reorganisation, and now that the Government has realised the necessity of giving the industry the assistance it needs, we can look forward to the future with more confidence. But the loss of trade has been so severe that the industry will need more help than the grant of statutory authority to eliminate redundant plant and establish reasonable prices. We must have the active assistance of the Government in the effort to recapture the trade which we have lost, because the export trade in cotton manufactures is still of vital importance to the country.

The extent of its importance is shown by the fact that until last year, exports of cotton yarn and manufactures constituted the largest item in our exports of manufactured goods and, even last year, they were only relegated to second place by the exceptional decline in the cotton trade, coupled with a substantial increase in the exports of machinery.

Although we fully recognise that a very large part of the export trade which we have lost is irrecoverable, there are some markets in which we are justified in expecting an improvement.

## MARKET PROSPECTS

In the case of India, for example, our exports last year of cotton piece-goods of all kinds declined to less than three hundred million yards—about one-eighth of the pre-war volume. Of this total, bleached goods accounted for about 157 million yards—about one-fifth of the 1913 volume and less than one-third of the 1929 volume. The recently concluded agreement between the British and Indian Governments establishes a lower rate of duty upon imports of British cotton piece-goods in India until the total reaches 500 million yards. If the full advantage of this agreement can be secured, there should be room for a substantial increase in our exports of cotton piece-goods to India, and there is no reason why the bleaching trade should not share in such improvement. It must always be borne in mind, however, that these reductions in duty are conditional upon our continued use of Indian cotton in increasing volume. It is, therefore, incumbent upon all producers and exporters to do everything they can to encourage the use of Indian cotton so that we can secure the important benefits which this agreement offers to us.

In Morocco, Egypt and West Africa, as well as in South America, we should be able to improve our share of the import trade, and I feel sure that, if international confidence can be restored, we shall have no need to regard the trade of 1938 as representative of normal conditions for the cotton industry.

## BOLDER BID FOR RECOVERY

The industry should, before long, have in its hands the power to reorganise in a way which should enable it to make a bolder bid for recovery. In this, we are prepared to play our part, and I can assure you that your property and plant have been maintained in the highest state of efficiency, so that we are ready to take advantage of any improvement in trade that may occur.

Before concluding my speech, I feel that you would wish me to express to all those concerned in the management of the Association our cordial thanks for the hard work which they have put in under very difficult and very trying circumstances, and I may perhaps add that every one of them is continuing to make that voluntary sacrifice of part of his remuneration which was undertaken as a contribution to economy in these lean times.

We commence the year under rather more favourable conditions those those which obtained when I last addressed you, since the volume of trade, although still deplorably low, is higher than it was in the corresponding period last year. I hope that this slight improvement will be maintained and that, when I meet you next year, we shall have a somewhat brighter prospect before us.

The resolution approving the report and accounts was moved by the chairman, seconded by Sir William Clare Lees, Bt., and carried.

The retiring directors were re-elected, and Messrs Jones, Crewdson and Youatt and Messrs P. and J. Kevan were re-appointed joint auditors.

The meeting terminated with a vote of thanks to Sir Alan Sykes, Bt., for presiding, which was proposed by Mr. C. Russell Hall and seconded by Mr G. A. Barrow.

## IMPERIAL BANK OF IRAN

## JUBILEE YEAR

## SIR HENRY McMAHON'S ADDRESS

The fiftieth ordinary general meeting of the Imperial Bank of Iran was held, on the 5th instant, at 51 Gracechurch Street, London, E.C.

Col. Sir A. Henry McMahon, G.C.M.G., G.C.V.O., K.C.I.E., C.S.I. (the chairman), in the course of his speech said: Beginning with the balance sheet, you will notice that there is a small reduction of £87,000 in the total figures, and that in deposits there is a reduction of £385,000, as compared with last year's figures. This reduction is in deposits repayable on demand in Teheran, and it is accounted for by the withdrawal of certain Government balances and the release of funds lodged by applicants for foreign exchange. The current account and fixed deposit balances of private customers show very little change on the figures of a year ago. On the other side of the balance sheet there is a reduction of nearly £600,000 in discounts, loans, and advances. There has been in general less demand for credit in Iran, and in particular the completion of the Trans-Iranian Railway has been followed by a substantial reduction in the facilities which contractors required of us during its construction. The reduction in our discounts and advances in Iran, which is much larger than the reduction in our deposits there, has resulted in increased liquidity in Iran which covers the whole of the increase of £200,000 shown in the cash item. We are accordingly in a position to take full advantage of opportunities for sound business in the internal activities of that country. In addition to the increase in our cash you will notice an increase of £110,000 in our investments, on which, in these lean times, we have largely to rely for revenue.

## DIVIDEND RECORD

The figure of net profit was formerly shown after deduction of income tax on the dividend. As the dividend is now declared, subject to tax, the income tax payable by members on the dividend is not now deducted before arriving at the figure of net profit. The difference on the interim and final dividends this year amounts to £24,750, which is the tax on £90,000 at 5s. 6d. in the pound. If this amount is deducted from the profit of £92,921 you have a balance of £68,171, which is £2,200 more than last year.

We propose to pay a final dividend of 6 per cent., making 9 per cent., subject to tax, for the year. This will absorb £90,000, leaving £2,821 to be added to the carry-forward, which will then stand at £56,929. In effect, the net dividend received by members this year will be 13s. 3-5d. per share as against 13s. per share paid for the past nine years. I am sorry that for the past two years we have not been able to add anything to the reserve account, which therefore still stands at the substantial figure of £750,000.

As you know, our concession was granted on January 30, 1889, and we commenced business in Iran in the autumn of that year, so that this is the year of our fiftieth anniversary. Over the past 49½ years our members have received in dividends an average of 5½ per cent. per annum, subject to tax, on the paid-up capital of £10 per share. The shares, however, were issued at a premium of £2, and if we allow for that the return on the money averages a little over 4½ per cent. per annum.

## SHORTAGE OF FOREIGN EXCHANGE

When I addressed you last year I explained that owing to exchange restrictions in Iran our requirements for sterling expenditure and for remittance of profits were not being fully met. Since then we have received a part of our arrears for the year ending March 20, 1938, which has been brought into this year's figures, but we have not yet received the balance, nor have we received our requirements for the year ending March 20, 1939. The shortage of foreign exchange which has been apparent since before official control was instituted in March, 1936, is still acute, and we do not look for much relief from this situation in the immediate future.

Apart from the difficulties I have referred to, our position in Iran continues fairly satisfactory, and we are not without hope that our exchange difficulties may be resolved in time. In the interest of economy, however, we decided last year to close three small branches in Iran whose results for some years have not justified their maintenance.

The development of the Anglo-Iranian Oil Company continues to expand. The annual outturn of the company in Iran now exceeds 10 million tons.

In conclusion, the chairman reviewed the progress of Iran's industrial development and the position in Iraq.

The report and accounts were unanimously adopted.

## THE METAL BOX COMPANY, LIMITED

## DIVIDEND MAINTAINED

The annual general meeting of The Metal Box Company, Limited, was held, on the 30th ultimo, at Winchester House, E.C.2. Mr F. N. Hepworth (chairman) said that there had been a reduction in net profit last year of about £15,000, but having regard to the recession in the trade early in the year, followed by the international crisis, the final profit of £316,368 was satisfactory.

The directors recommended a repetition of last year's final ordinary dividend of 10 per cent. and the bonus of 2½ per cent. The total undivided profits and reserves of the company and its subsidiaries now amounted to £1,264,181.

The consolidated balance sheet showed an excess of current assets over current liabilities and provisions of £1,580,093, the ratio being over 3 to 1.

Since last year, extensions had been completed at the company's factories at Newcastle and Hull, and the company was now engaged in the re-equipment of its Carlisle Tin Printing Department; in extending its Hackney factory; and also in building a new factory at Bombay, where business was rapidly expanding.

The central organisation had again received continuous consideration and adjustment to changing circumstances. Opportunity had also been taken to strengthen the company's overseas associations through personal visits by directors.

The company's research department, which had its headquarters at Acton in one of the most modern laboratories, had in addition to long range investigations, proved of great service in connection with manufacturing problems. In conjunction with this phase of scientific work, the company also had a technical development department at Head Office, which reviewed new ideas and processes related to the company's wide interests. The company is thus thoroughly equipped to deal constructively with the constant flow of fresh thought that its reputation for progress attracts from widespread spheres.

## EMERGENCY MEASURES

Special consideration had been given to the problems arising out of present disturbed state of world affairs. The national effort towards preparedness had had great repercussions upon the company because war in the past had always meant a great increase in the use of tin containers.

Since 1918, British canning had been developed and now covered a wide range of food products. Undoubtedly, it could do much to safeguard supplies if given sufficient guidance by the authorities.

In addition Metal Box Company's products were varied and useful and its equipment could readily be turned to other purposes. The chairman urged the need to plan now for a continuation of production during war time. The directors took a serious view of their responsibility. Factories had been equipped for the protection of employees.

1,400 employees had been trained in first aid, fire fighting, and gas decontamination, etc. The chairman paid tribute to the ready way in which people had volunteered to do this work, often at personal inconvenience.

Plans had been made in the company's 21 factories to provide alternative sources of manufacture for main products so as to minimise the effects of dislocation.

The company had also been able to render advice and guidance on the storage of food reserves in individual homes. The importance of the British canning industry in the event of a national emergency could not be over-estimated.

For the past three years the company had encouraged employees to join the Territorial Army by allowing extra leave without prejudice to either holidays or pay. These facilities had been extended to cover the need for longer periods of training.

## PROVISION FOR FURTHER CAPITAL

To give further working capital to finance the purchase of additional trading stocks—which were reduced last year by nearly £200,000—and to provide for other developments in view, the company had decided to offer to ordinary stockholders one new ordinary share at a price of £2 10s. in respect of each £7 of stock held on June 15. It may, perhaps, be regarded as the directors' confidence in the business that they had taken this step at this time. A resolution was passed to increase the authorised capital of the company to £3,000,000 by the creation of an additional 300,000 ordinary shares of £1 each.

The report and accounts were unanimously adopted.

## ANGLO-CYLON AND GENERAL ESTATES COMPANY, LIMITED

## DIVIDEND OF 10 PER CENT.

## SIR EDWARD ROSLING'S SPEECH

The fifty-third annual general meeting of the Anglo-Ceylon and General Estates Company, Limited, was held, on the 5th instant, at 117 Old Broad Street, London.

Sir Edward Rosling (the chairman and managing director), who presided, said:—The results of the past year's working are almost identical with those of the previous season, the net profit being £80,869, as compared with £80,015, which may be considered satisfactory under present-day conditions.

As regards Ceylon, the results have been satisfactory. The restricted tea crop shows a slight increase on the previous year, but the price realised was about one-third penny less. The cacao crop at 8,982 cwt. is some 200 cwt. in excess of the previous crop, but the price realised was appallingly low—namely, 17s. 7d. per cwt., as against 28s. 10d. a year ago. This price is, of course, below the cost of production.

Our interest in rubber is comparatively small, and our crop last year—although slightly less—realised a rather better price.

As regards Mauritius, the sugar crop at 38,000 tons was again good and this for the fourth year in succession. However, prices remained at a low level for the greater part of the season.

As a result of the International Sugar Agreement we were unable to export the whole of the crop, the reason being that up to the time of closing our books the necessary licences had not been received. Such stocks as we were left with have been carried forward to the current season at cost price.

## ESTATES IN GOOD CONDITION

Last autumn Mr Douse again visited our interests in Ceylon and Mauritius. I am glad to say he found the estates in good condition, producing economically, and in particular he was able to assure us that our system of working under restriction appeared to be satisfactory. The policy in recent years has been to obtain our crop off the smallest possible area, thus allowing other areas to rest and reducing cultivation costs accordingly.

After visiting Ceylon Mr Douse spent some five weeks in Mauritius, and during that time went into the affairs of our head office in Port Louis and reviewed all our other interests there. Mauritius differs from Ceylon in that it is so isolated (and as far as we are concerned has a much smaller personnel). It is no easy matter for the board to supervise the company's affairs there, and it is found that these periodic visits by a director enable very much closer co-operation to be maintained.

The opportunity to purchase Côte d'Or estate arose while Mr Douse was in Mauritius, and the negotiations resulted in our acquiring it. The lands adjoin those of the Highlands group, and should eventually form a very useful addition to that group.

Summing up, we now feel that our sugar estates are well managed; they are becoming less dependent on planters' canes and are ready to take full advantage of any improvement in conditions which we hope will eventually arise. New canes have been planted from time to time, giving better yields. Cultivation has been carefully studied, with the result that crops are becoming larger and costs cheaper.

## PROSPECTS

In regard to the prospects for the current season. With the world in its present state of turmoil, it is futile to attempt a long forecast; one can only deal with facts as they present themselves to-day.

In regard to tea, our crop estimates are based on 4,000,000 lb. Prices now are rather better than a year ago, but as our year only commenced on April 1st, sales to date are too small to afford a reliable guide.

Rubber does not affect us much, but prices are, however, better than last year.

It is too soon to estimate the cacao crop, as the blossom has not yet set.

In Mauritius a drought was experienced in the early months of the year, and this was followed by a mild hurricane. The estimate of the crop for the island is some 20 per cent. less than last year, but against this there has been the rise in the price of sugar to which have already referred. We therefore anticipate that the year's working should still show a reasonable profit.

The report was unanimously adopted, and a final dividend of 10 per cent., making 10 per cent. for the year, was approved.

## OHLSSON'S CAPE BREWERIES, LIMITED

## FURTHER SATISFACTORY PROGRESS

The ordinary general meeting of Ohlsson's Cape Breweries, Limited, was held, on the 6th instant, in London.

Mr Geoffrey Dent, the chairman, said that it was satisfactory on this, the fiftieth annual general meeting, to be able once again to record an increased profit on trading and rentals of £3,921. During the first half of the year trading results had given promise of a very satisfactory increase, but the repercussions of the September crisis were bound to be felt in every country in the world, and it was always noticeable that Johannesburg was much more sensitive to outside conditions generally than were other parts of the Union.

The board were able to report an increase in sales auguring well for the future when the world returned to sanity. During the past year a number of fresh outlets had been obtained for the company's products which should bear fruit in the future.

In South Africa, a very high standard of comfort was demanded by the Licensing Authorities and to meet their demand very large sums had to be spent, and would no doubt continue to be spent on the company's properties. While some of that expenditure resulted in increased takings and rentals, much of it was of necessity unremunerative. Last year he had mentioned that so far as they could tell, the reduction in the number of licenses and the other restrictions on sales imposed by the provisions of the Liquor Act was not likely to cause very heavy reduction in their sales. As a result of further experience he was happy to confirm that opinion and to tell them of a satisfactory increase in sales.

During last winter he had visited South Africa and Rhodesia and had inspected all the company's premises and had found a very high standard of efficiency and cleanliness throughout; the rebuilt properties, particularly in Cape Town, were certainly a credit to the company. It might interest them to know that last year a total of £194,997 had been paid in taxation.

It was proposed to pay a final dividend of 7½ per cent., and a bonus of 5 per cent., making a total distribution of 12½ per cent. for the year, which, allowing for the reduced rate of tax at 3s. 4½d. in the pound, was equivalent to just over 20 per cent.

The report and accounts were unanimously adopted.

## HOVIS, LIMITED

## CONTINUED PROGRESS

The forty-first ordinary general meeting of Hovis, Limited, was held, on the 6th instant, at the Caxton Hall, London, S.W.

Mr A. H. Dence, J.P. (the Chairman), dealing with the accounts, said that it was proposed to place £20,000 to the reserve account, bringing it up to £520,000. The directors had also thought it prudent to place £20,000 to reserve for depreciation in Government securities. The profit on trading showed an increase of £14,000 as compared with the previous year's figure.

During the year there was a heavy decline in wheat prices, No. 1 Manitoba showing a fall of 30s. and other descriptions 15s. a quarter. The smaller harvests of the previous year were followed by big crops in the chief exporting countries and also in Europe, with the result that once more supplies became well in excess of demand.

Generally speaking, the outlook for the crops now being grown in the exporting countries was favourable, and there should be no anxiety as regarded supplies in the current year.

There were temporary sharp rises resulting from the September crisis and other periods of international tension, and conditions in the wheat market were further complicated by the Government purchases of wheat from Roumania and by the purchase and replacements of wheat for National Food Defence purposes.

With regard to this security stock, in their opinion it would surely be more prudent if, instead of being in the form of raw material, the wheat were manufactured into flour and well distributed in smaller quantities in depots and stores all over the country, especially inland.

In this way, instead of security stock being concentrated in a few large centres, all millers, large and small, would be participating in the food reserve scheme, and the manufactured article, flour, instead of the raw material, would be available for immediate distribution, with considerably less transport, in the event of national emergency.

Except for maintenance and replacement due to wear and tear, all the company's mills were now complete and up to date, and they were proud of them.

The report was unanimously adopted.

## TRUST COMPANY OF LONDON AND SCOTLAND, LIMITED

## MR B. W. BLOOMER ON THE OUTLOOK

The tenth annual general meeting of the Trust Company of London and Scotland, Limited, was held, on the 30th ultimo, at the company's offices, 25 Moorgate, E.C.

Mr B. W. Bloomer (chairman) said: This time last year I said that although the outlook was uncertain and even threatening, many powerful forces were hard at work to bring about a better state of things, but, unfortunately, conditions have not yet improved, and so far as our own business is concerned, economic factors have become a secondary consideration, while politics tend ever increasingly to dominate the situation.

Moreover, we are caught between the upper and nether political millstones of home and foreign uncertainties. As investors we have thought it prudent in recent times to increase our holdings of British industries, only to find that under the latest proposals companies whose foresight, initiative and courage have placed them in a position at long last of seeing their efforts rewarded are singled out for a new form of tax for which, in my opinion, there is no justification beyond a clamour for the prevention of profiteering.

Referring to the accounts, may I briefly compare the figures with those for the previous year? The gross revenue, including registration fees, for the year was £66,640 compared with £69,010, and after charging expenses, auditors' and trustees' fees, which were all slightly less, the balance carried down is £61,960. After deducting interest on debenture stocks, loans and income tax, the net revenue comes out at £30,004, which is £3,293 less than the previous year—a fall of approximately 10 per cent. As you know, we again recommend a dividend on the ordinary stock of 1½ per cent. and are able to increase the carry-forward by £4,099 to £28,402.

It is more difficult than ever to make an estimate of the revenue we may receive during the current financial year, but unless there is a major catastrophe, I trust and hope we shall be able to maintain the same rate of dividend again on the ordinary stock, although a decline in income appears inevitable.

The report and accounts were carried unanimously.

## LOBITOS OILFIELDS, LIMITED

## 15 PER CENT. DISTRIBUTION MAINTAINED

The thirty-first annual general meeting of Lobitos Oilfields, Limited, was held, on the 4th instant, in London.

Mr H. C. R. Williamson (the chairman) said that at December 31st last the value of the investments, apart from the shares in their subsidiary, considerably exceeded the book value, and this continued to be the case to-day, though to a lesser extent. After making adequate provision for taxation, there was a net profit of £252,231, and the directors recommended a final dividend of 5 per cent. (making 10 per cent. for the year), and a bonus of 5 per cent., both subject to income tax.

From the Peruvian subsidiary they had received a dividend of £92,000 net for 1937-38, as compared with a dividend of £138,000 net for 1936-37. The footage drilled was practically identical with that of the preceding year, while production at 358,525 tons showed an increase of 16,493 tons. During the financial year of the Peruvian Company there were two reductions in the price of crude oil, but as some set-off benefit had been derived from the course of sterling-dollar exchange. Producing-wells completed during the year numbered eight at Lobitos and 38 at El Alto, while at October 31st nine wells were drilling or unfinished at Lobitos and ten at El Alto.

Nineteen thirty-eight, after the fair promise of 1937, had proved a disappointing year. Consumption of oil, instead of continuing its steady upward trend, had remained practically unchanged and in some countries actually declined. Moreover, the consumption figures probably were not fair indices, since various nations were reported to have been increasing their secret stores of oil for military or other purposes. Taking a long view, however, the trend of consumption must be upward, and if only the world could return to a condition of sanity it was fairly safe to assume that the curve of the trend upwards would be a steady one.

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.

BRITISH GLUES AND CHEMICALS,  
LIMITED

STRONG POSITION

RESERVES AUGMENTED

The nineteenth ordinary general meeting of British Glues and Chemicals, Limited, was held, on the 6th instant, at the Connaught Rooms, London.

Mr T. Walton, F.C.A. (the chairman), in the course of his speech, said: Our profits are just a little less than in the preceding year, yet after full provision for every revenue charge affecting the year and for taxation, and providing £5,000 towards A.R.P. expenditure, your directors have been able again to augment general reserve by £10,000 and to recommend an additional 1 per cent. on the Participating Preference Stock and again 10 per cent. dividend on our Ordinary Stock. In face of continued world political and economical unrest, and especially depressed conditions in the fat and bone industry, I feel your opinion will accord with that of your directors that there are grounds for satisfaction.

Outside investments stand at a figure greater by £8,750 than their market value at April 30, 1939. Recent Stock Exchange fluctuations have been violent; indeed, at one time since the date of the balance sheet the difference was only £1,250; it is now £3,600. What the next change will be none can foretell, but our conservative record will serve us in good stead to meet what may come.

In my last speech I referred to the manufacture of grease having been unremunerative. Prices have deteriorated still further: the quotation for melted stuff in the London Market Letter, which forms the price basis for bone grease, has been from £3 10s. to £8 per ton lower than even in the previous year, and the lowest price during the year has persisted considerably longer than in the slump year of 1931. It may be of interest to record that the selling price of tallow is to-day lower than it has been since the battle of Waterloo, nearly 125 years ago, and the price of bone grease is much less than half what it was in July, 1914, prior to the last war. It has been imperative for us to carry out substantial price reduction movements in our raw material prices. The facts I have just mentioned will, I hope, reassure our raw material suppliers that the price reductions they are suffering are due to causes beyond our control.

Fortunately our company is not dependent for its profits on any one commodity nor even solely upon our main business, for our subsidiaries continue to serve us well. Our feeding-stuffs are favoured by an increasing demand, and we continue our scientific investigations in relation to the nutrition of livestock. We have had a good season for the sale of our fertilisers, and there are indications that the coming year will be equally satisfactory. We continue attention to research in every direction associated with our business and our manufactures are maintained at a very high standard. Our managing director has again been re-elected President of the Association of European glue manufacturers and both they and we gain from friendliness of relationships.

The report was unanimously adopted.

(Continued from page 83)

Another series of London sales begins next Tuesday, when there will be available 101,600 bales. Everything points to merinos being about 5 per cent., and crossbreds about 10 per cent., dearer.

THE COMMODITY  
MARKETS

MARKETS continue to be influenced more by changes in European sentiment and by developments in Washington than by purely business considerations. London prices of non-ferrous metals are slightly higher than a week ago, with the exception of tin, for which the market is now dependent on supplies from the buffer pool. Fears of war were mainly responsible both for the slight rise in wheat prices and the lack of business on the rubber market. Cotton prices were virtually unchanged on the week.

In the United States Moody's index of wholesale prices has fluctuated only slightly in the past week; it stood on Wednesday at 143.2 (December 31, 1931 = 100) compared with 143.3 a week earlier.

## Metals

**Copper.**—Standard cash gained 15s. to close on Wednesday at £42 15s. per ton. The market was encouraged by reports that the French Government bought about 20,000 tons of copper last week and would require a further 30,000 tons for war stock, but so far there is no confirmation of these reports. Sales in the United States have risen considerably in recent months; in June they totalled 66,350 short tons compared with 36,210 short tons on the average of the five preceding months, so that exports from that country may diminish before long.

★

**Tin.**—This was the first week for very many years in which the price of tin has remained completely stable. The quotation throughout the week was £229 15s. per ton. The only alteration occurred in the backwardation, which fluctuated between £6 and £5 5s. The

pool appears to be willing to meet the demand for cash at around £230 per ton, and as the market is now entirely dependent on pool releases the cash price is not likely to show major changes. The tin situation is discussed in a Note on page 82.

★

**Lead and Spelter.**—Spot lead closed on Wednesday 2s. 6d. up at £14 12s. 6d. per ton, while spelter advanced by 5s. to £14 2s. 6d. per ton. The building trade is still a slow buyer, while the demand from other quarters is fairly active. Home warehouse stocks of lead fell from 12,736 tons at the end of May to 12,209 tons at the end of June, and those of spelter declined from 22,673 tons to 21,560 tons. According to the Metallgesellschaft the world's lead smelter output advanced from 542,673 metric tons in the first four months of 1938 to 564,600 tons in the same period of 1939, the bulk of the rise occurring outside the United States; the world zinc smelter output fell in the same period from 549,286 metric tons to 546,173 metric tons, due mainly to Belgium, the Netherlands and Australia. There are no comparable consumption figures for the two metals, but it appears that new supplies exceeded requirements in both cases in the first four months of 1939.

## Grains

THE continuing favourable reports from Canada indicate that an exceptionally good harvest of wheat is to be expected from that country. Supplies of Argentine wheat are freely offered both from the Plate and from re-sellers. In spite, therefore, of the depressing political outlook, Liverpool prices of wheat remain at a very low level, but the market has been steady in the past week, with prices up to 6d. per quarter higher. A small advance in prices for Plate maize last week was checked by the low wheat prices and by signs of American competition; the market for feeding barley is also dull.

## Other Foods

**Provisions.**—Dominion butters continue in demand and their prices

## UNREMUNERATIVE PRICES

have risen relatively to those of European countries. There was also an improvement in bacon prices due to smaller supplies, but an additional import quota has now been arranged by the Board of Trade for immediate shipment.

★

**Colonial Produce.**—The sugar market remains firm but there has been no further advance in raw sugar prices. Prices for refined were marked up by 3d. per cwt. at the end of last week. Sales of cocoa continue slowly, but there is little interest in the market and prices for Accra remain round 20s. per cwt.

★

**Fruit and Vegetables.**—The large supplies of English soft fruits, for which there is still a good demand, has brought down the prices for imported fruits. Except in the Worcestershire districts, prospects for the apple crop are good and main crop potatoes are also making satisfactory progress.

Miscellaneous  
Commodities

**Oils and Oilseeds.**—The seasonal slackness in activity combined last week with political uncertainty to reduce business in oils to a very low level. New crop Plate linseed is quoted £10 17s. 6d. per ton for January-February shipment, and old crop is also cheaper; America is the chief purchaser of Argentine supplies. The new crop in America continues to make good progress and the total yield is expected to be higher than last year. Egyptian cottonseed has rallied after a considerable period of weakness, but there is little business in cottonseed oil. Linseed oil is also cheaper.

★

**Rubber.**—The market continues idle, with the changes in political sentiment the dominating factor. Malayan net shipments in June amounted to 21,974 tons, a considerable decline on the exports of previous months, and the fall will compensate for the heavy excess of exports carried over from last year.

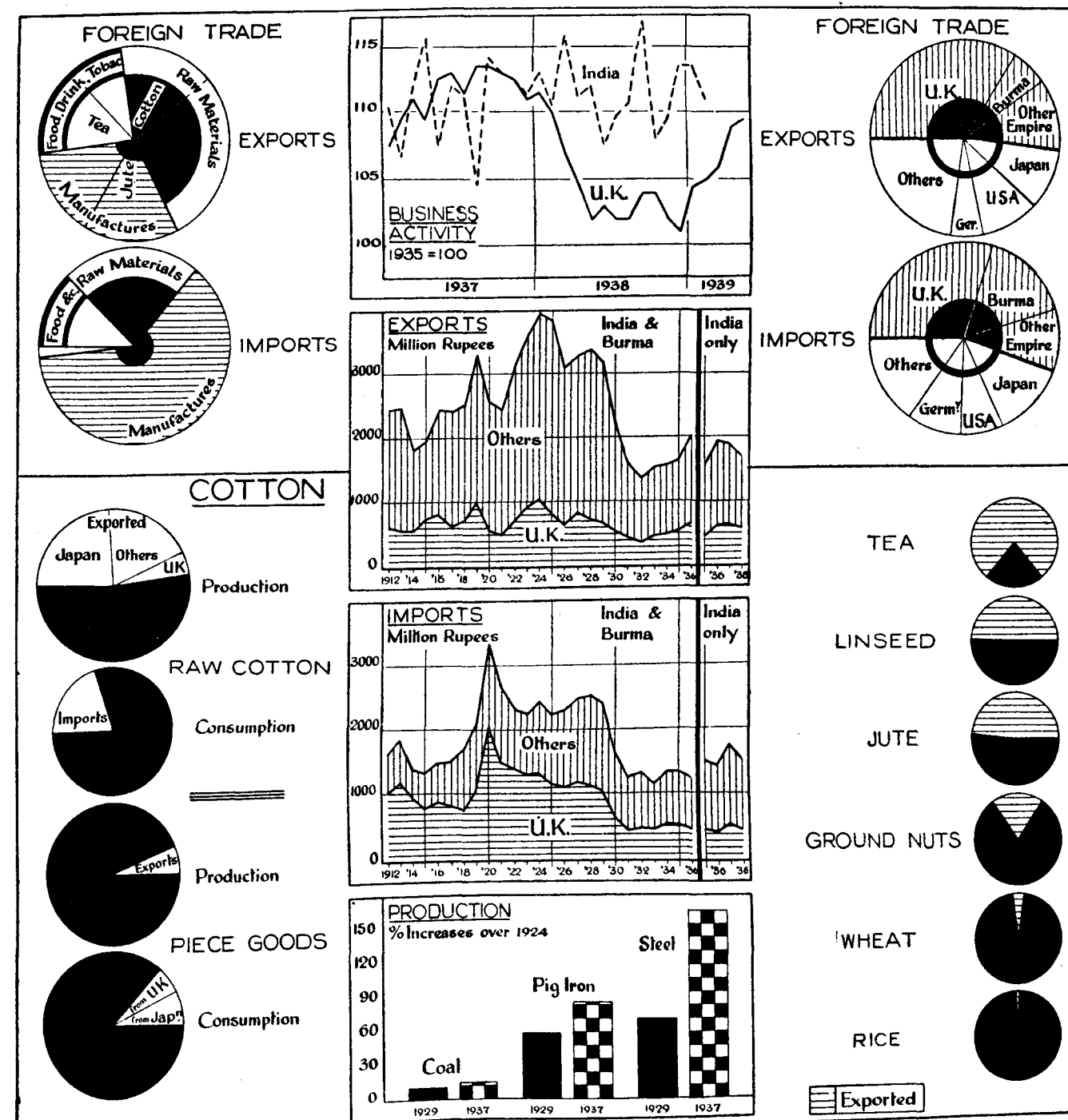
## CURRENT STATISTICS

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## India: Trade and Industry



The years for which figures are plotted in the charts on exports and imports are not calendar years, but periods of twelve months commencing on April 1st of the years indicated. The index of business activity in India is published by "Capital"; it is exclusive of agriculture.





## 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, 1940, as compared with the corresponding periods of the preceding Year.

|                                                                                    | Quarter from April 1 to June 30, 1939, compared with the corresponding Quarter of the preceding Year |                              |             |              | Period from April 1, 1939, to June 30, 1939, compared with the corresponding Period of the preceding Year |                             |          |          |
|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|------------------------------|-------------|--------------|-----------------------------------------------------------------------------------------------------------|-----------------------------|----------|----------|
|                                                                                    | Quarter ending June 30, 1938                                                                         | Quarter ending June 30, 1939 | Increase    | Decrease     | Period ending June 30, 1938                                                                               | Period ending June 30, 1939 | Increase | Decrease |
| <b>Ordinary Revenue</b>                                                            | £                                                                                                    | £                            | £           | £            | £                                                                                                         | £                           | £        | £        |
| Inland Revenue—                                                                    |                                                                                                      |                              |             |              |                                                                                                           |                             |          |          |
| Income Tax                                                                         | 11,619,000                                                                                           | 10,246,000                   | ...         | 1,373,000    |                                                                                                           |                             |          |          |
| Sur-tax                                                                            | 6,120,000                                                                                            | 6,660,000                    | 540,000     | ...          |                                                                                                           |                             |          |          |
| Estate, etc., Duties                                                               | 18,900,000                                                                                           | 20,930,000                   | 2,030,000   | ...          |                                                                                                           |                             |          |          |
| Stamps                                                                             | 4,730,000                                                                                            | 4,380,000                    | ...         | 350,000      |                                                                                                           |                             |          |          |
| National Defence Contribution                                                      | 1,690,000                                                                                            | 5,040,000                    | 3,350,000   | ...          |                                                                                                           |                             |          |          |
| Other Inland Revenue Duties                                                        | 110,000                                                                                              | 250,000                      | 140,000     | ...          |                                                                                                           |                             |          |          |
| Total Inland Revenue                                                               | 43,169,000                                                                                           | 47,506,000                   | 6,060,000   | 1,723,000    |                                                                                                           |                             |          |          |
| Customs and Excise—                                                                |                                                                                                      |                              |             |              |                                                                                                           |                             |          |          |
| Customs                                                                            | 53,718,000                                                                                           | 61,523,000                   | 7,805,000   | ...          |                                                                                                           |                             |          |          |
| Excise                                                                             | 26,900,000                                                                                           | 26,950,000                   | 50,000      | ...          |                                                                                                           |                             |          |          |
| Total Customs and Excise                                                           | 80,618,000                                                                                           | 88,473,000                   | 7,855,000   | ...          |                                                                                                           |                             |          |          |
| Motor Vehicle Duties                                                               | 4,580,000                                                                                            | 4,629,000                    | 49,000      | ...          |                                                                                                           |                             |          |          |
| Post Office (Net receipt)                                                          | 1,620,000                                                                                            | 1,614,000                    | ...         | 6,000        |                                                                                                           |                             |          |          |
| Crown Lands                                                                        | 280,000                                                                                              | 320,000                      | 40,000      | ...          |                                                                                                           |                             |          |          |
| Receipts from Sundry Loans                                                         | 364,563                                                                                              | 357,779                      | ...         | 8,784        |                                                                                                           |                             |          |          |
| Miscellaneous Receipts                                                             | 1,255,073                                                                                            | 1,158,998                    | ...         | 96,075       |                                                                                                           |                             |          |          |
| Total Ordinary Revenue                                                             | 131,886,636                                                                                          | 144,056,777                  | 14,004,000  | 1,833,859    |                                                                                                           |                             |          |          |
| Self-Balancing Revenue                                                             |                                                                                                      |                              | £12,170,141 | Net Increase |                                                                                                           |                             |          |          |
| Post Office (Revenue required to meet expenditure on Post Office and Broadcasting) | 19,180,000                                                                                           | 19,736,000                   | 556,000     | ...          |                                                                                                           |                             |          |          |
| Total                                                                              | 151,066,636                                                                                          | 163,792,777                  | 14,560,000  | 1,833,859    |                                                                                                           |                             |          |          |
|                                                                                    |                                                                                                      |                              | £12,726,141 | Net Increase |                                                                                                           |                             |          |          |

II.—An ACCOUNT showing the RECEIPTS into and ISSUES out of the EXCHEQUER in the Period ending June 30, 1939, as compared with the corresponding period of the preceding Year.

| RECEIPTS                                                                        | Period ending June 30, 1938 | Period ending June 30, 1939 | ISSUES                                                                             | Period ending June 30, 1938 | Period ending June 30, 1939 |
|---------------------------------------------------------------------------------|-----------------------------|-----------------------------|------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Ordinary Revenue, as shown in Account I                                         | 131,886,636                 | 144,056,777                 | Interest and Management of National Debt                                           | 76,061,116                  | 76,792,030                  |
| Self-Balancing Revenue as shown in Account I                                    | 19,180,000                  | 19,736,000                  | Payments to Northern Ireland Exchequer                                             | 1,594,929                   | 1,633,189                   |
| Total Revenue                                                                   | 151,066,636                 | 163,792,777                 | Other Consolidated Fund Services                                                   | 591,686                     | 591,529                     |
| Temporary Advances Repaid—                                                      |                             |                             | Total                                                                              | 78,247,731                  | 79,016,748                  |
| Bullion                                                                         | ...                         | 85,000                      | Supply Services—                                                                   |                             |                             |
| Money Raised by Creation of Debt—                                               |                             |                             | Army, Navy and Air Votes                                                           | 65,750,000                  | 102,100,000                 |
| (a) For Capital Expenditure Issues—                                             |                             |                             | Civil Defence                                                                      | 600,000                     | 7,000,000                   |
| Under the Post Office and Telegraph (Money) Act, 1937                           | 5,400,000                   | 5,450,000                   | Total Defence                                                                      | 66,350,000                  | 109,100,000                 |
| (b) For other Issues—                                                           |                             |                             | Civil and Revenue Votes (excluding Civil Defence, Post Office and Broadcasting)    | 90,350,850                  | 93,020,500                  |
| By Treasury Bills                                                               | 1,180,900,000               | 1,370,835,000               | Total Supply Services (excluding Post Office and Broadcasting)                     | 156,700,850                 | 202,120,500                 |
| By National Savings Certificates                                                | 5,700,000                   | 5,750,000                   | Total Ordinary Expenditure                                                         | 234,948,581                 | 281,137,248                 |
| By 3 per Cent. National Defence Loan 1954-58                                    | 14,233,525                  | ...                         | Self-Balancing Expenditure                                                         |                             |                             |
| By other Debt under the War Loan Acts, 1914 to 1919                             | ...                         | 200,000                     | Post Office Vote and Vote for Broadcasting                                         | 19,180,000                  | 19,736,000                  |
| (c) Ways and Means Advances                                                     | 505,100,000                 | 701,850,000                 | Total Expenditure                                                                  | 254,128,581                 | 300,873,248                 |
| Receipts under Section 2 (3) of the Eire (Confirmation of Agreements) Act, 1938 | 1,000,000                   | ...                         | Temporary Advances—                                                                |                             |                             |
| Repayments—                                                                     |                             |                             | Bullion                                                                            | ...                         | 85,000                      |
| In respect of Issues under Land Settlement (Facilities) Acts, 1919 and 1921     | 36,405                      | 37,868                      | Issues to meet Capital Expenditure—                                                |                             |                             |
| In respect of Issues under Section 26 of the Tithe Act, 1936                    | 300,000                     | 450,000                     | Under the Post Office and Telegraph (Money) Act, 1937                              | 5,400,000                   | 5,450,000                   |
|                                                                                 | 1,863,736,566               | 2,248,450,645               | Redemption of Debt—                                                                |                             |                             |
|                                                                                 |                             |                             | Treasury Bills paid off                                                            | 1,158,540,000               | 1,270,350,000               |
|                                                                                 |                             |                             | Principal of National Savings Certificates paid off                                | 7,050,000                   | 7,350,000                   |
|                                                                                 |                             |                             | Principal of National Savings Bonds paid off                                       | ...                         | 28,425                      |
|                                                                                 |                             |                             | Ways and Means Advances Repaid                                                     | 434,245,000                 | 646,525,000                 |
|                                                                                 |                             |                             | Sinking Funds                                                                      | 1,504,627                   | 1,539,607†                  |
|                                                                                 |                             |                             | Issues under Section 1 (1) of the North Atlantic Shipping Act, 1934                | 1,431,527                   | 383,379                     |
|                                                                                 |                             |                             | Issues under Section 26 (1) of the Tithe Act, 1936                                 | 950,000                     | 960,000                     |
|                                                                                 |                             |                             | Issues under the Defence Loans Acts, 1937 and 1939                                 | ...                         | 14,750,000                  |
|                                                                                 |                             |                             | Issues under Section 1 of the Anglo-Turkish (Armaments Credit) Agreement Act, 1938 | ...                         | 134,211                     |
| Balances in Exchequer on April 1st—                                             |                             |                             |                                                                                    | 1,863,249,735               | 2,248,428,870               |
| Bank of England                                                                 | 2,039,409                   | 2,063,755                   | Balances in Exchequer—                                                             |                             |                             |
| Bank of Ireland                                                                 | 324,568                     | 435,657                     | Bank of England                                                                    | 2,115,424                   | 2,039,583                   |
|                                                                                 |                             |                             | Bank of Ireland                                                                    | 735,384                     | 481,604                     |
|                                                                                 |                             |                             |                                                                                    | 2,850,808                   | 2,521,187                   |
|                                                                                 |                             |                             |                                                                                    | 1,866,100,543               | 2,250,950,057               |

Treasury, June 30, 1939.

Mem.—Floating Debt, outstanding March 31, 1939

|                                      | June 30, 1938 | June 30, 1939 |
|--------------------------------------|---------------|---------------|
| Ways and Means Advances outstanding— |               |               |
| Advances by Bank of England          | 41,500,000    | 37,500,000    |
| Advances by Public Departments       | 42,450,000    | 45,710,000    |
| Treasury Bills outstanding           | 850,980,000   | 992,960,000*  |
| Total Floating Debt outstanding      | 934,930,000   | 1,076,170,000 |
| Net Increase                         |               | 155,860,000   |

\* Includes £65,000 the proceeds of which were not carried to the Exchequer within the period of the Account.  
† Authority is being sought in the Finance Bill to meet the amount of the Statutory Sinking Funds in 1939 by borrowing.

## BANK CLEARINGS

## LONDON

(£ thousands)

|                         | Month of June |           |        | Week ended Wednesday |              | Aggregate from January 1 to |              |
|-------------------------|---------------|-----------|--------|----------------------|--------------|-----------------------------|--------------|
|                         | 1938          | 1939      | Change | July 6, 1938         | July 5, 1939 | July 6, 1938                | July 5, 1939 |
| Number of working days: | 25            | 26        | %      | 6                    | 6            | 157                         | 156          |
| Town                    | 2,738,543     | 2,479,638 | -12.9  | 851,870              | 807,549      | 17,515,750                  | 15,724,831   |
| Metropolitan            | 163,422       | 166,120   | +2.2   | 54,125               | 50,868       | 1,104,522                   | 1,068,053    |
| Country                 | 287,214       | 305,201   | +2.2   | 93,444               | 91,053       | 1,939,140                   | 1,926,237    |
| Total                   | 3,189,179     | 2,950,959 | -11.0  | 999,439              | 949,470      | 20,559,412                  | 18,719,121   |

† Based on clearings per working day.

## PROVINCIAL

(£ thousands)

|                      | Month of June |         |        | Week ended Saturday |              | Aggregate from January 1 to |              |
|----------------------|---------------|---------|--------|---------------------|--------------|-----------------------------|--------------|
|                      | 1938          | 1939    | Change | July 2, 1938        | July 1, 1939 | July 2, 1938                | July 1, 1939 |
| No. of working days: | 25            | 26      | %      | 6                   | 6            | 155                         | 154          |
| BIRMINGHAM           | 9,866         | 9,947   | +3.0   | 3,247               | 2,433        | 63,735                      | 61,731       |
| BRADFORD             | 3,169         | 3,488   | +5.0   | 1,246               | 999          | 21,431                      | 21,698       |
| BRISTOL              | 5,174         | 6,302   | +17.1  | 1,466               | 1,470        | 33,386                      | 34,429       |
| HULL                 | 3,202         | 3,407   | +2.3   | 965                 | 794          | 22,301                      | 20,874       |
| LEEDS                | 3,538         | 3,862   | +5.0   | 1,251               | 1,175        | 26,444                      | 26,107       |
| LEICESTER            | 2,753         | 2,827   | +1.3   | 891                 | 695          | 18,668                      | 18,384       |
| LIVERPOOL            | 22,434        | 22,917  | +1.7   | 6,228               | 5,342        | 140,347                     | 129,332      |
| MANCHESTER           | 35,423        | 38,258  | +3.9   | 11,897              | 10,469       | 250,951                     | 246,176      |
| NEWCASTLE            | 5,945         | 6,412   | +3.7   | 1,811               | 1,699        | 41,061                      | 39,739       |
| NOTTINGHAM           | 1,916         | 1,973   | +1.0   | 589                 | 532          | 13,427                      | 12,844       |
| SHEFFIELD            | 4,271         | 4,347   | +2.1   | 1,801               | 1,071        | 30,091                      | 27,584       |
| Total: 11 Towns      | 97,691        | 103,740 | +2.1   | 31,392              | 26,679       | 661,842                     | 638,898      |
| DUBLIN               | ...           | ...     | ...    | 4,853               | 6,771        | 162,661‡                    | 161,926‡     |

† Based on clearings per working day. ‡ 26 calendar weeks.

## MONEY RATES

## LONDON

|                                            | June 29, 1939 | June 30, 1939 | July 1, 1939 | July 3, 1939 | July 4, 1939 | July 5, 1939 | July 6, 1939 |
|--------------------------------------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Bank rate (changed from 2½% June 30, 1932) | 2             | 2             | 2            | 2            | 2            | 2            | 2            |
| Market rates of discount                   |               |               |              |              |              |              |              |
| 60 days' bankers' drafts                   | 11½           | 11½-34        | 11½-34       | 11½-34       | 11½-34       | 11½-34       | 11½-34       |
| 3 months' do.                              | 34            | 13½-78        | 13½-78       | 13½-78       | 13½-78       | 13½-78       | 13½-78       |
| 4 months' do.                              | 13½           | 78-15½        | 78-15½       | 78-15½       | 78-15½       | 78-15½       | 78-15½       |
| 6 months' do.                              | 1-11½         | 11½-14        | 14           | 14           | 14           | 14           | 14           |
| Discount Treasury Bills                    |               |               |              |              |              |              |              |
| 2 months'                                  | 11½           | 11½-34        | 11½-34       | 11½-34       | 11½-34       | 11½-34       | 11½-34       |
| 3 months'                                  | 34            | 13½-78        | 13½-78       | 13½-78       | 13½-78       | 13½-78       | 13½-78       |
| Leases—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.: E.K.                     | 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   | %           | %          | %        | %        | %           | %        | %        |
| June 8 | 12-1        | 11½        | 11½-34   | 78-1     | 3-3½        | 3½-3½    | 3½-4     |
| " 15   | 12-1        | 34         | 13½      | 1-11½    | 3-3½        | 3½-3½    | 3½-4     |
| " 22   | 12-1        | 13½        | 78       | 11½-14   | 3-3½        | 3½-3½    | 3½-4     |
| " 29   | 12-1        | 13½        | 13½      | 1-11½    | 3-3½        | 3½-3½    | 3½-4     |
| July 6 | 12-1        | 13½-78     | 78-15½   | 14       | 3-3½        | 3½-3½    | 3½-4     |

## NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

|                                   | July 6, 1938 | June 7, 1939 | June 14, 1939 | June 21, 1939 | June 28, 1939 | July 5, 1939 |
|-----------------------------------|--------------|--------------|---------------|---------------|---------------|--------------|
| Call money                        | 11½          | 11½          | 11½           | 11½           | 11½           | 11½          |
| Time money (90 days' mixed coll.) | 11½          | 11½          | 11½           | 11½           | 11½           | 11½          |
| 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<br>Exch.<br>per £ | June 30,<br>1939 | July 1,<br>1939 | July 3,<br>1939 | July 4,<br>1939 | July 5,<br>1939 | July 6,<br>1939 |
|---------------------|--------------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| New York, \$..      | 4.862½                   | 4.68-68½         | 4.68-68½        | 4.68-68½        | 4.68-68½        | 4.68-68½        | 4.68-68½        |
| Montreal, \$...     | 4.862½                   | 4.69-69½         | 4.69-69½        | 4.69-69½        | 4.69-69½        | 4.69-69½        | 4.69-69½        |
| Paris, Fr. ...      | 124.21                   | 176½-78          | 176½-78         | 176½-78         | 176½-78         | 176½-78         | 176½-78         |
| Brussels, Bel.      | 33.00a                   | 27.53-56         | 27.52-55        | 27.52-55        | 27.52-55        | 27.52-55        | 27.52-55        |
| Milan, L.....       | 92.46                    | 88.97½-89½       | 88.97½-89½      | 88.97½-89½      | 88.97½-89½      | 88.97½-89½      | 88.97½-89½      |
| Zurich, Fr....      | 25.22½                   | 20.77-79         | 20.75-78        | 20.75-78        | 20.75-78        | 20.75-78        | 20.75-78        |
| Athens, Dr....      | 375                      | 540-555          | 540-555         | 540-555         | 540-555         | 540-555         | 540-555         |
| Amst'd m, Fl.       | 12.107                   | 8.81-82½         | 8.81-82½        | 8.81-82½        | 8.81-82½        | 8.81-82½        | 8.81-82½        |
| Berlin, Mk....      | 23.43                    | 11.65-68         | 11.65-68        | 11.65-68        | 11.65-68        | 11.65-68        | 11.65-68        |
| Registered<br>Marks |                          |                  |                 |                 |                 |                 |                 |
| Br. India Rup.      | †18d.                    | 62-67            | 62-67           | 62½-67½         | 63-68           | 63-68           | 63-68           |
| Hong Kong, \$       | †100                     | 141½-15½         | 141½-15½        | 141½-15½        | 141½-15½        | 141½-15½        | 141½-15½        |
| Shanghai, \$        | †100                     | 61½-71½          | 61½-71½         | 61½-71½         | 61½-71½         | 61½-71½         | 61½-71½         |
| Rio, Mil. ....      | †5.899d.                 | 20.16-20.15      | 20.15-20.15     | 20.15-20.15     | 20.15-20.15     | 20.15-20.15     | 20.15-20.15     |
| B. Aires, \$ ...    | 11.45                    | 17.13½-20.28     | 17.13½-20.28    | 17.13½-20.28    | 17.13½-20.28    | 17.13½-20.28    | 17.13½-20.28    |
| Valparaiso, \$.     | †51d.                    | 17½-18½          | 17½-18½         | 17½-18½         | 17½-18½         | 17½-18½         | 17½-18½         |
| Montevideo, \$      | †51d.                    | 17½-18½          | 17½-18½         | 17½-18½         | 17½-18½         | 17½-18½         | 17½-18½         |
| Lima, Sol. ....     | 17.38                    | 27-28½           | 27-28½          | 27-28½          | 27-28½          | 27-28½          | 27-28½          |
| Mexico, Pes....     | 9.76                     | Unq't'd          | Unq't'd         | Unq't'd         | Unq't'd         | Unq't'd         | Unq't'd         |
| Manila, Pes....     | †25.66d.                 | 25½-26½          | 25½-26½         | 25½-26½         | 25½-26½         | 25½-26½         | 25½-26½         |
| Moscow, Rbls.       | ...                      | 24.81-81½        | 24.81-81½       | 24.81-81½       | 24.81-81½       | 24.81-81½       | 24.81-81½       |

## EXCHANGE RATES—cont.

## NEW YORK

| New York on        | June 29, 1939                     | June 30, 1939                     | July 1, 1939                      | July 3, 1939                      | July 4, 1939                      | July 5, 1939                      |
|--------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| London:—           |                                   |                                   |                                   |                                   |                                   |                                   |
| 60 days            | 467 <sup>13</sup> / <sub>32</sub> | 467 <sup>13</sup> / <sub>32</sub> | 467 <sup>13</sup> / <sub>32</sub> | 467 <sup>13</sup> / <sub>32</sub> | 467 <sup>13</sup> / <sub>32</sub> | 467 <sup>13</sup> / <sub>32</sub> |
| Cables             | 468 <sup>1</sup> / <sub>8</sub>   | 468 <sup>1</sup> / <sub>8</sub>   | 468 <sup>1</sup> / <sub>8</sub>   | 468 <sup>1</sup> / <sub>8</sub>   | 468 <sup>1</sup> / <sub>8</sub>   | 468 <sup>1</sup> / <sub>8</sub>   |
| Demand             | 468                               | 468                               | 468                               | 468                               | 468                               | 468                               |
| Paris, Fr.         | 2-64 <sup>7</sup> / <sub>8</sub>  | 2-64 <sup>7</sup> / <sub>8</sub>  | 2-64 <sup>7</sup> / <sub>8</sub>  | 2-64 <sup>7</sup> / <sub>8</sub>  | 2-64 <sup>7</sup> / <sub>8</sub>  | 2-64 <sup>7</sup> / <sub>8</sub>  |
| Brussels, Bel.     | 17-00                             | 16-99 <sup>1</sup> / <sub>4</sub> | 16-99 <sup>1</sup> / <sub>4</sub> | 16-99 <sup>1</sup> / <sub>4</sub> | 16-99 <sup>1</sup> / <sub>4</sub> | 16-99 <sup>1</sup> / <sub>4</sub> |
| Switzerland, Fr.   | 22-53                             | 22-52 <sup>1</sup> / <sub>2</sub> | 22-52 <sup>1</sup> / <sub>2</sub> | 22-52 <sup>1</sup> / <sub>2</sub> | 22-52 <sup>1</sup> / <sub>2</sub> | 22-52 <sup>1</sup> / <sub>2</sub> |
| Italy, Lira        | 5-26 <sup>1</sup> / <sub>4</sub>  | 5-26 <sup>1</sup> / <sub>4</sub>  | 5-26 <sup>1</sup> / <sub>4</sub>  | 5-26 <sup>1</sup> / <sub>4</sub>  | 5-26 <sup>1</sup> / <sub>4</sub>  | 5-26 <sup>1</sup> / <sub>4</sub>  |
| Berlin, Mark       | 40-12                             | 40-13                             | 40-12 <sup>1</sup> / <sub>2</sub> | 40-12 <sup>1</sup> / <sub>2</sub> | 40-12 <sup>1</sup> / <sub>2</sub> | 40-12 <sup>1</sup> / <sub>2</sub> |
| Amsterdam, Guilder | 53-09 <sup>1</sup> / <sub>2</sub> | 53-08 <sup>1</sup> / <sub>2</sub> | 53-08                             | 53-08 <sup>1</sup> / <sub>2</sub> | 53-08 <sup>1</sup> / <sub>2</sub> | 53-08 <sup>1</sup> / <sub>2</sub> |
| Copenhagen, Kr.    | 20-89 <sup>1</sup> / <sub>2</sub> | 20-90                             | 20-90                             | 20-90                             | 20-90                             | 20-90                             |
| Oslo, Kr.          | 23-52                             | 23-52 <sup>1</sup> / <sub>2</sub> | 23-52 <sup>1</sup> / <sub>2</sub> | 23-52 <sup>1</sup> / <sub>2</sub> | 23-52 <sup>1</sup> / <sub>2</sub> | 23-52 <sup>1</sup> / <sub>2</sub> |
| Stockholm, Kr.     | 24-10                             | 24-10 <sup>1</sup> / <sub>2</sub> | 24-10 <sup>1</sup> / <sub>2</sub> | 24-10 <sup>1</sup> / <sub>2</sub> | 24-10 <sup>1</sup> / <sub>2</sub> | 24-10 <sup>1</sup> / <sub>2</sub> |
| Athens, Dr.        | 0-85 <sup>7</sup> / <sub>8</sub>  | 0-85 <sup>7</sup> / <sub>8</sub>  | 0-85 <sup>7</sup> / <sub>8</sub>  | 0-85 <sup>7</sup> / <sub>8</sub>  | 0-85 <sup>7</sup> / <sub>8</sub>  | 0-85 <sup>7</sup> / <sub>8</sub>  |
| Montreal, Can. \$  | 99-750                            | 99-650                            | 99-650                            | 99-650                            | 99-710                            | 99-710                            |
| Yokohama, Yen      | 27-31                             | 27-31                             | 27-31                             | 27-31                             | 27-31                             | 27-31                             |
| Shanghai, \$       | 13-00                             | 13-00                             | 13-00                             | 13-00                             | 13-00                             | 13-00                             |
| B. Aires, Peso     | 29-04                             | 29-04                             | 29-04                             | 29-04                             | 29-04                             | 29-04                             |
| Rio, Milreis†      | 5-10                              | 5-10                              | 5-10                              | 5-10                              | 5-10                              | 5-10                              |

Usance: T.T.

† Official.

(a) Independence Day.

## BANK BALANCE SHEETS

## WESTMINSTER BANK, LIMITED

(£000's)

| LIABILITIES           | June 30, 1938 | June 30, 1939 | ASSETS                | June 30, 1938 | June 30, 1939 |
|-----------------------|---------------|---------------|-----------------------|---------------|---------------|
| Paid-up capital       | 9,320         | 9,320         | Cash                  | 39,147        | 34,669        |
| Reserve               | 9,320         | 9,320         | Money at call and     | 11,480        | 12,238        |
| Current, deposit and  |               |               | notice                | 25,684        | 23,334        |
| other accounts        | 360,206       | 341,717       | Bills discounted      | 48,784        | 40,837        |
| Acceptances and en-   |               |               | Advances              | 133,353       | 136,757       |
| dorsements            | 17,729        | 19,432        | Investments           | 112,284       | 104,288       |
| Note issue in Isle of |               |               | Share in allied banks | 2,992         | 2,992         |
| Man                   | 11            | 13            | Acceptances, etc.     | 17,729        | 19,432        |
|                       |               |               | Bank premises         | 5,133         | 5,255         |
| Total                 | 396,586       | 379,802       | Total                 | 396,586       | 379,802       |

## MARTINS BANK, LIMITED

(£000's)

| LIABILITIES             | June 30, 1938 | June 30, 1939 | ASSETS                | June 30, 1938 | June 30, 1939 |
|-------------------------|---------------|---------------|-----------------------|---------------|---------------|
| £20 shares, £2½ paid    | 2,349         | 2,349         | Cash in hand and with | 10,588        | 10,191        |
| £1 shares fully paid... | 1,811         | 1,811         | Bank of England       | 3,715         | 4,133         |
| Reserve fund            | 3,500         | 3,550         | With other banks      | 7,305         | 5,130         |
| Current, deposit and    |               |               | Money at call, etc.   | 2,209         | 1,737         |
| other accounts          | 97,523        | 98,376        | With banks abroad     | 3,005         | 3,010         |
| Notes in circulation    |               |               | Investments           | 32,067        | 30,758        |
| (Isle of Man)           | 17            | 19            | Bills discounted      | 1,306         | 1,431         |
| Acceptances             | 2,554         | 2,725         | Loans and advances    | 42,665        | 46,462        |
| Endorsements            | 4,784         | 4,503         | Items in transit      | 1,156         | 1,473         |
|                         |               |               | Other assets          | 454           | 508           |
| Total                   | 112,538       | 113,333       | Bank premises         | 2,710         | 2,836         |
|                         |               |               | Acceptances and en-   | 7,338         | 7,228         |
|                         |               |               | dorsements            |               |               |
| Total                   | 112,538       | 113,333       | Total                 | 112,538       | 113,333       |

## NATIONAL PROVINCIAL BANK, LIMITED

(£000's)

| LIABILITIES         | June 30, 1938 | June 30, 1939 | ASSETS              | June 30, 1938 | June 30, 1939 |
|---------------------|---------------|---------------|---------------------|---------------|---------------|
| Capital paid up     | 9,479         | 9,479         | Coin, etc.          | 33,418        | 30,035        |
| Reserve fund        | 8,500         | 8,500         | With other banks    | 10,087        | 10,157        |
| Deposits            | 323,817       | 301,247       | Money at call, etc. | 22,072        | 15,096        |
| Due to subsidiaries | 245           | 241           | Investments         | 83,871        | 75,158        |
| Acceptances         | 8,413         | 9,192         | Investments in sub- | 2,514         | 2,514         |
|                     |               |               | sidaries            | 38,801        | 35,230        |
|                     |               |               | Bills discounted    | 143,951       | 143,863       |
|                     |               |               | Advances            | 7,327         | 7,414         |
|                     |               |               | Premises            | 8,413         | 9,192         |
|                     |               |               | Acceptances         |               |               |
| Total               | 350,454       | 328,659       | Total               | 350,454       | 328,659       |

## SHORTER COMMENTS

(Continued from page 80)

## BANKS

**Bank of America.**—Total resources at June 30, 1939, established a new record at \$1,549,824,260. This compares with \$1,498,527,625 on June 30, 1938. Cash and due from banks is \$227,908,272 (\$225,791,576); loans, discounts, etc., \$695,102,388 (\$629,125,364); securities of U.S. Government, etc., \$398,637,286 (\$440,200,387). Deposits have increased from \$1,357,778,709 to \$1,408,306,798; and surplus and profits from \$62,231,748 to \$67,370,690.

**Central Hanover Bank and Trust Company.**—Total assets, June 30, 1939, \$1,113,968,559 against \$1,042,703 on December 31, 1938. Cash, \$560,320,500 (\$639,591,000). Loans, etc., \$175,341,117 (\$171,263,000). Der. Net \$1,009,017,917 (\$939,260,000).

**Guaranty Trust Co. N. York.**—Total resources, June 30, 1939, \$2,214,165,000 (th. d.) against \$1,816,207,890 on June 30, 1938. Includes £65,000 (th. d.) Authority is being sought. (\$1,496,430,798). U.S.

## IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended July 6, 1939

| Imports           |           |       | Exports       |           |         |
|-------------------|-----------|-------|---------------|-----------|---------|
| From              | Bullion   | Coin  | To            | Bullion   | Coin    |
| <b>GOLD</b>       |           |       |               |           |         |
| South Africa      | 2,247,199 | £     | Canada        | 21,100    | £       |
| S. Rhodesia       | 94,177    | ...   | Netherlands   | 162,358   | ...     |
| British E. Africa | 24,005    | ...   | France        | 63,774    | ...     |
| British India     | 102,079   | ...   | Syria         | 17,479    | ...     |
| France            | 245,330   | 4,308 | Switzerland   | 20,655    | ...     |
| Siam              | 14,310    | ...   | Siam          | 1,018,164 | ...     |
| Peru              | 68,500    | ...   | United States | 6,417,978 | ...     |
| Total*            | 2,828,063 | 8,259 | Total*        | 7,482,371 | 269,269 |
| <b>SILVER</b>     |           |       |               |           |         |
| South Africa      | 5,069     | ...   | Palestine     | 1,395     | ...     |
| British India     | 45,644    | ...   | Sweden        | 1,735     | ...     |
| Hong Kong         | 30,097    | 370   | Norway        | 1,511     | ...     |
| Belgium           | 50,335    | 330   | Denmark       | 1,168     | ...     |
| France            | 9,227     | 447   | Germany       | 35,150    | 500     |
| Iraq              | 2,991     | ...   | France        | 1,455     | ...     |
| Japan             | 100,688   | ...   | United States | 61,657    | ...     |
| Total*            | 243,862   | 4,475 | Total*        | 103,855   | 2,360   |

\* Including other countries.

## NATIONAL DEBT

(See "GOVERNMENT FINANCE" on page 90.)

(Million £)

|                           | Aug. 1, 1914 | Dec. 31, 1919 | Mar. 31, 1927 | Mar. 31, 1938 | June 30, 1938† | Sept. 30, 1938† | Dec. 31, 1938† | Mar. 31, 1939†† | June 30, 1939†† |
|---------------------------|--------------|---------------|---------------|---------------|----------------|-----------------|----------------|-----------------|-----------------|
| 2½% Consols & annuities   | 573          | 300           | 300           | 300           | 300            | 300             | 300            | 300             | 300             |
| 4% Consols                | ...          | ...           | ...           | ...           | ...            | ...             | ...            | ...             | ...             |
| 2½% Conversion Loan       | ...          | ...           | ...           | ...           | ...            | ...             | ...            | ...             | ...             |
| 3½% Conversion Loan       | ...          | ...           | ...           | ...           | ...            | ...             | ...            | ...             | ...             |
| 4½% Conversion Loan       | ...          | ...           | ...           | ...           | ...            | ...             | ...            | ...             | ...             |
| 5% Conversion Loan        | ...          | ...           | ...           | ...           | ...            | ...             | ...            | ...             | ...             |
| Terminable Annuities      | 30           | 20            | 12            | 13            | 13             | 13              | 13             | 13              | 13              |
| Debts to Banks            | 15           | 15            | 14            | 14            | 14             | 14              | 14             | 14              | 14              |
| 3½% War Stock, 1932       | ...          | ...           | 1,911         | 1,911         | 1,911          | 1,911           | 1,911          | 1,911           | 1,911           |
| 3½% War Issues            | ...          | ...           | 3,569         | ...           | ...            | ...             | ...            | ...             | ...             |
| 2½% Funding Loan          | ...          | ...           | 200           | 200           | 200            | 200             | 200            | 200             | 200             |
| 2½% Funding Loan          | ...          | ...           | 101           | 101           | 101            | 101             | 101            | 101             | 101             |
| 3% Funding Loan           | ...          | ...           | 146           | 144           | 144            | 144             | 142            | 142             | 142             |
| 4% Funding Loan†          | ...          | ...           | 353           | 349           | 349            | 349             | 346            | 346             | 346             |
| 2½% N. Defence Bonds      | ...          | ...           | 100           | 100           | 100            | 100             | 100            | 100             | 100             |
| 3% N. Defence Bonds       | ...          | ...           | 100           | 100           | 100            | 100             | 100            | 100             | 100             |
| 3% Victory Bonds†         | ...          | ...           | 360           | 197           | 197            | 197             | 197            | 181             | 81              |
| Treasury Bonds†           | ...          | ...           | 323           | 100           | 100            | 100             | 100            | 100             | 100             |
| National Savings Certs.** | ...          | ...           | 267           | 394           | 389            | 386             | 385            | 385             | 383             |
| External Debt†            | ...          | ...           | 1,357         | 1,032         | 1,032          | 1,032           | 1,032          | 1,032           | 1,032           |
| Treasury Bills            | ...          | ...           | 15            | 1,107         | 675            | 829             | 883            | 986             | 992             |
| Temporary Advances        | ...          | ...           | 1             | 243           | 23             | 13              | 84             | 49              | 51              |
| Other Cap. Liabilities    | ...          | ...           | 654           | 8,033         | 7,797          | 8,026           | 8,132          | 8,193           | 8,297           |
|                           | ...          | ...           | 57            | 46            | 113            | 123             | 121            | 120             | 122             |
| Total Liabilities*        | 711          | 8,079         | 7,910         | 8,149         | 8,253          | 8,314           | 8,417          | 8,285           | 8,437           |

† Estimates, which do not allow for sinking fund allocations. \* Excluding accrued interest on Savings Certificates, and the State's assets (e.g. debt from Exchange Equalisation Fund), and including holdings of Public Departments. † After deducting transfers for Death Duties. ‡ Exchequer Bonds, 1914 and 1919. § Includes American debt. \*\* Includes Bonds (about £3½ millions). †† Approximate totals, allowing for sinking fund allocations.

Government obligations, \$636,527,767 (\$594,526,714). Cash, \$1,013,232,650 (\$567,402,506). Capital, \$90,000,000. Surplus fund, \$170,000,000. Undivided profits, \$12,957,601.

**Manufacturers Trust Company (New York).**—Deposits, June 30, 1939, \$735,645,747 compared with \$690,205,470 at March 31, 1939. Resources, \$851,180,425 (\$805,683,546). Capital, surplus and undivided profits, June 30, 1939, \$87,356,316. Mr H. W. Auburn, the European representative, has been appointed assistant vice-president.

**Bankers Trust Company.**—Total assets June 30, 1939, \$1,217,282,983, against \$1,038,156,262 a year ago. Deposits, \$1,099,948,475 (\$915,956,618). Cash, \$493,307,049 (\$324,078,437). U.S. Government securities, \$444,872,269 (\$399,353,059). Undivided profits, \$30,095,403 (\$27,650,902).

**Brown Brothers Harriman and Company.**—Financial statement as at June 30, 1939, shows total assets of \$105,644,031, compared with \$102,222,409 on March 31, 1939, and \$78,800,458 a year ago. Deposits, \$79,200,988 (\$75,134,895 and \$53,368,747); capital and surplus, \$13,165,272 (\$13,145,225 and \$13,054,960). Loans and advances, \$18,769,983 (\$19,437,448 and \$16,192,025).

## OIL OUTPUTS

**Anglo-Ecuadorian Oilfields, Ltd.**—Output for June, 1939, 23,604 tons.

**Anglo-Iranian Oil Company, Ltd.**—Output in Iran for April, 1939, 945,000 tons. Total output four months 1939, 3,344,000 tons.

**British Controlled Oilfields, Ltd.**—Total output week ended June 17, 1939, 20,561 barrels. Output week ended June 24, 1939, 20,074 barrels. Total output week ended July 1, 1939, 19,828 barrels.

**Dacia Romano Petroleum Syndicate, Ltd.**—Gross output May, 1939, Dacia, 1,800 tons; Perimeter X, 2,560 tons; Starnaphta, 432 tons.

(Continued on page 98)

## Investment

## TRANSPORT RECEIPTS

## BRITISH RAILWAY TRAFFICS

|                | Gross Receipts, week ended July 2 (£'000) |             |             |       |       | Aggregate Gross Receipts, 26 weeks (£'000) |             |             |        |        |
|----------------|-------------------------------------------|-------------|-------------|-------|-------|--------------------------------------------|-------------|-------------|--------|--------|
|                | Passenger                                 | Merchandise | Coal & Coke | Goods | Total | Passenger                                  | Merchandise | Coal & Coke | Goods  | Total  |
| L.M. & S.—     |                                           |             |             |       |       |                                            |             |             |        |        |
| 1938           | 694                                       | 426         | 211         | 637   | 1,331 | 12220                                      | 12128       | 6,783       | 18,911 | 31,131 |
| 1939           | 697                                       | 508         | 233         | 741   | 1,439 | 12048                                      | 12139       | 7,054       | 19,193 | 31,241 |
| L. & N.E. (a)— |                                           |             |             |       |       |                                            |             |             |        |        |
| 1938           | 413                                       | 301         | 210         | 511   | 924   | 7,880                                      | 8,542       | 6,367       | 14,909 | 22,789 |
| 1939           | 405                                       | 347         | 249         | 596   | 1,001 | 7,798                                      | 8,339       | 6,659       | 14,998 | 22,796 |
| Great Western— |                                           |             |             |       |       |                                            |             |             |        |        |
| 1938           | 264                                       | 176         | 98          | 274   | 538   | 5,038                                      | 4,930       | 2,880       | 7,810  | 12,848 |
| 1939           | 260                                       | 215         | 109         | 324   | 584   | 5,031                                      | 5,173       | 2,953       | 8,126  | 13,157 |
| Southern—      |                                           |             |             |       |       |                                            |             |             |        |        |
| 1938           | 384                                       | 65          | 28          | 93    | 477   | 7,809                                      | 1,585       | 809         | 2,394  | 10,203 |
| 1939           | 387                                       | 75          | 33          | 108   | 493   | 7,832                                      | 1,581       | 847         | 2,428  | 10,260 |
| Total—         |                                           |             |             |       |       |                                            |             |             |        |        |
| 1938           | 1755                                      | 968         | 547         | 1515  | 3,270 | 32947                                      | 27185       | 16,839      | 44,024 | 76,971 |



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

| Prices, Year 1938 |         |          |         | Prices, Year 1939 Jan. 1 to July 5, inclusive |         |     |     | Name of Security | Price, July 5, 1939 | Change since Jan. 1, 1939 | Yield July 5, 1939 | Prices, Year 1939 Jan. 1 to July 5, inclusive |       |       | Last two Dividends         |                       |       | Name of Security | Price, July 5, 1939 | Change since Jan. 1, 1939 | Yield July 5, 1939 |
|-------------------|---------|----------|---------|-----------------------------------------------|---------|-----|-----|------------------|---------------------|---------------------------|--------------------|-----------------------------------------------|-------|-------|----------------------------|-----------------------|-------|------------------|---------------------|---------------------------|--------------------|
| High-est          | Low-est | High-est | Low-est | High-est                                      | Low-est | (a) | (b) |                  |                     |                           |                    | (c)                                           |       |       |                            |                       |       |                  |                     |                           |                    |
| 7914              | 64      | 7114     | 6414    | British Funds                                 |         |     |     | 6714             | + 12                | 3 14 d.                   | 32/6               | 12/6                                          | 6 c   | 5 b   | Brit. Overseas A 65        | 15/-                  | ...   | Nil              | ...                 |                           |                    |
| 11134             | 98      | 10714    | 9014    | Consols 2½%.....                              |         |     |     | 10214            | - 1                 | 3 13 7n                   | 9/8                | 61/8                                          | 5 c   | 5 b   | Chtd. of India £5...       | 7                     | ...   | 7 2 9            | ...                 |                           |                    |
| 10034             | 90      | 9634     | 9014    | Do. 4% (alt. 1947-57)                         |         |     |     | 9614             | - 1                 | 2 19 4                    | 12/6               | 107/12                                        | 34a b | 34 a  | Com. Bk. of Aus. 10/-      | 11/6                  | ...   | 4 17 6           | ...                 |                           |                    |
| 10214             | 92      | 9914     | 9214    | Conv. 2½% 1944-59                             |         |     |     | 9714             | - 1                 | 3 6 11                    | 52/9               | 47/9                                          | 5 a   | 5 b   | Dist. Bk. £1 fy pd.        | 50/-                  | ...   | 4 0 0            | ...                 |                           |                    |
| 10454             | 90½     | 99½      | 91      | Do. 2½% 1948-53                               |         |     |     | 9414             | - 12                | 1 14 1f                   | 75/-               | 61/-                                          | 3½b   | 3½a   | En. S. & Aust. £5 3p.      | 65/-                  | ...   | 6 9 0            | ...                 |                           |                    |
| 10514             | 100     | 10414    | 102     | Do. 3½% after 1961                            |         |     |     | 10214            | - 18                | 2 6 9                     | 104                | 84                                            | 10 b  | 8 a   | Hambros £10, £2½p.         | 8½                    | ...   | 5 0 0            | ...                 |                           |                    |
| 11554             | 102     | 112½     | 105½    | Do. 4½% 1940-44                               |         |     |     | 109              | -                   | 3 2 10                    | 93                 | £78½                                          | £2½a  | £3 b  | Hong. & S. £12½            | £78½                  | ...   | 5 0 0            | ...                 |                           |                    |
| 91116             | 81      | 87½      | 81½     | Do. 5% 1944-64                                |         |     |     | 109              | -                   | 3 2 10                    | 93                 | £78½                                          | £2½a  | £3 b  | Lloyds £5, £1 pd.          | 47½                   | - 6d  | 4 7 3            | ...                 |                           |                    |
| 97116             | 88½     | 93½      | 87½     | Fund. 2½% 1956-61                             |         |     |     | 84½              | - 1                 | 3 11 9                    | 59/42              | 52/6                                          | 6 a   | 6 b   | Martins £5, £2½p.          | 8½                    | + 14  | 4 8 3            | ...                 |                           |                    |
| 99116             | 90      | 95½      | 89      | Fund. 2½% 1952-57                             |         |     |     | 90½              | - 11½               | 3 9 7                     | 87½                | 79½                                           | 7½b   | 7½a   | Midland £1, fy. pd.        | 82/-                  | ...   | 3 17 6           | ...                 |                           |                    |
| 11474             | 98      | 109½     | 102½    | Fund. 3% 1959-69                              |         |     |     | 92½              | - 1                 | 3 8 8                     | 86/-               | 70½                                           | 5½    | 5 a   | Nat. Dist. £2½p. fy. pd.   | 54                    | ...   | 4 5 0            | ...                 |                           |                    |
| 101116            | 90      | 99½      | 92½     | Do. 4% 1960-90                                |         |     |     | 106½             | - 12                | 3 0 5½                    | 30¾                | 20¾                                           | 11½   | 4 a   | Nat. of Egypt £10...       | 23                    | - 1½  | 6 10 5           | ...                 |                           |                    |
| 10014             | 93      | 96½      | 91½     | Nat. D. 2½% 1944-48                           |         |     |     | 97½              | - 12                | 3 9 6                     | 34½                | 27½                                           | 8 a   | 8 b   | N. of Ind. £25, £12½p      | 43                    | - 1   | 6 18 0           | ...                 |                           |                    |
| 112116            | 100     | 108½     | 102½    | Do. 3% 1954-55                                |         |     |     | 95½              | - 12                | 3 9 6                     | 34½                | 27½                                           | 8 a   | 8 b   | N. Prov. £5, £1 pd.        | 66/-                  | - 1/- | 4 10 8           | ...                 |                           |                    |
| 10354             | 90½     | 98½      | 90½     | Do. 3% 1954-55                                |         |     |     | 105              | - 1                 | 3 12 9f                   | 71/-               | 60/6                                          | 7½b   | 7½a   | Roy. Bk. of Scotland       | 435                   | ...   | 3 18 0           | ...                 |                           |                    |
| 9014              | 78      | 83½      | 76½     | War L. 3½% af. 1952                           |         |     |     | 93½              | - 3½                | 3 14 9f                   | 455                | 417                                           | 8½b   | 8½a   | St. of S.A. £20, £5 pd.    | 135½                  | ...   | 5 2 9            | ...                 |                           |                    |
| 102               | 90½     | 99       | 95      | Local Loans 3%                                |         |     |     | 79½              | - 1                 | 3 15 6                    | 16½                | 13½                                           | 5 a   | 5 b   | Union Dist. £1.....        | 45/-                  | ...   | 4 2 10           | ...                 |                           |                    |
| 6814              | 55      | 64       | 55½     | Austria 3% 1933-53                            |         |     |     | 95½              | + 12                | 3 9 3                     | 46/-               | 39/6                                          | 3½a   | 6½b   | West. £4, £1 pd.....       | 84/-                  | - 1/- | 4 5 6            | ...                 |                           |                    |
| 8214              | 68      | 76       | 66½     | India 2½%.....                                |         |     |     | 58               | - 2                 | 4 6 2                     | 91/9               | 78/-                                          | 9 b   | 9 a   |                            |                       |       |                  |                     |                           |                    |
| 9554              | 75      | 90       | 78      | Do. 3%.....                                   |         |     |     | 70               | - 1                 | 4 5 9                     |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
| 11714             | 110     | 115½     | 105½    | Do. 3½%.....                                  |         |     |     | 82½              | - 1½                | 4 4 10                    |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         | Do. 4½% 1958-68                               |         |     |     | 108½             | - 12                | 3 17 7                    | 26¾                | 23¾                                           | 40 a  | 50 b  | Alliance £1, fully pd.     | 25                    | - 14  | 3 12 0           | ...                 |                           |                    |
|                   |         |          |         | Dom. & Col. Govts.                            |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
| 10874             | 97      | 106½     | 99      | Austr. 5% 1945-75...                          |         |     |     | 100½             | - 2                 | 4 18 0                    | 93½                | 81½                                           | 20 a  | 20 b  | Alliance £5, £1 pd.        | 13½                   | - 14  | 2 18 2           | ...                 |                           |                    |
| 10414             | 97      | 103½     | 97½     | Canada 4% 1940-60                             |         |     |     | 100½             | - 2                 | 3 19 7f                   | 98½                | 85/-                                          | 1/6 a | 2/- b | Com. Con. £1, fy. pd.      | 85½                   | - 14  | 4 12 0           | ...                 |                           |                    |
| 11134             | 98      | 103½     | 107½    | Nigeria 5% 1950-60                            |         |     |     | 107½             | + 1½                | 4 2 8                     | 29½                | 25                                            | 25 a  | 25 b  | Gen. Acc. £1, 5/- pd.      | 90/-                  | ...   | 3 19 0           | ...                 |                           |                    |
| 108               | 95½     | 103      | 94      | N. Zealand 5% 1946                            |         |     |     | 100½             | - 1                 | 5 17 10                   | 117½               | 99½                                           | 3/2 a | 3/1 b | Lon. & Lanc. £5, £2pd.     | 26                    | - 1   | 3 16 11          | ...                 |                           |                    |
| 10714             | 95      | 102½     | 98      | Queens. 5% 1940-60                            |         |     |     | 100½             | - 1                 | 4 19 6f                   | 20                 | 16½b                                          | 42½ a | 43 b  | N. Brit. & Merc. £1½, p.   | 104                   | ...   | 3 15 6           | ...                 |                           |                    |
| 112116            | 97      | 101½     | 104½    | S. Africa 5% 1945-75                          |         |     |     | 106½             | ...                 | 3 15 8                    | 15½                | 13½                                           | 6/- a | 6/- b | Peart £1, fy. pd.          | 18½                   | - 12  | 3 0 0            | ...                 |                           |                    |
|                   |         |          |         | Foreign Governments                           |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
| 9614              | 78      | 85       | 78½     | Arg. 4½% Stg. Bds.                            |         |     |     | 80½              | + 14                | 5 12 6                    | 94½                | 82½                                           | 150 c | 150 b | Phonix £1, fy. pd.         | 34½                   | - 12  | 2 16 0           | ...                 |                           |                    |
| 102               | 23      | 40½      | 25      | Austria 1930-55                               |         |     |     | 28               | - 51½               | 14 18 6o                  | 98½                | 83½                                           | 3/3 a | 3/3 b | Prudential £1, 5/-         | 34½                   | - 12  | 2 16 0           | ...                 |                           |                    |
| 99                | 89      | 95       | 79½     | Do. 4½% 1934-59                               |         |     |     | 55½              | - 42                | 9 12 0                    | 17½                | 13½                                           | 6/6 a | 6/6 b | Do. £1, with 4s. pd.       | 85/-                  | - 1/3 | 2 6 6            | ...                 |                           |                    |
| 36                | 31      | 41½      | 21½     | Belgium 4% (36) 1970                          |         |     |     | 80               | - 4                 | 5 7 10                    | 88½                | 77½                                           | 1/3 a | 1/6 b | Royal Exch. £1...          | 84½                   | - 18  | 4 1 0            | ...                 |                           |                    |
| 3714              | 12½     | 21½      | 12½     | Bulgaria 7½%                                  |         |     |     | 22               | ...                 | 11 11 4m                  | 81½                | 71½                                           | +10 b | +10 a | S.U. & N.A. £20, £1pd.     | 131½                  | - 2/6 | 3 8 0            | ...                 |                           |                    |
| 1964              | 14      | 16½      | 9       | Brazil 6% (1939)                              |         |     |     | 12½              | - 1                 | 21 1 0o                   |                    |                                               |       |       | Sun. Ins. £1 with 5/6p     | 80/-                  | - 2/6 | 3 8 0            | ...                 |                           |                    |
| 6014              | 37      | 38½      | 20      | China 5% (1912)                               |         |     |     | 22               | ...                 |                           |                    |                                               |       |       | Sun. L. Ass. £1 fy. pd.    | 71½                   | - 8   | 2 13 3           | ...                 |                           |                    |
| 7314              | 40      | 55½      | 29      | Do. 5% (1913)                                 |         |     |     | 33               | + 2                 |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
| 1054              | 20      | 72       | 30      | Czechoslovakia 8%                             |         |     |     | 47½              | ...                 | 16 17 0                   | 41½                | 39½                                           | 31c   | 31c   | Anglo-Am. Deb.             | 211                   | + 1   | 5 13 9           | ...                 |                           |                    |
| 99                | 94      | 100      | 94½     | Denmark 3%                                    |         |     |     | 96½              | + 1½                | 3 2 2                     | 117½               | 7½                                            | 10 c  | 10 c  | Anglo-Celtic Ord.          | 39½                   | ...   | 8 17 3           | ...                 |                           |                    |
| 104               | 84½     | 86½      | 68½     | Egypt Unified 4%                              |         |     |     | 71               | - 3                 | 4 17 6e                   | 151½               | 178                                           | 6 b   | 4 a   | Brit. Assets Trust 5/-     | 8/1½                  | - 1/3 | 6 0 0            | ...                 |                           |                    |
| 13                | 20      | 42½      | 10½     | French 4% (British)                           |         |     |     | 11½              | ...                 | 15 3 0                    | 60½                | 40                                            | 4½ a  | 2½ b  | Charterhouse Inv. £1       | 10/-                  | - 1/3 | 6 0 0            | ...                 |                           |                    |
| 60                | 46      | 51       | 21½     | Ger. Dawes Ln. 5%                             |         |     |     | 33               | - 1                 | 19 11 3                   | 117½               | 97½                                           | 41½ a | 2½ b  | Debutante Corp. St.        | 182½                  | - 2   | 5 9 7            | ...                 |                           |                    |
| 46                | 15      | 33½      | 21½     | Do. Young Ln. 4½%                             |         |     |     | 23               | - 1                 | 9 4 8w                    | 240                | 203                                           | 4 a   | 4 a   | For. Amer. & C. Def.       | 42½                   | ...   | 9 8 3            | ...                 |                           |                    |
| 3414              | 25      | 30       | 23½     | Greek 6% Stab. Ld.                            |         |     |     | 26               | - 1                 | 18 7 3                    | 156                | 121                                           | 2½ a  | 2½ b  | Guardian Investment        | 97½                   | - 1½  | 7 3 7            | ...                 |                           |                    |
| 5814              | 20      | 35½      | 24      | Hungary 7½%                                   |         |     |     | 24½              | ...                 | 13 1 10f                  | 237½               | 120                                           | 8½ a  | 3½ b  | Invest. Trust Def.         | 213                   | ...   | 5 11 1           | ...                 |                           |                    |
| 60                | 35      | 52       | 40½     | Japan. 5½% 1936-65                            |         |     |     | 42½              | + 3½                | 14 12 8f                  | 118½               | 80                                            | 3½ a  | 3½ b  | Lake View Inv. 10/-        | 13/9                  | - 3d  | 6 11 0           | ...                 |                           |                    |
| 6414              | 38      | 53       | 39½     | Do. 6% (24) red. 1959                         |         |     |     | 41               | ...                 | 8 17 0g                   | 217½               | 187                                           | 5 a   | 7 b   | Mercantile Inv.            | 213                   | - 5   | 5 14 6           | ...                 |                           |                    |
| 50                | 35      | 46½      | 42½     | Peru 7½% 1922.....                            |         |     |     | 45               | ...                 | 19 14 0y                  | 168½               | 152½                                          | 3½ a  | 6 b   | Metropolitan Trust...      | 188½                  | ...   | 6 7 6            | ...                 |                           |                    |
| 7514              | 54      | 65       | 50      | Poland 7%                                     |         |     |     | 50               | ...                 | 3 16 11                   | 195                | 181½                                          | 3 a   | 7 b   | Merchants Trust Ord.       | 97½                   | - 1   | 7 13 0           | ...                 |                           |                    |
| 154               | 94      | 111½     | 7       | Roum. 4% Con. 1922                            |         |     |     | 9½               | ...                 |                           |                    |                                               |       |       | Metropolitan Trust...      | 188½                  | ...   | 6 7 6            | ...                 |                           |                    |
| 92                | 75      | 83       | 74½     | U.K. & Arg. C. 3%                             |         |     |     | 78               | ...                 |                           |                    |                                               |       |       | Scottish Inv. 5/-          | 4/-                   | ...   | 5 0 0            | ...                 |                           |                    |
|                   |         |          |         | Corporation Stocks                            |         |     |     |                  |                     |                           |                    |                                               |       |       |                            | Scottish Mort.        | 152½  | ...              | 6 4 7               | ...                       |                    |
| 1154              | 101     | 111½     | 106     | Birm'ham 5% 1946-56                           |         |     |     | 109              | ...                 | 3 13 4                    |                    |                                               |       |       | Trustees Corp. Ord.        | 183½                  | d+2   | 5 10 2           | ...                 |                           |                    |
| 117               | 104½    | 114      | 108     | Bristol 5% 1948-58                            |         |     |     | 108              | ...                 | 4 1 9                     |                    |                                               |       |       | United States Deb.         | 168½                  | + 1   | 5 18 8           | ...                 |                           |                    |
| 8714              | 77      | 81½      | 74      | L.C.C. 3%                                     |         |     |     | 77               | - 1                 | 3 17 11                   | 27½                | 20½                                           | 13½ c | 8½ c  | Brit. S. Afr. 15/- fy. pd. | 21/6                  | + 7½d | 5 18 8           | ...                 |                           |                    |
| 9714              | 90½     | 93½      | 88      | Liverpool 3% 1954-64                          |         |     |     | 89               | - 2                 | 3 14 2                    | 13/9               | 10/9                                          | 2 a   | 2 b   | C. of Lond. R. Pty. £1     | 12/6                  | ...   | 6 8 0            | ...                 |                           |                    |
| 1054              | 94½     | 102½     | 97      | Midddx. 3½% 1957-62                           |         |     |     | 97               | - 3                 | 3 14 11                   | 26½                | 17/9                                          | 16½a  | 11½a  | Daily Mail & Gen. £1       | 17/9                  | - 9d  | 9 10 0           | ...                 |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            | Dalgety £20 £5 pd.    | 4½    | ...              | 5 18 0              | ...                       |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            | Forestal Land £1      | 17/6  | - 7½d            | 8 0 0               | ...                       |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            | Hudson's Bay Co. £1   | 19/6  | ...              | 4 0 0               | ...                       |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            | Java Invest. £1       | 15/-  | ...              | 6 13 3              | ...                       |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            | Peru Corp. Pref.      | ...   | ...              | Nil                 | ...                       |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            | Primativa Hold. £1... | 7/6   | - 3d             | 9 6 0               | ...                       |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            | Sudan Plant. £1       | 25/-  | - 1/3            | 8 0 0               | ...                       |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |
|                   |         |          |         |                                               |         |     |     |                  |                     |                           |                    |                                               |       |       |                            |                       |       |                  |                     |                           |                    |

| Prices<br>Year 1939<br>Jan. 1 to<br>July 5,<br>inclusive |             |          |          | Last two<br>Dividends |                           |           | Name of Security |              |             | Price,<br>July 5,<br>1939 |          |          | Change<br>since<br>June 28,<br>1939 |                                     |                          | Yield<br>July 5,<br>1939 |             |          |          |          |                           |                                     |                          |  |
|----------------------------------------------------------|-------------|----------|----------|-----------------------|---------------------------|-----------|------------------|--------------|-------------|---------------------------|----------|----------|-------------------------------------|-------------------------------------|--------------------------|--------------------------|-------------|----------|----------|----------|---------------------------|-------------------------------------|--------------------------|--|
| High-<br>est                                             | Low-<br>est | (a)<br>% | (b)<br>% | (c)<br>%              |                           |           |                  | High-<br>est | Low-<br>est | (a)<br>%                  | (b)<br>% | (c)<br>% | Price,<br>July 5,<br>1939           | Change<br>since<br>June 28,<br>1939 | Yield<br>July 5,<br>1939 | High-<br>est             | Low-<br>est | (a)<br>% | (b)<br>% | (c)<br>% | Price,<br>July 5,<br>1939 | Change<br>since<br>June 28,<br>1939 | Yield<br>July 5,<br>1939 |  |
| <b>Iron, Coal, &amp;c.—cont.</b>                         |             |          |          |                       |                           |           |                  |              |             |                           |          |          |                                     |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 45 1/4                                                   | 34 1/4      | Nil      | 8c       |                       | Thornycroft, John £1...   | 37/6      |                  | £ s. d.      | 6 1/8       | 5 1/4                     | 7 1/2 a  | 20 b     | 51 5/8                              | -1 1/8                              | 4 13 0                   |                          |             |          |          |          |                           |                                     |                          |  |
| 87 1/4                                                   | 84 1/4      | 1c       | Nil      |                       | U. States Steel \$100...  | £48 1/2   | -11 1/2          | Nil          | 4/9         | 2 1/4                     | Nil      | Nil      | 6 1/2                               | -1 1/2                              | Nil                      |                          |             |          |          |          |                           |                                     |                          |  |
| 25/6                                                     | 20/9        | 7 b      | 2 1/2 c  |                       | Un. Steel Cons. Ord. £1   | 23/-      | -6d              | 8 4 0        | 12/-        | 6/9                       | 16 c     | Nil      | 25                                  |                                     | 8 4 0                    |                          |             |          |          |          |                           |                                     |                          |  |
| 24/3                                                     | 18 1/2      | 4 a      | 6 b      |                       | Vickers 10/-              | 18/6      |                  | 5 8 0        | 30/3        | 23/5                      | 25       | 15 c     | 66 1/2                              |                                     | 5 8 0                    |                          |             |          |          |          |                           |                                     |                          |  |
| 39 3/2                                                   | 33 3/2      | 12 1/2 c | 3 a      |                       | Ward (Thos. W.) £1...     | 21/10 1/2 |                  | 15 8 0       | 86 1/2      | 71/10 1/2                 | 20 b     | 5        | 68 1/2                              |                                     | 15 8 0                   |                          |             |          |          |          |                           |                                     |                          |  |
| 67/-                                                     | 58/9        | 15 c     | 20 c     |                       | Whitehead I. & S. £1...   | 34        | -1               | 6 8 0        | 25 1/2      | 17/-                      | 27 1/2 b | 15 c     | 68 1/2                              |                                     | 6 8 0                    |                          |             |          |          |          |                           |                                     |                          |  |
|                                                          |             |          |          |                       | Yarrow & Co. £1...        | 62/6      |                  |              | 33 1/4      | 25/-                      | 9 c      | 7 c      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| <b>Toxities</b>                                          |             |          |          |                       |                           |           |                  |              |             |                           |          |          |                                     |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 4 1/4                                                    | 2/3         | Nil      | Nil      |                       | Bleacher £1...            | 2 1/2     | -3d              | Nil          | 32/6        | 27/6                      | 3 a      | 5 b      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 5/6                                                      | 2 1/2       | Nil      | Nil      |                       | Bradford Dyes £1...       | 3 7/2     |                  | Nil          | 12 7/2      | 8/6                       | 5 c      | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 6/-                                                      | 3/3         | Nil      | Nil      |                       | Brit. Cel. Ord. 10/-      | 4/6       | -3d              | Nil          | 7 1/8       | 6 1/8                     | 7 1/2 a  | 17 1/2 b | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 39/-                                                     | 28/3        | 10c      | 10c      |                       | Calico Printers £1...     | 41/10 1/2 |                  | 6 19 2       | £60 1/2     | £45 1/4                   | £22 1/2  | £22 1/2  | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 29/9                                                     | 23/-        | 11 1/2 a | 2 1/2 b  |                       | Coats, J. & P. £1...      | 25/3      |                  | 3 3 0        | 38/6        | 30/6                      | 4 a      | 6 b      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 32/6                                                     | 22/6        | 21 1/2 a | 5 b      |                       | Courtaulds £1...          | 25/-      | -7 1/2 d         | 6 0 0        | 17/6        | 8/9                       | 10 c     | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 4 5/16                                                   | 1/9         | Nil      | Nil      |                       | English Swg. Ctn. £1      | 2 1/2     |                  | Nil          | 52/3        | 36/3                      | 20 c     | 20 c     | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 29/9                                                     | 20/6        | 3        | 3 b      |                       | Fine Cotton Spin. £1      | 23/9      |                  | 5 1 1        | 55 1/2      | 41 1/2                    | 81 a     | 14 1/2 b | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 49/9                                                     | 44/3        | 11 1/2 a | 11 1/2 a |                       | Lin. Thred. Sck. £1       | 45/-      | +9d              | 4 8 9 1/2    | 66/6        | 50/-                      | 15 a     | 27 1/2 b | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 13/9                                                     | 4/6         | Nil      | Nil      |                       | Patons & Baldwins £1      | 8/9       |                  | Nil          | 85/-        | 63/9                      | 12 1/2 b | 7 1/2 a  | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| <b>Electrical Manufacts.</b>                             |             |          |          |                       |                           |           |                  |              |             |                           |          |          |                                     |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 45/-                                                     | 34 7/2      | 10 c     | 10 c     |                       | Associated Elec. £1...    | 39/-      |                  | 5 2 6        | 35/6        | 30 7/2                    | 21 1/2 a | 98 b     | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 87/6                                                     | 77/6        | 5 a      | 15 b     |                       | British Insulated £1...   | 77/6      | -1/3             | 5 3 3        | 40 7/2      | 21 1/2                    | 7 1/2 b  | 5 b      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 90/6                                                     | 59/6        | 5 a      | 10 b     |                       | Callenders £1...          | 61/3      | -1/3             | 4 18 0       | 52 5/4      | 35 1/4                    | 3 1/8 a  | 98 b     | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 21/-                                                     | 15/-        | 24 b     | 7 1/2 a  |                       | Crompton Park £1...       | 17/6      | -1/3             | 9 0 0        | 17 7/2      | 15/3                      | 14 b     | 3 a      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 36 1/2                                                   | 31/-        | 10 c     | 10 c     |                       | Electric Electric £1...   | 34/6      |                  | 5 16 0       | 55 1/2      | 47 1/8                    | 22 1/2 c | 22 1/2 c | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 81/3                                                     | 70/9        | 20 c     | 15 b     |                       | General Electric £1...    | 74/6      | -1/-             | 5 7 6        | 12/10 1/2   | 8/6                       | 5 a      | 10 b     | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 41/3                                                     | 32/-        | 5 a      | 7 1/2 b  |                       | Henleys (W. T.) 5/-       | 18/9      |                  | 5 6 10       | 11/3        | 7/3                       | 4 c      | 21 1/2 c | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 26/9                                                     | 20/3        | 7 1/2 c  | 7 1/2 c  |                       | Johnson & Phillips £1     | 38/9      | -1/3             | 6 8 0        | 62/6        | 56/3                      | 21 1/2 a | 12 1/2 b | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
|                                                          |             |          |          |                       | Siemens £1                | 23/9      |                  | 6 6 4        | 29 7/2      | 23 7/2                    | Nil      | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| <b>Electric Light, &amp;c.</b>                           |             |          |          |                       |                           |           |                  |              |             |                           |          |          |                                     |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 81/3                                                     | 87 5/8      | £1 c     | £1 1/2 c |                       | Brazil Trac., no par...   | £9        | -3/8             | 5 10 6       | 48/9        | 55 1/4                    | 14 b     | 3 1/2 a  | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 68/-                                                     | 63/6        | 6 a      | 9 b      |                       | Brnmeth & Poole £1        | 63/9      |                  | 4 14 0       | 68/6        | 56/3                      | 11 b     | 5 b      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 30 1/4                                                   | 26/6        | 2 a      | 5 b      |                       | British Pow. & Lk. £1     | 28/6      |                  | 4 17 0       | 38/9        | 25/3                      | 35 c     | 25 c     | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 33/3                                                     | 30/6        | 3 1/2 a  | 4 b      |                       | City of London £1         | 31/-      | -6d              | 4 15 0       | 91/-        | 82/9                      | 13 1/2 b | 10 a     | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 40/6                                                     | 41/-        | 3 a      | 7 1/2 b  |                       | Clyde Valley Elec. £1     | 36/10 1/2 |                  | 4 6 10       | 82/9        | 69/6                      | 16 1/4 b | 38 a     | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 27 1/4                                                   | 22/9        | 21 1/2 a | 3 1/2 b  |                       | County of London £1       | 42/6      | -1/-             | 4 19 0       | 56/-        | 49/9                      | 7 1/2 b  | 5 a      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 34 1/2                                                   | 29 1/2      | 21 1/2 a | 5 b      |                       | Edmundsons Elec. £1...    | 25/6      | -6d              | 4 19 6       | 27/3        | 19 7/2                    | 15 b     | 7 1/2 a  | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 29 1/4                                                   | 25 1/2      | 3 a      | 4 b      |                       | Lancashire Elec. £1...    | 30 7/2    | -7 1/2 d         | 4 19 6       | 35/3        | 25/6                      | 7 1/2 a  | 4 b      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 51/-                                                     | 45 1/4      | 3 a      | 9 b      |                       | Land. Ass. Elec. £1...    | 26/6      | +1/3             | 5 1 0        | 38/9        | 31/-                      | 50 b     | 15 c     | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 39 1/4                                                   | 34 1/2      | 21 1/2 a | 5 1/2 b  |                       | Metro. Electric £1...     | 36/3      | -1/3             | 4 8 3        | 75/-        | 59 1/4                    | 95 c     | 95 c     | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 32 1/2                                                   | 28/6        | 21 1/2 a | 4 1/2 b  |                       | Midland Counties £1...    | 30/6      | -6d              | 4 12 0       | 9 7/2       | 7/6                       | p4 b     | p4 c     | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 40/6                                                     | 41/6        | 21 1/2 a | 5 1/2 b  |                       | North-East. Elec. £1      | 42/6      | -1 1/2           | 4 14 0       | 69/-        | 55 7/2                    | 13 1/2 b | 61 a     | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 29/6                                                     | 23/6        | 15 b     | 12 1/2 a |                       | Northmet Power £1         | 23/9      |                  | 6 6 4 1/2    | 16 1/4      | 13 1/2                    | 95 b     | 95 a     | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 38/-                                                     | 33/3        | 21 1/2 a | 5 1/2 b  |                       | Palestine Elec. 'A' £1    | 36/3      |                  | 4 8 0        | 88 1/2      | 66 1/2                    | 30 a     | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 38/6                                                     | 34/9        | 3 a      | 5 b      |                       | Scottish Power £1         | 37/-      |                  | 4 6 9        | 48 5/4      | 36 1/4                    | 20 c     | 15 c     | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| <b>Gas</b>                                               |             |          |          |                       |                           |           |                  |              |             |                           |          |          |                                     |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 23 1/2                                                   | 19/9        | 2 1/2 a  | 2 1/2 b  |                       | Gas. L. & C. £1           | 21/-      |                  | 5 5 0        | 41/-        | 33 1/2                    | 11 1/4 b | 11 1/4 a | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 131                                                      | 98          | 4 a      | 6 b      |                       | Imp. Cont. Ssk. ....      | 112       | -6 1/2           | 8 18 6       | 123 1/8     | 98 1/2                    | 37 1/2 b | 25 a     | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 23 1/2                                                   | 20/6        | 21 1/2 a | 2 1/2 b  |                       | Newc.-on-Tyne £1...       | 85 1/2    | -4               | 6 8 8        | 14 1/2      | 11 1/8                    | Nil      | 10 b     | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 105 1/4                                                  | 82 1/2      | 21 1/2 a | 2 1/2 b  |                       | S. Metropolitan Ssk. .... | 85 1/2    |                  | 6 8 8        | 17 7/2      | 14 1/2                    | 14 b     | 10 b     | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| <b>Metals and Ores</b>                                   |             |          |          |                       |                           |           |                  |              |             |                           |          |          |                                     |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 50 7/2                                                   | 38 1/2      | 12 1/2 c | 15 c     |                       | Albion Motors Ord. £1     | 47/6      | +1/3             | 6 6 4        | 18 1/2      | 10 1/4                    | 2/6 a    | 5/6 b    | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 38/9                                                     | 29/6        | 5 b      | 12 1/2 a |                       | Assoc. Equip. Ord. £1     | 33/9      | +1/3             | 4 8 11 1/2   | 68 1/2      | 45 1/2                    | Nil      | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 37/-                                                     | 23/3        | 50 c     | 30 c     |                       | Austin 5/-                | 29 1/4    | -1/3             | 5 2 2        | 13/-        | 6/9                       | 10 c     | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 28 7/2                                                   | 23/6        | Nil      | 10 c     |                       | Birm. Sml. Arms £1...     | 25/9      | -3d              | 7 16 6       | 68 1/2      | 45 1/2                    | Nil      | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 21/-                                                     | 16/3        | 66 1/2 b | 33 1/2 a |                       | Dennis 1/-                | 16/3      | -1/3             | 6 3 0        | 13/-        | 6/9                       | 10 c     | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 20 1/2                                                   | 15/10 1/2   | 5 c      | 5 c      |                       | Ford Motors £1            | 15 7/2    | -7 1/2 d         | 6 8 2        | 68 1/2      | 45 1/2                    | Nil      | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 59 1/4                                                   | 51 10 1/2   | 12 1/2 b | 2 1/2 a  |                       | Lucas, J. (£1).....       | 85/9      | +1/3             | 5 12 6       | 13/-        | 6/9                       | 10 c     | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 95 1/2                                                   | 70 7/2      | 25 c     | 25 c     |                       | Leyland Motors £1...      | 30/-      | -1/3             | 7 10 0       | 68 1/2      | 45 1/2                    | Nil      | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 35 7/2                                                   | 27/-        | 45 c     | 45 c     |                       | Morris Motors £5/- O...   | 41/10 1/2 | -1/10            | 9 11 0       | 13/-        | 6/9                       | 10 c     | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 51 5/8                                                   | 35/-        | 15 b     | 5 b      |                       | Cycl. Hold. £1...         | 50 1/2    | -1/6             | 4 19 0       | 68 1/2      | 45 1/2                    | Nil      | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 19 7/2                                                   | 13 11 1/4   | 40 c     | 22 1/2 c |                       | Rolls-Royce £1...         | 16/-      |                  | 6 17 6       | 13/-        | 6/9                       | 10 c     | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| <b>Stand. Motor 5/-</b>                                  |             |          |          |                       |                           |           |                  |              |             |                           |          |          |                                     |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| <b>Shipping</b>                                          |             |          |          |                       |                           |           |                  |              |             |                           |          |          |                                     |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 51 1/2                                                   | 41 1/4      | 5 a      | 15 b     |                       | Clan Line Steam. £1       | 53 1/8    | -1 1/8           | 3 14 0       | 13/-        | 6/9                       | 10 c     | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 31 1 1/2                                                 | 1 11 1/4    | Nil      | Nil      |                       | Cunard £1                 | 18/-      | -6d              | 4 12 0       | 68 1/2      | 45 1/2                    | Nil      | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 20/9                                                     | 15/-        | 5 c      | 4 c      |                       | Furness, Withy £1...      | 19/-      | -1/-             | 7 18 0       | 68 1/2      | 45 1/2                    | Nil      | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 18 10 1/2                                                | 16/3        | 5 c      | 5 c      |                       | P. & O. Def. £1...        | 17/-      |                  | 5 19 0       | 68 1/2      | 45 1/2                    | Nil      | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 15 1/4                                                   | 7/3         | Nil      | Nil      |                       | Royal Mail Ste. £1...     | 8/-       |                  | Nil          | 68 1/2      | 45 1/2                    | Nil      | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| <b>Tea and Rubber</b>                                    |             |          |          |                       |                           |           |                  |              |             |                           |          |          |                                     |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 17/3                                                     | 12/9        | 6 c      | 4 c      |                       | Allied Sumatra £1...      | 13/9      | -9d              | 5 16 0       | 68 1/2      | 45 1/2                    | Nil      | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 28 1/2                                                   | 20/-        | 2 a      | 3 b      |                       | Anglo-Dutch £1...         | 22 9/2    | -1/-             | 4 8 0        | 68 1/2      | 45 1/2                    | Nil      | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 29/3                                                     | 20/-        | 15 c     | 8 c      |                       | Bah Lias £1               | 24 1/2    | -7 1/2 d         | 7 0 0        | 68 1/2      | 45 1/2                    | Nil      | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 23/9                                                     | 19/6        | 2 a      | 5 b      |                       | Jhancie Tea £1            | 20/-      |                  | 6 13 4       | 68 1/2      | 45 1/2                    | Nil      | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 36/-                                                     | 27/3        | 4 a      | 6 b      |                       | Jorcheat Tea £1...        | 30/-      | -1/3             | 6 13 4       | 68 1/2      | 45 1/2                    | Nil      | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 15 1/2                                                   | 12/2        | 21 1/2 a | 7 1/2 b  |                       | Jokai (Assam) £1...       | 12/6      | -7 1/2 d         | Nil          | 68 1/2      | 45 1/2                    | Nil      | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 19/9                                                     | 2 9/2       | Nil      | Nil      |                       | Lingsi Plant. £1...       | 3/0       | -3d              | 6 13 4       | 68 1/2      | 45 1/2                    | Nil      | Nil      | 68 1/2                              |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |
| 31 1 1/2                                                 | 24/-        | 4 a      | 6 b      |                       |                           |           |                  |              |             |                           |          |          |                                     |                                     |                          |                          |             |          |          |          |                           |                                     |                          |  |

\* Bid and offered prices are free of Commission and Stamp Duty.  
(m) Including bonus of 5% free of tax. (p) Annas per share.  
(n) Yield on 18-95% basis. (q) Yield on 8% basis. (r) Yield on 12½% basis.  
(s) 8½% paid free of Income Tax. (t) Yield on 17½% basis.  
(u) Yield on 30% basis.

## THE WEEK'S COMPANY RESULTS

| Company                                 | Year Ending        | Balance from Last Account | Net Profit After Payment of Debenture Interest | Amount Available for Distribution | Appropriation |                 |          |                                        |                 | Corresponding Period Last Year |          |
|-----------------------------------------|--------------------|---------------------------|------------------------------------------------|-----------------------------------|---------------|-----------------|----------|----------------------------------------|-----------------|--------------------------------|----------|
|                                         |                    |                           |                                                |                                   | Dividend      |                 |          | Carried to Reserve, Depreciation, etc. | Balance Forward | Net Profit                     | Dividend |
|                                         |                    |                           |                                                |                                   | Pref. Amount  | Ordinary Amount | Rate     |                                        |                 |                                |          |
| <b>Breweries</b>                        |                    | £                         | £                                              | £                                 | £             | £               | %        | £                                      | £               | £                              | %        |
| South African Breweries ...             | Mar. 31            | 105,167                   | 464,314                                        | 569,481                           | 41,875        | 408,973         | 22½†     | ...                                    | 118,633         | 504,642                        | 22½†     |
| Financial, Land, etc.                   |                    |                           |                                                |                                   |               |                 |          |                                        |                 |                                |          |
| Alliance Property Co. ....              | Mar. 25            | 1,757                     | 6,091                                          | 7,848                             | 5,500         | ...             | ...      | 2,000                                  | 348             | 8,841                          | Nil      |
| Bieckert's Brewery Investmt.            | May 31             | 15,060                    | 22,187                                         | 37,247                            | ...           | 22,171          | 5        | ...                                    | 15,076          | 22,519                         | 5        |
| Hampstead Suburb Trust                  | Mar. 31            | 2,372                     | 5,778                                          | 8,150                             | ...           | 5,500           | 5        | ...                                    | 2,650           | 5,694                          | 5        |
| Port of Beira Development...            | Mar. 31            | 4,068                     | 11,047                                         | 15,115                            | ...           | 10,875          | 37½      | ...                                    | 4,240           | 36,508                         | 116.67   |
| Scottish American Mortgage              | May 31             | 109,126                   | 62,754                                         | 171,880                           | 39,490        | 13,349          | 6        | 8,000                                  | 111,041         | 72,285                         | 6        |
| Tati Company                            | Feb. 28            | 20,067                    | 4,816                                          | 24,883                            | ...           | 3,836           | 2½       | ...                                    | 21,047          | 6,461                          | 2½       |
| Iron, Coal and Steel                    |                    |                           |                                                |                                   |               |                 |          |                                        |                 |                                |          |
| Powell Duffryn Steam Coal               | Mar. 31            | 16,174                    | 261,829                                        | 278,003                           | 32,626        | 229,083         | 6        | ...                                    | 16,294          | 331,708                        | 7½       |
| Welsh Associated Collieries             | Mar. 31            | 6,578                     | 125,937                                        | 132,515                           | 109,594       | 18,408          | ½        | ...                                    | 4,513           | 160,268                        | 1½       |
| Motor, Cycle & Aviation                 |                    |                           |                                                |                                   |               |                 |          |                                        |                 |                                |          |
| Singer Motors.....                      | Mar. 31            | Dr. 52,898                | Dr. 3,392                                      | Dr. 56,290                        | ...           | ...             | ...      | 62,600                                 | Dr. 118,890     | (a)                            | (a)      |
| Oil                                     |                    |                           |                                                |                                   |               |                 |          |                                        |                 |                                |          |
| British Burmah Petroleum...             | Jan. 31            | 1,573                     | (b) 108,793                                    | 110,366                           | ...           | ...             | ...      | 60,600                                 | 49,766          | (a)                            | (a)      |
| Phœnix Oil Products.....                | Dec. 31            | 15,292                    | 52,101                                         | 67,393                            | 48,000        | ...             | ...      | ...                                    | 19,393          | 50,252                         | Nil      |
| United British (Trinidad) ...           | Dec. 31            | 13,131                    | 255,936                                        | 269,067                           | 24,404        | ...             | ...      | 222,601                                | 22,062          | 185,582                        | 8½       |
| Rubber                                  |                    |                           |                                                |                                   |               |                 |          |                                        |                 |                                |          |
| Anglo-Dutch Pltns. (Java)...            | Dec. 31            | 66,856                    | 165,621                                        | 232,477                           | ...           | 150,000         | 5        | 25,000                                 | 57,477          | 339,290                        | 9        |
| Bruseh                                  | Mar. 31            | 8,703                     | 1,257                                          | 9,960                             | ...           | 1,013           | 2½       | 250                                    | 8,697           | 2,327                          | 5        |
| Caledonian (Selangor) .....             | Mar. 31            | 16,870                    | 1,481                                          | 18,351                            | ...           | 1,746           | 3        | 8,695                                  | 7,910           | 7,848                          | 5        |
| Kapowas                                 | Mar. 31            | 2,302                     | Dr. 367                                        | 1,941                             | ...           | ...             | ...      | ...                                    | 1,941           | 3,672                          | 6        |
| Kawie (Java)                            | Mar. 31            | 10,260                    | 6,566                                          | 16,826                            | ...           | 3,750           | 5        | 3,500                                  | 9,576           | 14,687                         | 10       |
| Kerala Calicut.....                     | Feb. 28            | 879                       | 5,066                                          | 5,945                             | ...           | 4,531           | 1d. p.s. | ...                                    | 1,414           | 6,936                          | 1d. p.s. |
| Kuala Pergau.....                       | Mar. 31            | 1,965                     | 1,759                                          | 3,724                             | ...           | 1,570           | 2½       | 283                                    | 1,871           | 5,281                          | 4        |
| Kuala Reman                             | Mar. 31            | 4,020                     | 1,834                                          | 5,854                             | ...           | ...             | ...      | 3,433                                  | 2,421           | 3,471                          | Nil      |
| Manchester North Borneo                 | Mar. 31            | 6,290                     | 5,096                                          | 11,386                            | 1,127         | 2,991           | 2½       | 1,000                                  | 6,268           | 8,496                          | 4        |
| Sarawak Estates                         | Mar. 31            | 2,308                     | 1,861                                          | 4,169                             | ...           | 3,480           | 4        | Dr. 1,500                              | 2,189           | 6,526                          | 4        |
| Sungei Bahru                            | Mar. 31            | 1,227                     | 7,254                                          | 8,481                             | ...           | 4,323           | 5        | 2,000                                  | 2,158           | 11,660                         | 6½       |
| Vallambrosa.....                        | Mar. 31            | 10,238                    | 6,665                                          | 16,903                            | ...           | 6,569           | 10       | ...                                    | 10,334          | 16,818                         | 25       |
| Shops & Stores                          |                    |                           |                                                |                                   |               |                 |          |                                        |                 |                                |          |
| Milletts Stores                         | Apr. 30            | 8,422                     | 12,593                                         | 21,015                            | 4,350         | 2,175           | 14.4     | 5,000                                  | 9,490           | 14,021                         | Nil      |
| Tea                                     |                    |                           |                                                |                                   |               |                 |          |                                        |                 |                                |          |
| Assam Frontier                          | Dec. 31            | 5,579                     | 45,269                                         | 50,848                            | 10,500        | 14,000          | 2        | 20,000                                 | 6,348           | 61,813                         | 2½       |
| Bogawantalawa                           | Mar. 31            | 2,676                     | 16,732                                         | 19,408                            | 5,636         | 8,775           | 8½       | 3,000                                  | 1,997           | 23,022                         | 10       |
| Jokai (Assam)                           | Dec. 31            | 42,844                    | 97,344                                         | 140,188                           | 6,000         | 57,818          | 10       | 30,000                                 | 46,370          | 96,273                         | 12½      |
| Textiles                                |                    |                           |                                                |                                   |               |                 |          |                                        |                 |                                |          |
| Bulmer and Lumb                         | Apr. 30            | 12,767                    | 9,137                                          | 21,904                            | ...           | 5,002           | 6        | 1,000                                  | 15,902          | 12,902                         | 6†       |
| Trusts                                  |                    |                           |                                                |                                   |               |                 |          |                                        |                 |                                |          |
| Clyde and Mersey                        | May 31             | 24,899                    | 31,665                                         | 56,564                            | 8,297         | 16,732          | 5½       | 5,000                                  | 26,535          | 32,897                         | 5½       |
| Monks Investment                        | May 15             | 15,868                    | 20,386                                         | 36,254                            | ...           | 15,400          | 3½       | 10,000                                 | 10,854          | 23,944                         | 3½       |
| Second Great Northern.....              | June 1             | 14,228                    | 30,073                                         | 44,301                            | 16,499        | 7,334           | 2        | 5,000                                  | 15,468          | 35,923                         | 2        |
| Trustees Corporation.....               | May 31             | 72,049                    | 114,320                                        | 186,369                           | 29,039        | 64,522          | 10       | 20,000                                 | 72,808          | 128,244                        | 12       |
| Other Companies                         |                    |                           |                                                |                                   |               |                 |          |                                        |                 |                                |          |
| Aircrow Company                         | Mar. 31            | 23,665                    | 17,689                                         | 41,354                            | 4,350         | 12,234          | 22½      | 5,000                                  | 19,770          | 15,415                         | 20       |
| Associated Weavers                      | Apr. 30            | 6,523                     | 42,907                                         | 49,430                            | 4,275         | 13,050          | 20       | 20,897                                 | 11,208          | 28,884                         | 20       |
| Braithwaite & Co.                       | Mar. 31            | 24,325                    | 48,526                                         | 72,851                            | 8,156         | 7,897           | 5        | 27,678                                 | 29,120          | 35,930                         | 2½       |
| British Homophone                       | Mar. 31            | 2,843                     | 6,736                                          | 9,579                             | 2,989         | ...             | ...      | ...                                    | 6,590           | 4,587                          | Nil      |
| Burgis and Colbourne                    | Apr. 26            | 2,822                     | 8,124                                          | 10,946                            | 4,200         | 3,750           | 12½      | 1,113                                  | 1,883           | 8,479                          | 15       |
| Christy Brothers and Co. ...            | Mar. 31            | 26,927                    | 33,451                                         | 60,378                            | 4,500         | 16,500          | 11       | 15,000                                 | 24,378          | 42,089                         | 11       |
| Cossor (A. C.).....                     | Mar. 31            | (c) 55,889                | 55,889                                         | 23,925                            | 21,750        | 6               | 12½      | ...                                    | 10,214          | (a)                            | (a)      |
| Eastwoods Cement                        | Mar. 31            | 11,841                    | 38,506                                         | 50,347                            | ...           | 25,000          | 12½      | 13,500                                 | 11,847          | 38,264                         | 12½      |
| Kelly's Directories                     | Mar. 31            | 90,215                    | 101,508                                        | 191,723                           | 35,887        | 47,520          | 15       | 25,000                                 | 83,316          | 121,335                        | 15       |
| Lovell and Christmas                    | June 10            | 98,943                    | 76,189                                         | 175,132                           | 45,000        | ...             | ...      | 45,190                                 | 84,942          | 61,972                         | Nil      |
| Owen (Thomas) & Co.                     | Mar. 31            | 46,725                    | 75,778                                         | 122,503                           | 10,992        | 17,400          | 10       | 56,500                                 | 37,611          | 61,423                         | 10       |
| Reeves and Sons.....                    | Apr. 30            | 6,265                     | 20,847                                         | 27,112                            | 10,248        | 6,232           | 6        | 4,266                                  | 6,366           | 21,011                         | 6½       |
| Roberts Adlard and Co. ...              | Mar. 31            | 18,312                    | 10,392                                         | 28,704                            | ...           | 8,700           | 10       | ...                                    | 20,004          | 14,666                         | 10       |
| Santa Rosa Milling                      | Dec. 31            | 4,800                     | 10,182                                         | 14,982                            | 6,978         | ...             | ...      | 4,500                                  | 3,504           | 11,590                         | Nil      |
| Wellman Smith Engineering               | Mar. 31            | 22,801                    | 42,800                                         | 65,601                            | ...           | 31,570          | 12½      | 10,000                                 | 24,031          | 29,075                         | 10       |
| <b>Total Profits, 1939, in £,000's:</b> | <b>No. of Cos.</b> |                           |                                                |                                   |               |                 |          |                                        |                 |                                |          |
| To July 1                               | 1,449              | 65,272                    | 195,370                                        | 260,642                           | 37,363        | 105,363         | ...      | 49,518                                 | 68,398          | 213,302                        | ...      |
| To July 8                               | 1,495              | 66,298                    | 197,758                                        | 264,056                           | 37,883        | 106,637         | ...      | 50,120                                 | 69,416          | 215,906                        | ...      |

(a) No comparable figure. (b) Eighteen months. (c) From February 24, 1938, to March 31, 1939. † Free of Income Tax.

## SHORTER COMMENTS

(Continued from page 94)

**Great Northern Telegraph (Holding Company).**—Dividend maintained at 23½ per cent., or Danish Kr. 12.69 per share of Kr. 54 for the year to June 30, 1939. Set aside for taxes, Kr. 457,000 (Kr. 532,000); carried forward, Kr. 5,487 (Kr. 5,306).

**Lovell and Christmas.**—Net profits for year to June 10, 1939, £104,499 (£90,472). Preference dividend, £45,000. No ordinary distribution since 1936-37. Balance sheet shows total reserves £229,287 (£181,271). Carry forward reduced from £98,943 to £84,942.

**Blackburn Aircraft.**—Net profits for year to March 31, 1939, £140,301 (£137,957). Dividend repeated at 15 per cent., payable on old ordinary capital of £408,406.

**Montague Burton.**—Profits for year to March 31, 1939, £458,261 (£556,911). Final dividend 3½ making 7 per cent. for the year, payable on £64,927 more capital or a total of £2,229,163. No scrip bonus. In each of the three preceding years a 3 per cent. ordinary share bonus was distributed.

**Taquah and Abosso Mines.**—Net profits for year to March 31, £161,273 (£140,448). Final dividend 25 per cent., making 37½ for year (same).

**Wellman, Smith, Owen Engineering.**—Gross profits for year to March 31, 1939, £73,851 (£39,883). Tax and N.D.C., £6,566 (£4,985). Ordinary dividend 10 per cent., plus 2½ per cent. bonus, making 12½ against 10 per cent. To reserve, £10,000 (nil). Tax reserve, £20,000 (nil). Carry forward, £24,030 (£22,801). Bank loan reduced from £42,195 to £22,401.

**Gold Mines of Kalgoorlie.**—Total income for year to March 31, 1939, £228,286 (£147,794). Working expenses, £131,005 (£83,741). Net profit, £89,663 (£56,210). Depreciation, £22,000 (£17,500). Taxation, £22,678 (nil). Final dividend 5, making 8½ against 5 per cent., for the year. Carry forward, £5,414 (£5,759).

**Associated Weavers.**—Income for year to April 30, 1939, £55,857 (£42,585). Depreciation, £13,147 (£8,466). Tax and N.D.C., £12,250 (£11,500). Tax reserve, £2,750. Ordinary dividend repeated at 20 per cent. To reserve, £5,000. Carry forward, £11,208 (£6,523).

**Phoenix Oil Products.**—Profits for 1938, £52,101 (£50,252). Preference dividend, £48,000. Carry forward, £19,393 (£15,292). No ordinary dividend.

## Industry and Trade

## COMMODITY STATISTICS

## Coal

## COAL OUTPUT ('000 tons)

| District                   | Week ended    |               |          |          | Jan.-May |  |
|----------------------------|---------------|---------------|----------|----------|----------|--|
|                            | June 17, 1939 | June 24, 1939 | 1938     | 1939     |          |  |
| thumberland                | 286.1         | 171.6         | 5,681.1  | 5,698.5  |          |  |
| ham                        | 694.5         | 640.2         | 13,875.1 | 13,217.5 |          |  |
| shire                      | 904.8         | 724.3         | 18,992.8 | 18,858.1 |          |  |
| es, Cheshire               | 333.7         | 329.7         | 7,400.3  | 7,372.1  |          |  |
| N. Wales                   | 611.2         | 575.5         | 14,349.7 | 14,755.1 |          |  |
| by, Notts & Leicester      | 394.0         | 385.8         | 8,532.2  | 8,732.5  |          |  |
| th Wales & Carmarthenshire | 817.6         | 814.7         | 15,682.1 | 14,730.9 |          |  |
| stricts*                   | 122.9         | 124.8         | 2,336.3  | 2,307.1  |          |  |
| land                       | 606.4         | 607.8         | 13,035.8 | 13,271.6 |          |  |
| Total                      | 4,771.2       | 4,374.4       | 99,885.4 | 98,943.4 |          |  |

Including Cumberland, Gloucester, Somerset, Kent.

## Cotton

## RAW COTTON delivered to Spinners ('000 bales)

| Variety      | Week ended    |               | Total Deliveries  |                   |
|--------------|---------------|---------------|-------------------|-------------------|
|              | June 23, 1939 | June 30, 1939 | Aug. 1, 1937-1938 | Aug. 1, 1938-1939 |
| merican      | 18.2          | 16.9          | 1,139             | 936               |
| ilian        | 6.8           | 7.2           | 258               | 287               |
| uvian, etc.  | 3.6           | 2.8           | 106               | 124               |
| ptian        | 4.4           | 5.4           | 324               | 322               |
| an Sakel     | 3.2           | 7.9           | 132               | 142               |
| Indian       | 5.5           | 4.9           | 356               | 413               |
| er countries | 5.6           | 4.2           | 155               | 185               |
| Total        | 47.3          | 49.1          | 2,470             | 2,409             |

## Metals

## SALES ON LONDON METAL EXCHANGE

|             | Week ended    |              | From Jan. 1 to |              |
|-------------|---------------|--------------|----------------|--------------|
|             | June 24, 1939 | July 5, 1939 | July 6, 1938   | July 5, 1939 |
| pper.....   | Tons 3,800    | Tons 7,350   | Tons 239,025   | Tons 152,860 |
| efined..... | 1,220         | 1,175        | 46,510         | 35,835       |
| ad.....     | 5,800         | 6,500        | 180,550        | 148,700      |
| lter.....   | 4,900         | 3,500        | 162,475        | 96,570       |

## U.K. STOCKS

|                               | June 24, 1939 | July 1, 1939 |
|-------------------------------|---------------|--------------|
| pper (Br. official wh'ouses): | 5,025         | 4,542        |
| efined.....                   | 25,407        | 25,155       |
| n (London and Liverpool)...   | 10,814        | 9,728        |

## METALS—(cont.)

## TINPLATE INDUSTRY

| Product in—per cent. of capacity       | Week ended    |               |               |
|----------------------------------------|---------------|---------------|---------------|
|                                        | June 25, 1938 | June 17, 1939 | June 24, 1939 |
| 44.03                                  | 72.23         | 61.69         |               |
| June 30, 1938                          | June 22, 1939 | June 29, 1939 |               |
| Shipments..... Tons                    | 4,408         | 5,810         | 3,538         |
| Stocks—warehouse and in vans..... Tons | 6,220         | 4,329         | 6,946         |
| Twenty-five weeks ended                |               |               |               |
| June 30, 1938                          | June 29, 1939 |               |               |
| Shipments..... Tons                    | 126,339       | 110,800       |               |

## Foods

## WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

|                               | Week ended    |              | Season to    |              |
|-------------------------------|---------------|--------------|--------------|--------------|
|                               | June 24, 1939 | July 1, 1939 | July 2, 1938 | July 1, 1939 |
| From—                         |               |              |              |              |
| N. America.....               | 555           | 486          | 21,839       | 28,704       |
| Argentina and Uruguay.....    | 670           | 463          | 7,967        | 13,484       |
| Australia.....                | 191           | 230          | 2,231        | 11,755       |
| Russia.....                   |               |              | 5,261        | 4,488        |
| Danube and dist. India.....   | 180           | 298          | 6,412        | 9,253        |
| Other Countries...            | 89            |              | 1,576        | 4,224        |
|                               |               | 84           | 691          | 1,720        |
| Total.....                    | 1,685         | 1,561        | 58,997       | 69,828       |
| To—                           |               |              |              |              |
| U.K.....                      | 448           | 291          | 14,366       | 17,465       |
| "Orders".....                 | 398           | 415          | 13,395       | 15,334       |
| France.....                   | 20            | 22           | 830          | 1,087        |
| Belgium.....                  | 124           | 24           | 4,618        | 4,729        |
| Holland.....                  | 50            | 94           | 2,951        | 3,408        |
| Italy.....                    | 153           | 181          | 1,232        | 2,105        |
| Greece.....                   | 14            | 30           | 1,257        | 2,419        |
| Scandinavia.....              | 18            | 29           | 1,505        | 1,523        |
| Other European Countries..... | 33            | 145          | 5,165        | 5,380        |
| Ex-European Countries.....    | 427           | 330          | 11,678       | 17,131       |
| Total.....                    | 1,685         | 1,561        | 58,997       | 69,828       |



## BRITISH WHOLESALE PRICES

| CEREALS AND MEAT                                         |          | June 28, 1939 | July 5, 1939 |
|----------------------------------------------------------|----------|---------------|--------------|
| <b>GRAIN, etc.—</b>                                      |          | s. d.         | s. d.        |
| Wheat—                                                   |          |               |              |
| No. 2, N. Man. 496 lb.                                   | 27 3     | 27 6          |              |
| Eng. Gaz. av., per cwt.                                  | 4 9      | 4 8           |              |
| Liv. July, per cental                                    | 3 10     | 3 10          |              |
| Flour, per 280 lb.—                                      |          |               |              |
| Straights, d/d London                                    | 22 6     | 22 6          |              |
| Manitoba, ex store                                       | 22 6     | 22 6          |              |
| Barley, Eng. Gaz., av. per cwt.                          | 6 8      | 5 9           |              |
| Oats                                                     | 6 3      | 6 0           |              |
| Maize, La Plata, landed, 480 lb.                         | 24 6     | 24 6          |              |
| Rice, No. 2 Burma, per cwt.                              | 8 11½    | 8 0           |              |
| <b>MEAT—</b>                                             |          |               |              |
| Beef, per 8 lb.—                                         |          |               |              |
| English long sides                                       | 4 6      | 4 4           |              |
| Argentine chilled hinds                                  | 4 4      | 4 6           |              |
| Mutton, per 8 lb.—                                       |          |               |              |
| English wethers                                          | 6 0      | 5 8           |              |
| N.Z. frozen wethers                                      | 3 4      | 3 4           |              |
| Lamb, per 8 lb.—                                         |          |               |              |
| N.Z. frozen                                              | 4 4      | 4 4           |              |
| Pork, English, per 8 lb.                                 | 5 2      | 5 0           |              |
| <b>BACON (per cwt.)—</b>                                 |          |               |              |
| English                                                  | 95 0     | 98 0          |              |
| Danish                                                   | 91 0     | 94 0          |              |
| Dutch                                                    | 88 0     | 91 0          |              |
| Irish                                                    | 96 0     | 99 0          |              |
| <b>HAMS (per cwt.)—</b>                                  |          |               |              |
| Canadian                                                 | 102 0    | 104 0         |              |
| United States                                            | 94 0     | 90 0          |              |
| <b>OTHER FOODS</b>                                       |          |               |              |
| <b>BUTTER (per cwt.)—</b>                                |          |               |              |
| Australian                                               | 112 0    | 116 0         |              |
| New Zealand                                              | 119 0    | 123 0         |              |
| Danish                                                   | 126 0    | 125 0         |              |
| CHIESE (per cwt.)—                                       |          |               |              |
| Canadian                                                 | 71 0     | 72 0          |              |
| Basal                                                    | 72 0     | 73 0          |              |
| New Zealand                                              | 64 6     | 67 0          |              |
| English Cheddars                                         | 46 0     | 45 6          |              |
| Dutch                                                    | 52 0     | 52 0          |              |
| <b>COCOA (per cwt.)—</b>                                 |          |               |              |
| Accra, g.f.                                              | 19 9     | 20 3          |              |
| Trinidad                                                 | 42 0     | 42 0          |              |
| Grenada                                                  | 33 0     | 33 0          |              |
| COFFEE (per cwt.)—                                       |          |               |              |
| Santos supr. c. & f.                                     | 30 6     | 30 6          |              |
| Costa Rica, medium to good                               | 82 0     | 82 0          |              |
| Kenya, medium                                            | 72 0     | 72 0          |              |
| EGGS (per 120)—                                          |          |               |              |
| English (15-15½ lb.)                                     | 14 9     | 14 9          |              |
| Danish (15½ lb.)                                         | 10 3     | 10 0          |              |
| <b>FRUIT—</b>                                            |          |               |              |
| Oranges, Brazilian (Peras) boxes                         | 5 9      | 8 0           |              |
| " S. African (Navels) boxes                              | 9 0      | 9 0           |              |
| " Californian Valencia boxes                             | 13 6     | 10 6          |              |
| Lemons, Naples boxes                                     | 16 3     | 13 0          |              |
| " Sicilian Limoni pkgs.                                  | 11 0     | 11 0          |              |
| Apples, N.Zealand (var.) boxes                           | 7 6      | 7 6           |              |
| " Australian                                             | 14 0     | 12 6          |              |
| Grapefruit, S. African (M.S.) boxes                      | 12 6     | 13 0          |              |
| " Brazilian (M.S.) boxes                                 | 12 0     | 16 3          |              |
| Pears, Tasmanian boxes                                   | 6 0      | 5 6           |              |
| <b>LARD (per cwt.)—</b>                                  |          |               |              |
| Irish, finest bladders                                   | 50 0     | 46 0          |              |
| U.S.                                                     | 35 6     | 32 6          |              |
| <b>PEPPER (per lb.)—</b>                                 |          |               |              |
| Black Lampung (Duty paid)                                | 0 2½     | 0 2½          |              |
| White Muntok (f.a.o.) (Duty paid)                        | 0 3      | 0 3           |              |
| POTATOES (per cwt.)—                                     |          |               |              |
| English, King Edward, Siltland                           | 50 0     | 65 0          |              |
| Wisbech                                                  | 60 0     | 75 0          |              |
| <b>SUGAR (per cwt.)—</b>                                 |          |               |              |
| Centrifugal, 96% prpt. shipm.                            | 8 3      | 8 3           |              |
| Kaffee London                                            | 23 7½    | 23 10½        |              |
| Yellow Crystals                                          | 28 1½    | 28 4½         |              |
| Cubes                                                    | 28 7½    | 28 10½        |              |
| <b>SUGAR (per cwt.)—cont.</b>                            |          |               |              |
| Crushed                                                  | 26 4½    | 26 7½         |              |
| Granulated                                               | 24 3     | 24 6          |              |
| Home Grown                                               | 24 4½    | 24 7½         |              |
| <b>TEA* (Auction Average) (per lb.)—</b>                 |          |               |              |
| N. India                                                 | 13 75    | 14 29         |              |
| S. India                                                 | 14 10    | 13 37         |              |
| Ceylon                                                   | 14 89    | 14 60         |              |
| Java                                                     | 12 89    | 12 06         |              |
| Sumatra                                                  | 10 66    | 11 58         |              |
| Africa                                                   | 11 61    | 13 93         |              |
| Total                                                    | 14 00    | 13 93         |              |
| <b>TOBACCO (per lb.)—</b>                                |          |               |              |
| Virginia, stemmed and unstemmed, common to fine          | 0 8      | 0 8           |              |
| Rhodesian, stemmed and unstemmed                         | 0 9      | 0 9           |              |
| Nyasaland, stemmed and unstemmed                         | 1 10     | 1 10          |              |
| East Indian                                              | 1 4      | 1 4           |              |
| Unstemmed                                                | 1 2      | 1 0           |              |
| <b>TEXTILES</b>                                          |          |               |              |
| <b>COTTON (per lb.)—</b>                                 |          |               |              |
| Raw, Mid-American                                        | 5 54     | 5 58          |              |
| Giza, F.C.F.                                             | 6 52     | 6 56          |              |
| Yarns, 32's Twist                                        | 9 18     | 9 18          |              |
| 40's West                                                | 10       | 10            |              |
| 60's Twist (Egyptian)                                    | 17       | 17            |              |
| Cloth, 32 in. Printers, 116 yds.                         | 16 9     | 16 9          |              |
| 16 x 16, 32's & 50's                                     | 23 4     | 23 4          |              |
| 36 in. Shirtings, 75 yds.                                | 9 10     | 9 10          |              |
| 18 x 16, 10 lb.                                          | 8 11     | 8 11          |              |
| 39 in. ditto, 37½ yds.                                   | 8 11     | 8 11          |              |
| 16 x 15, 8½ lb.                                          | 8 11     | 8 11          |              |
| <b>FLAX (per ton)—</b>                                   |          |               |              |
| Livonian ZK                                              | 84 0     | 84 0          |              |
| Pernau HD                                                | 85 0     | 85 0          |              |
| Slanetz Medium, 1st sort                                 | 84 0     | 84 0          |              |
| <b>HEMP (per ton)—</b>                                   |          |               |              |
| Italian PC                                               | 71 0     | 71 0          |              |
| Manilla, July-Sept. "J2"                                 | 17 0     | 17 0          |              |
| <b>JUTE (per ton)—</b>                                   |          |               |              |
| Native 1st mks., c.i.f. H.A.R.B.                         | 26/0/0   | 25/0/0        |              |
| July-Aug. (Old)                                          | 26/0/0   | 25/0/0        |              |
| Daisee 2/3 c.i.f. Dundee                                 | 21/15/0  | 20/15/0       |              |
| Oct.-Nov. (New)                                          | 21/15/0  | 20/15/0       |              |
| <b>SISAL (per ton)—</b>                                  |          |               |              |
| African, July-Sept.                                      | 14/7/6   | 14/0/0        |              |
| SILK (per lb.)—                                          |          |               |              |
| Canton                                                   | 10 6     | 10 6          |              |
| Japan                                                    | 11 0     | 11 3          |              |
| Italian, raw, fr. Milan                                  | 11 9     | 12 0          |              |
| <b>WOOL (per lb.)—</b>                                   |          |               |              |
| English, Southdown, greasy                               | 11½      | 12            |              |
| Lincoln hog, washed                                      | 11       | 11½           |              |
| Queensland, scd. super combg.                            | 22       | 22½           |              |
| N.S.W. greasy, super combg.                              | 13½      | 13½           |              |
| N.Z., greasy, half-bred 50-56                            | 12       | 12½           |              |
| Tops—                                                    | 10½      | 11            |              |
| Merinos 70's average                                     | 26½      | 27            |              |
| " 64's "                                                 | 25       | 25½           |              |
| Crossbred 48's                                           | 17½      | 18            |              |
| " 46's "                                                 | 17       | 17½           |              |
| <b>MINERALS</b>                                          |          |               |              |
| <b>COAL (per ton)—</b>                                   |          |               |              |
| Welsh, best Admiralty                                    | 19 6     | 19 6          |              |
| Durham, best gas, f.o.b. Tyne                            | 19 3     | 19 3          |              |
| Sheffield, best house, at pits                           | 22 0     | 22 0          |              |
| <b>IRON AND STEEL (per ton)—</b>                         |          |               |              |
| Pig, Cleveland No. 3, d/d                                | 99 0     | 99 0          |              |
| Bars, Middlesbrough                                      | 245 0    | 245 0         |              |
| Steel rails, heavy                                       | 190 0    | 190 0         |              |
| Timber, heavy                                            | 20 3     | 20 3          |              |
| <b>NON-FERROUS METALS (per ton)—</b>                     |          |               |              |
| Copper—                                                  |          |               |              |
| Standard cash                                            | 42/0/0   | 42/15/0       |              |
| Three months                                             | 42/1/3   | 42/17/6       |              |
| Tin—                                                     |          |               |              |
| Standard cash                                            | 229/15/0 | 229/15/0      |              |
| Three months                                             | 230/0/0  | 230/0/0       |              |
| Lead, soft foreign                                       | 224/5/0  | 224/10/0      |              |
| Tab                                                      | 14/10/0  | 14/12/6       |              |
| na                                                       | 14 11/3  | 14 13/9       |              |
| ig                                                       | 16/10/0  | 16/10/0       |              |
| <b>SILICA, G.O.B.—</b>                                   |          |               |              |
| S. f.                                                    | 13/17/6  | 14/2/6        |              |
| Alumina, ingots and bars                                 | 94/0/0   | 94/0/0        |              |
| rolling billets                                          | 102/0/0  | 102/0/0       |              |
| Nickel, some and export                                  | 180/0/0  | 180/0/0       |              |
| Antimony, Chinese                                        | 55/0/0   | 55/0/0        |              |
| <b>WOLFAM, Chinese</b>                                   |          |               |              |
| per unit                                                 | 49 0     | 48 6          |              |
| Platinum, refined                                        | 51 6     | 50 6          |              |
| Quicksilver                                              | 7/10/0   | 7/10/0        |              |
| per lb.                                                  | 16/10/0  | 16/10/0       |              |
| <b>GOLD, per fine ounce</b>                              |          |               |              |
| June 28, 1939                                            | 148 6½   | 148 6½        |              |
| July 5, 1939                                             | 148 6½   | 148 6½        |              |
| <b>SILVER (per ounce)—</b>                               |          |               |              |
| Cash                                                     | 1 63½    | 1 6           |              |
| <b>MISCELLANEOUS</b>                                     |          |               |              |
| <b>CEMENT, best Eng. Portland, d/d vitz, London area</b> |          |               |              |
| in paper bags 20 to ton (free, non-returnable)—          |          |               |              |
| 4-ton loads and upwards per ton                          | 41 0     | 41 0          |              |
| <b>CHEMICALS—</b>                                        |          |               |              |
| Acid, citric, per lb., less 5% ...                       | 1 0      | 1 0           |              |
| " Nitric ...                                             | 0 2½     | 0 2½          |              |
| " Oxalic, net ...                                        | 0 6      | 0 6           |              |
| " Tartaric, English, less 5% ...                         | 1 1½     | 1 1½          |              |
| Alcohol, Plain Ethyl, per proof gal                      | 20/0/0   | 20/0/0        |              |
| Ammonia, carb. ... per ton                               | 21/0/0   | 21/0/0        |              |
| " Sulphate ...                                           | 7/14/0   | 7/14/0        |              |
| Borax, gran. ... per cwt.                                | 13 6     | 13 6          |              |
| " powder ...                                             | 15 0     | 15 0          |              |
| Nitrate of soda ... per ton                              | 8/0/0    | 8/0/0         |              |
| Potash, Chlorate, net ... per ton                        | 37/0/0   | 37/0/0        |              |
| " Sulphate ... per ton                                   | 10/15/0  | 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                           | 18/5/0   | 18/5/0        |              |
| <b>COPRA (per ton)—</b>                                  |          |               |              |
| S.D. Straits, c.i.f.                                     | 10/10/0  | 10/6/3        |              |
| <b>HIDES (per lb.)—</b>                                  |          |               |              |
| Wet salted, Australian                                   | 0 45s    | 0 4½          |              |
| West Indian                                              | 0 5¼     | 0 5¼          |              |
| Cape                                                     | 0 3¼     | 0 3¼          |              |
| Dry and Drysalted Cape                                   | 0 6¼     | 0 6¼          |              |
| Market Hides, Manchester—                                |          |               |              |
| Best heavy ox and heifer                                 | 0 5½     | 0 5½          |              |
| Best cow                                                 | 0 5½     | 0 5½          |              |
| Best calf                                                | 0 5½     | 0 5½          |              |
| <b>INDIGO (per lb.)—</b>                                 |          |               |              |
| Bengal, gd. red-vio, to fine                             | 5 0      | 5 0           |              |
| <b>LEATHER (per lb.)—</b>                                |          |               |              |
| Sole Bends, 8/12 lb.                                     | 2 1      | 2 1           |              |
| Bark-Tanned Sole                                         | 2 3      | 2 3           |              |
| Shoulders from DS Hides                                  | 0 10     | 0 10          |              |
| " Eng. or WS do.                                         | 0 11     | 0 11          |              |
| Bellies from DS do.                                      | 0 6½     | 0 6½          |              |
| " Eng. or WS do.                                         | 0 7½     | 0 7½          |              |
| Dressing Hides                                           | 1 1      | 1 1           |              |
| Ro. Eng. Calf, 20/35 lb. per doz.                        | 3 6      | 3 6           |              |
| <b>PETROLEUM PRODUCTS (per gall.)—</b>                   |          |               |              |
| Motor Spirit No. 1, London                               | 1 6      | 1 6           |              |
| Petroleum, Amer. rfd. brl. Lond.                         | 0 10     | 0 10          |              |
| Fuel oil, in bulk, for contracts, ex. instal. Thames—    |          |               |              |
| Furnace                                                  | 0 3¼     | 0 3¼          |              |
| Diesel                                                   | 0 4½     | 0 4½          |              |
| <b>ROSIN (per ton)—</b>                                  |          |               |              |
| American                                                 | 15/5/0   | 15/5/0        |              |
| RUBBER (per lb.)—                                        |          |               |              |
| St. ribbed smoked sheet                                  | 0 8¼     | 0 8½          |              |
| Fine hard Para                                           | 0 7½     | 0 7½          |              |
| <b>SHELLAC (per cwt.)—</b>                               |          |               |              |
| TN Orange                                                | 35 0     | 35 0          |              |
| TALLOW (per cwt.)—                                       |          |               |              |
| London town                                              | 15 6     | 15 6          |              |
| <b>TIMBER—</b>                                           |          |               |              |
| Swedish 1½ x 3 x 8 ... per std                           | 21/15/0  | 21/15/0       |              |
| " 2½ x 4 " " "                                           | 21/5/0   | 21/5/0        |              |
| " 2 x 4 " " "                                            | 20/5/0   | 20/5/0        |              |
| Canadian Spruce, Dis.                                    | 26/0/0   | 26/0/0        |              |
| Pine, per load                                           | 13/10/0  | 13/10/0       |              |
| Rio Deals                                                | 35/0/0   | 35/0/0        |              |
| Teak                                                     | 24/0/0   | 24/0/0        |              |
| Honduras Mahogany logs c. ft.                            | 0/10/0   | 0/10/0        |              |
| English Oak Planks                                       | 0/6/0    | 0/6/0         |              |
| English Ash Planks                                       | 0/7/0    | 0/7/0         |              |
| <b>VEGETABLE OILS (per ton net)—</b>                     |          |               |              |
| Linseed, naked                                           | 24/10/0  | 24/7/6        |              |
| Rape, refined                                            | 32/5/0   | 32/5/0        |              |
| Cotton-seed, crude                                       | 17/10/0  | 17/10/0       |              |
| Coconut, crude                                           | 16/10/0  | 16/10/0       |              |
| Palm                                                     | 11/15/0  | 12/0/0        |              |
| Oil Cakes, Linseed, Eng.                                 | 8/7/6    | 8/7/6         |              |
| Oil Seeds, Linseed—                                      |          |               |              |
| La Plata                                                 | 11/15/0  | 11/13/9       |              |
| Calcutta                                                 | 12/13/9  | 12/11/3       |              |
| Turpentine                                               | 33 9     | 33 0          |              |

\* Weeks ended June 22nd and June 29th.

† 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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## The State of Preparedness

IT is unfortunate that boasts about Britain's strength and readiness should have something of a hollow ring in foreign ears. Only twelve months ago it was the fashion among British Ministers to proclaim the preparedness of their country for defence or attack. But when the call came in September we were not ready. That was the view most widely current in Germany to explain Mr Chamberlain's complaisance at Munich. It was also the view of the smaller States of Europe; now, when crisis is again in the air, they are urgently asking whether Britain is ready this time.

It is a pertinent question. Upon the answer to it probably depends the chances of preserving peace in the testing months that are before us. There is small suggestion in any quarter or country that an emergency would reveal the land so barren as it was shown to be ten months ago. The situation has vastly changed. It is true that last March, after five months of the uneasy yoking of appeasement and re-armament in British policy, the further progress of Nazi aggrandisement met with even fewer obstacles than it had done at Munich. But the destruction of Czecho-Slovakia was the last occasion on which it would plausibly be claimed that the strength of Germany in aggression arose from the actual weakness of the principal law-abiding States. If aggression were to succeed once more without effective resistance it would be because of a deliberate decision by the Western Powers to stand aside and not because of their inability to do anything else. France has

gone to work; and in Britain something like a revolution is well under way.

This is an appropriate time to make this point. Three pieces of legislation which embody a great part of the recent remarkable changes in social and economic organisation come this week into sight of the statute book. The Civil Defence Bill provides a code



April Estimates, though it is not possible yet to fix the total, and the projected loan expenditure has grown accordingly.

It is the expansion of the Army that gives the best indicator to the resolve of an insular and unmilitary-minded people to be ready. And a mere three months have seen the effective changes set in train. The establishment of the Regular Army itself has been raised and recruitment is running at record levels. It has been made possible to call up reserves and auxiliaries for active service in peacetime. The Territorial Army has been doubled. Most significant of all, in a country wedded to voluntary recruitment, conscription has been introduced to bring into training 220,000 young men in a single year. No friend or possible foe on the Continent can afford to undervalue the decision these measures represent.

Indeed, the speed with which the new policy of preparedness has lately developed is conspicuous. It would be quite untrue to say that nothing significant had been done before this year. It is because of the planning of several years, for instance, that aircraft output has leapt up in recent months. But something like a clear realisation of the magnitude of the task ahead only began with the giving of guarantees to Poland, Roumania and Greece in March. The need to be concretely able to implement our pledges then became painfully obvious. As recently as April 22nd *The Economist* sketched in outline the agenda of essential measures required for safety and strength in near-war conditions. Since then steps towards many of the most vital items in that list have already been firmly taken. The unfolding of the increase in our land forces needed to fulfil our diplomatic commitments is only one instance. The British output of aircraft is now in excess of the German. The dangerous shortage of anti-aircraft guns has gone, and the supply of Bren guns and other vital equipment for the Regular Army has reached a satisfactory level.

It is precisely this lesson, that readiness has been substantially achieved in the ways which stood out because of their weakness last September, that the swift new bombers of the R.A.F. are spreading abroad in their long-distance flights over France. Nor does the catalogue of achievement end with these items of direct defence. It is as important that our friends and allies should be able to preserve their commercial independence in peace as it is for Britain to defend their territorial independence in war. The economic aspect of collective resistance is essential to that policy's success. Now a sum of £60 millions is to be made available for the financial support of Britain's friends. It remains to round off the needed aid by taking stock of the goods of friendly countries that might be bought by Britain. The proposed purchase of Roumanian wheat is an apt beginning.

There is abundant room for praise here. It cannot of course be disguised that much more has been planned on paper than has been accomplished. It is admittedly a melancholy fact that almost all these steps were widely suggested long ago, and strenuously resisted by the Government, at a time when their weight in the scales of peace might very well have been decisive. Yet very marked headway is now being made, and it would be the height of unwisdom not to make this crystal clear to the world.

But there are two sides to the account. This is the credit side. There is a debit side. The job to be done is to apply all the resources of Britain, industrial, commercial, financial, organisational and intellectual to the many-sided but single object of national defence. It is a re-orientation of society itself that is needed, temporary but fundamental; and the trouble is that too much of the preparedness is still improvised and piecemeal. There are three major causes for the failure so far to work out a fully articulated but unified plan. The first is unfamiliarity. The technique and scale of near-war organisation in a world where war embraces every aspect of social and economic life are

unknown. The possibility that the changes needed may be as great as those which actual war requires is hard to grasp. The second cause is haste. Months and years have been wasted in policies at home and abroad that refused to face the facts of a world transformed by the rise of aggressive dictatorships. The machinery of post-war peace was permitted to rust and break. It is hard to make up in a few hurried weeks for the time lost in a negligent five years.

The third cause of the failure to plan with full efficiency is personal. Our present rulers have only reluctantly abandoned the policies which the swift strokes of German aggrandisement proved wrong. The Cabinet is not outstanding for the calibre of its members. Many are wearied by the rush of events; and their attempt to make their own a policy previously pressed unsuccessfully upon them by their political opponents is not aided by their leader's stubborn refusal to call in new blood. It is in an atmosphere of inhibitions and psychological distaste that preparedness is being pieced together. That is not to say that new men could work miracles, but rather that national defence in an hour of national need demands a truly National Government. The affairs of State have long since left the realm of merely partisan politics. The abnegation of constructive opposition might well be a disaster, but the broadening of the Cabinet to bring in the long-avowed sponsors of swift and singly-planned readiness might animate governmental policy with a new incisiveness. It would win that wide-flung confidence at home and abroad which the present Government, hampered by the memory of its own past, cannot claim to have.

The task of such a Cabinet would be clear. It would be to see straightly the indivisibility of preparedness: to grasp fully the fact, for instance, that a shipping policy, a food policy, a raw materials policy and an agricultural policy cannot be worked out in separate compartments, that they are parts of a single whole; to perceive that manpower and supplies, too, must be organised as single problems and not split up into the provinces of separate Government departments and civil bodies; to understand, that is, that the problem to be solved is the simple economic problem of making the best use of all the available resources for a many-sided but single purpose. The needed means may be distasteful and drastic, but the end is vital.

It would further be the merit expected of a National Government to take firm hold of the fact that it is the end that crowns the work. The code that has been given to civil defence, for instance, loses dangerously in virtue so long as its pivotal points of shelter and evacuation are both left obscure and incomplete. The expansion of the Army and the institution of a Ministry of Supply, again, do not establish their effect until it is unmistakably possible to set an Expeditionary Force of perhaps a million men, fully equipped, on foreign soil. The power of the Navy to keep open the seas, as well as to blockade the enemy, is robbed of influence so long as stores and warehouses are not swiftly filled with the foodstuffs and raw materials whose carriage before emergency begins would avoid the clogging of shipping transport when it came. It is not enough simply to man the fighting forces and the civil defences. It is needful to eke out and ration all the labour force of the country for industry and defence together. Only a Government with the whole country behind it in trust could deal comprehensively with the labour problem without friction.

There is every reason for gratitude for the progress lately made. There is every good ground to bruit it abroad. But there is urgent need to ensure the swift continuance of preparedness to a successful end, and it is hard to escape the view that the bold steps still required can only be taken, whole-heartedly and acceptably, by a bolder and broader-bottomed administration than Mr Chamberlain's can claim to be.

## Defending Neutrality

THOSE who have travelled over Europe during the past six months have found good reason to fear for the future. Perhaps none of the great manifestations of force, astounding in their size and substance though they were, can have been more sobering in its comment on the state of the world than a modest sight that may be seen any day in the Netherlands, that of a solitary soldier on guard over a bridge charged with dynamite. There he stands in that quiet countryside, out-of-place among the peasant wains and touring motor-cars, that bespatter him with dust as they pass. Placed there by a people who have lived in immunity from war for a hundred years, he represents one of Europe's most grave doubts of peace.

The Dutch and Belgian peoples, together fourteen millions strong, are assimilating the changed atmosphere of Europe in different ways, according to their past. Both their Governments have taken, and continue to take, whatever steps they can to ensure that if war breaks out it shall find them, and leave them, independent and strictly neutral. The background of the last few years has been closely similar for both countries. In October, 1936, King Leopold announced Belgium's wish to stand aside from the reciprocal obligations which British, French, and German guarantees, as well as recent history, had placed upon her. Since then, her Government has been at one with the Dutch Government in stating and re-stating a policy of neutrality; one by one they have loosened the possible bonds of entanglement, withdrawing early from the collective obligations of the League Covenant, refusing to admit to any foreign troops the right of passage across their territories or the right of military aircraft to fly overhead—Belgium going so far as to fortify her frontier with France, and Holland her coastline, lest Germany should think their sympathies tacitly surrendered to the Western Powers. They have even refused to enter into formal engagements between themselves. Holland has no external obligations of any kind; Belgium is guaranteed by Britain, France, and Germany, but has no reciprocal obligations. Neither would welcome an extension to themselves of the guarantee system operated by the Peace Front.

The effective strength of their defences, and the means which the two peoples have of resisting an invader, make less hopeful reading. What would suit them best would be to find themselves at liberty to call upon the Peace Front for aid in the event of their neutrality being threatened by the Axis, without their being compelled to give the Axis offence by accepting a guarantee from the Peace Front in advance. And in terms of realism it is common knowledge that a threat to the Low Countries is automatically a threat to Britain and France. The one danger that the Low Countries must therefore consider and provide against is that of a lightning attack which would kill their resistance before any hope of a counter-offensive. There must be no possibility of a swift German push through the Limburg salient (that appendix of the Netherlands) which would turn the Maginot Line and open the fields of Flanders once again, or of a sudden thrust at Flushing and the strategically invaluable islands and waterways of the Scheldt. It is the task of the Low Countries to eliminate the possibility of their being surprised.

The military defence measures which both countries initiated in the spring of 1936 were conceived to this end. The annexation of Bohemia-Moravia stilled the last protests of those who carped at re-armament. The Belgian Government, faced already with a badly-unbalanced

Budget, was persuaded to unlace a little more widely the strings of its purse. No one in Belgium was much surprised when last month's breaching of the new Albert Canal (which has a strategic as well as a commercial function) revealed, to the embarrassment of the authorities, the presence of strong posts constructed in concrete in the dykes.

For the general thesis of re-armament is not seriously contested anywhere in Belgium. What has been contested, by the Flemings, is the tendency to think of danger as coming only from the East. Moved more by a distrust of things French than by a love of things German, and with that heavy touch of unrealism that marks their activities in other political spheres, the Flemings as a rule have demanded fortifications towards France as well as towards Germany, and the controversy went rumbling on in the bosom of Belgian political life until last autumn's crisis sobered the logical zeal of the Flemings and softened the equally logical prejudice of the Walloons. It was then realised, and not over soon, that both parties must now stop bickering and unite their weight behind sternly practical measures of defence. It is a welcome change.

In Holland, too, there has been a change. Since 1935 the Budgets of the Netherlands Government have shown allocations for national defence increasing year by year. As early as 1936 it was decided to protect the Eastern frontier (and the sea-coast) with a series of concrete pill-boxes and similar fortifications. This is now well on its way to completion. Since Holland's frontier with Germany is not much shorter than that of France, and the Dutch were not prepared to spend freely on fortifications which might be interpreted as having a provocative as well as a protective value, the system is on a very modest scale. The uncertain conditions of 1939, however, have worked a widespread change in public opinion; the period of military service has been lengthened to twenty-one months, further recruitment of men is in progress, supplementary defence moneys have been voted, and an effort is being made to catch up with the long delay in taking civil defence precautions.

It is not easy to imagine the profoundly disturbing effect which these changes are having on Dutch life. To say that the Dutch have grown fat with good living and long immunity from war, is at best only a half-truth. They remain a people of intensely individualist ways of thought. Even to-day, with the chances of war as great as they are, Dutch municipal councils and even private firms are still buying their own anti-aircraft guns, training their own crews, defraying the cost with a reluctance which must be seen to be believed. It is not for nothing that the Cabinet of Dr Colijn was a coalition of three Christian parties, the "Confessional" coalition as it was called; not without significance that in Holland the theological issues of Calvinism are still alive and in full development: it was all the more shocking that a suggestion should be made that Holland might receive a guarantee from the U.S.S.R., a State which on moral grounds Holland has never recognised. To this people the threat of war has come with all the cold horror of a nightmare. That they must hold themselves ready, at need, to open the dykes from the the Zuyder Zee in a half-circle to the Scheldt, so as to protect the areas about The Hague and Amsterdam, seems to them more intimately evil and wasteful, more nearly touching their lives, than any purely military measures of defence.

What the blessings of a long peace have produced is a financial conservatism, a sheer unwillingness to spend money on the most necessary projects, which is far from being a blessing and must have seemed very wonderful to Herr Funk, explaining at The Hague last week the benefits of a managed economy. It may seem unrealistic to the point of folly, for instance, to possess an empire so rich and far-flung as Netherlands India without having more warships to defend it than half-a-dozen light cruisers. Yet the popular demand for three or four battle-cruisers, which has now been granted, was made into a burning political issue by those who said that Holland could not afford to pay for them. The realisation that Holland must either

abdicate her Empire or be ready to defend it, has not come any too soon.

The neutrality of the Low Countries rests finally on their own preparedness to resist invasion. Between the decision to defend their integrity, and the fact that neither country can withstand the onslaught of a Great Power, lies a narrow ground of neutrality which can be retained only by courage and clear thinking. The hope that they can retain it may go unfulfilled; but, in acting as if they could, the Belgians and the Dutch are taking the only course left open to them. And it is with the traditional interest of many centuries that their efforts will be watched in England.

## Profits and the Boom

OUR armaments-fed boom brings us daily nearer the state of full employment. The mainspring of industrial activity to-day is not the profit motive, beloved of the classical economists; it is free spending from the public purse to meet the dire necessities of preparedness. The inflationary formula has worked with a speed and directness unparalleled in any normal cyclical recovery. But it has produced odd incidental effects, some of which bear witness to the political origins of the boom. There is no progress to report in the equity investment market. And, so far, at least, the boom has not been reflected in the course of industrial profits.

It is the fate of profits figures to be late. Indeed, it is for this reason that the survey of industrial profits which appears in these columns in July each year takes on some of the characteristics of an annual review. Company reports published during any twelve months to June bear an average accounting date of October 31st in the previous year. They show, very broadly speaking, the trend of profits in the preceding calendar year, but only after six to nine months have elapsed. And the average date at which these profits were earned is itself projected back by a further six months. It is very clear, indeed, that the fall of 7.0 per cent. in the profits of 2,387 companies whose reports were received during the year to June 30th has no relation to the recent manifestations of the arms boom. The pivotal date to which their earnings of £286.6 millions may be said, statistically, to refer was in April last year, when industrial conditions were distinctly depressed, and armaments expenditure, though growing, had yet to establish a dominant influence upon the economic system.

Hence the profits figures for the twelve months to June last provide a measure of the effects of recession rather than recovery upon industrial earnings. In Table I they are related to the figures for similar periods since 1928-29. Last year's recession had less effect upon profits than upon industrial activity. The average level of *The Economist's* Index of Business Activity (1935=100) rose

from 106 in 1936 to 112 in 1937 and dropped fairly sharply to 104½ last year. But the chain index of profits (1928=100) given above was still 5 points higher last year than for 1936, despite its fall from 122 to 113. That conclusion is supported by the new index of profits (July, 1935-June, 1936=100), which is set out in Table II. The latest index figure is 122.9, compared with 131.7 for the twelve months to June, 1938, but it remains significantly higher than the figure of 118.3 recorded for 1936-37.

TABLE II.—*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         | 122.9          | ...           | ...            |

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.

TABLE III.—PROFITS OF SECOND QUARTER COMPANIES, 1929-39

| Reports Issued during Second Quarter | No. of Companies | Total Profit (after deb. interest) | Change since preceding year (same companies) | Total Preference and Ordinary Capital | Ratio of Profits to Capital |
|--------------------------------------|------------------|------------------------------------|----------------------------------------------|---------------------------------------|-----------------------------|
|                                      |                  | £                                  | %                                            | £                                     | %                           |
| 1929                                 | 639              | 78,079,238                         | - 0.7                                        | 783,972,918                           | 9.9                         |
| 1930                                 | 578              | 79,717,393                         | + 8.6                                        | 751,909,913                           | 10.6                        |
| 1931                                 | 619              | 64,051,136                         | - 19.4                                       | 745,477,186                           | 8.6                         |
| 1932                                 | 675              | 56,832,501                         | - 21.8                                       | 1,042,514,627                         | 5.4                         |
| 1933                                 | 612              | 52,871,165                         | + 3.3                                        | 929,556,651                           | 5.7                         |
| 1934                                 | 642              | 67,334,795                         | + 18.2                                       | 973,291,929                           | 6.9                         |
| 1935                                 | 694              | 80,076,325                         | + 17.8                                       | 980,620,210                           | 8.2                         |
| 1936                                 | 739              | 92,280,660                         | + 10.6                                       | 1,015,646,042                         | 9.1                         |
| 1937                                 | 765              | 100,690,626                        | + 19.9                                       | 951,790,564                           | 10.6                        |
| 1938                                 | 805              | 112,472,971                        | + 12.8                                       | 942,078,693                           | 11.9                        |
| 1939                                 | 793              | 106,035,888                        | - 8.2                                        | 1,002,565,965                         | 10.6                        |

TABLE IV.—DIVISION OF PROFITS (SECOND QUARTER COMPANIES)

| Reports Issued during Second Quarter | Proportion of Profits after Debenture Interest |                   |                                     | Rate of Payment on Each Class of Capital |            |                     |                  |
|--------------------------------------|------------------------------------------------|-------------------|-------------------------------------|------------------------------------------|------------|---------------------|------------------|
|                                      | Paid in Pref. Div.                             | Paid in Ord. Div. | Put to Reserve or "Carried Forward" | Debenture                                | Preference | Earned for Ordinary | Paid on Ordinary |
|                                      | %                                              | %                 | %                                   | %                                        | %          | %                   | %                |
| 1929                                 | 23.1                                           | 60.4              | 16.5                                | 5.1                                      | 5.9        | 12.5                | 8.8              |
| 1930                                 | 24.9                                           | 56.5              | 18.6                                | 4.9                                      | 6.3        | 13.7                | 10.3             |
| 1931                                 | 27.3                                           | 57.9              | 14.8                                | 5.0                                      | 5.8        | 10.4                | 8.3              |
| 1932                                 | 32.6                                           | 56.3              | 11.1                                | 5.0                                      | 4.9        | 5.5                 | 4.6              |
| 1933                                 | 31.5                                           | 55.9              | 12.6                                | 4.7                                      | 5.7        | 6.1                 | 5.0              |
| 1934                                 | 27.8                                           | 51.6              | 20.6                                | 4.7                                      | 5.2        | 7.9                 | 5.7              |
| 1935                                 | 25.4                                           | 51.7              | 22.9                                | 4.7                                      | 5.6        | 11.1                | 7.3              |
| 1936                                 | 22.2                                           | 51.2              | 26.6                                | 4.6                                      | 5.6        | 11.1                | 7.3              |
| 1937                                 | 17.8                                           | 52.3              | 29.9                                | 4.5                                      | 5.4        | 13.3                | 8.5              |
| 1938                                 | 15.1                                           | 53.8              | 31.1                                | 4.5                                      | 5.5        | 15.1                | 9.4              |
| 1939                                 | 19.6                                           | 53.6              | 26.8                                | 4.5                                      | 5.8        | 13.2                | 8.9              |

That, however, is the consolation of past history. If we turn now to examine more recent trends, in the light of the second quarter's profits figures (which are set out in Tables III and IV opposite), it will be seen that the steepness of the fall in earnings, at 8.2 per cent., is hardly lower than the fall of 9.0 per cent. for the first-quarter companies. The movement, so far as it is perceptible, is in the right direction, but it cannot be said that the fall in profits has yet been checked, though the rate of fall almost certainly has been modified. Here again the question of timing is important. The average accounting date for April-to-June companies is February 8th. Scarcely less than the twelve months' figures, these are the profits of a recession year. The consequences of the armaments recovery have yet to be reflected in company reports.

In some further respects second-quarter profits are not entirely representative of the broadest aspects of British industry. As Table B on page 147 shows, it is the quarter for large oil companies' reports. Oil profits, indeed, account for 18.6 per cent. of the quarter's total, and they reflect world trade conditions rather than domestic industrial movements. Moreover, as many as 148 out of a year's total of 362 rubber companies issued their reports between April and June, and although their profits of £1,427,055 provided little over 1 per cent. of aggregate profits, their fall represented nearly one-fifth of their total decline. Shipping profits, which cannot be directly related to British industry, also fell by a very similar amount. By eliminating these three groups, and also tea profits, we are left with a reduction in the profits of British industry from £83,403,510 to £79,073,905—a matter of slightly over 5 per cent. This calculation, perhaps, provides a clearer indication of the limited nature of the fall in home industrial earnings.

Already, there are indications that, by the last quarter of this year—the third quarter sample of companies is small, and contains relatively few large industrial results—the trend of profits may show a positive change. The primary effect of the defence programme has so far been seen in the heavy industries. For this reason, the modest fall of 1.7 per cent. in the profits of 54 iron, coal and steel companies reporting during the past three months is not surprising. But by the end of the year, when reported profits will include the results of at least six active spring and summer months, "pluses" should extend well down the list. It will then be time for the "multiplier" to display its influence on profits, as it is now doing upon employment.

## Progress in Sweden

TO-DAY, when dictators rule over most of Europe and democracy is derided as loquacious and ineffective, it is pleasing to examine the solid progress of Sweden under democratic government. This pleasure is heightened because the Swedes are uncommonly modest in their claims and objective in their judgments, as two admirable volumes in the English language recently written by Swedes aptly show.\*

Sweden is an immense country three times the size of England and Wales; half of it is forest land. The population is little more than six millions and, though two-thirds live in the country, less than 40 per cent. are dependent

Possibly this thought is present in the minds of some boards of directors. Despite the general plea of company chairmen that the times demand a cautious reserve policy, the fact is that reserve provisions are being slightly relaxed. This relaxation, already evident in the first quarter of this year, has continued to such effect that only 26.8 per cent. of last quarter's profits was set aside to reserve, compared with 31.1 per cent. of a much larger volume of earnings for the corresponding period of 1938. This percentage is the lowest since 1936, and it reverses a trend which had been in operation since 1932. Table A on page 147 shows the effect of dividend policy of each industrial group, while Table IV opposite reveals that, while equity earnings have fallen by nearly 2 per cent., ordinary dividends on the average have been reduced only to the extent of one-half per cent.

But it may be doubted whether this moderate display of generosity towards shareholders is based explicitly on the prospects of a profits inflation. Concealed by the rapid march towards full employment of our industrial resources, industrial costs are also tending to rise. A hesitant recovery in the United States is not normally counted among our economic blessings, but in the present context of rapid re-armament and rising defence expenditure, the very laggardness of American revival is damping the rise in costs to the British taxpayer and the British industrialist. But this effect is limited largely to basic raw materials; it plays a much reduced part in determining the costs of semi-manufactured goods and labour. And these are categories which are likely to prove most sensitive to the emergence of active monetary inflation.

These considerations suggest that the consumption trades may share to a great extent in the future in a prospective rise in industrial profits. The industries of greatest outward activity, serving defence requirements, will continue to be controlled by Government contract fixing, and profits which escape this mesh will be caught in the A.P.D. net. Yet the moral for industry at large is not to congratulate itself on a specious immunity from special imposts. Despite its fiscal difficulties, a general excess profits duty can be supported by strong economic arguments as soon as the point of full employment is attained. At the present rate of progress, that date may not be much more than six months away; and nine months hence, when the accounts for the current financial year are balanced with a large debit, one of the few avenues of relief from a tremendous fiscal burden may be found in a rising trend of industrial profits.

\* "Social Problems and Policies in Sweden" in the *Annals of the American Academy of Political and Social Science*. May, 1938. Price 2s.

"The Rise of Modern Industry in Sweden." By G. A. Montgomery. Stockholm Economic Studies No. 8. P. S. King and Son, Ltd. 287 pages. Price 10s. 6d.

'twenties, modern industrial Sweden had appeared. But



agriculture had not decayed. Owing to the lack of large landowners the small landowning farmer survived the enclosure movement, while in the political sphere, though full democracy was not achieved until after the war, the basis had been firmly laid by a long tradition of local self-government.

This favourable evolution carried with it an even balancing of social classes and an absence of powerful vested interests. When the drift from *laissez faire* gathered force, the Swedish State invaded the field of private enterprise to a greater extent than almost any other European State. Thus it was the extension of the social services and the reduction of unemployment, and not socialisation, which formed the platform on which the Social Democrats achieved their first election victory in 1932. Even their programme of public works was not wholly foreign to Swedish practice. In the crisis of the early 'twenties, the government of the day had organised relief works paid for at wage rates lower than the normal. The dole had always been anathema and Sweden still lacks compulsory unemployment insurance. The innovation of the Social Democrats was to pay standard rates of wages for relief work and enormously to expand capital expenditure, both productive and unproductive, out of the proceeds of loans.

It is hard to assess the Government's contribution to recovery. The krona had already been depreciated, and the first signs of recovery had already appeared, when the new policy was put into operation; and both in the 'twenties and in the 'thirties, Sweden's recovery from depression was due largely to the fact that Swedish exports consist mainly of essential materials, such as timber, wood pulp and iron, and specialised articles, like high-grade iron and the products of the engineering industry. But, whereas in the 'twenties the home market expanded on the average at about the same rate as exports, in the 'thirties it expanded more rapidly and increased its relative importance. In 1937 industrial production for the home market averaged 60-70 per cent. more than in 1929, while the volume of exports was only 20 per cent. above the 1929 level. Last year, while the volume of exports dropped back to the 1929 level, production for the home market continued to expand.

The Government's public works policy may be said to have given a considerable impulse to the expansion of home industry, though the circumstances were exceptionally favourable. The terms of trade were increasingly in Sweden's favour; the balance of payments showed an annual surplus on current account and Sweden was now a creditor country; savings were increasing rapidly; and the rate of interest was low. Agriculture, however, was less prosperous. Its purchasing power was only maintained by far-reaching measures of price-fixing, regulation and import control; and, on the whole, industrial Sweden has willingly paid the price, especially since the standard of living in the countryside is still very much lower than in the towns.

The Swedish policy of balancing the Budget only over long periods, underbalancing it in years of depression and overbalancing it in years of boom, has already attracted world-wide attention. Swedish ideas and practice can best be described by reference to the recent Budget reform. Sweden now has a working Budget and a capital Budget, and the object is to discriminate strictly between the current expenditure of the State and its expenditure on capital account. The capital Budget is invariably met from the proceeds of loans. The working Budget alone is balanced over the long period: on its revenue side are booked the proceeds of taxation and income from State investments; on the expenditure side are booked, not only current expenses in the most obvious sense, but also that part of the State's capital expenditure which ought to be immediately written off as unremunerative. Any difference between the expenditure so calculated and the total of taxes and State profits is covered by a draft on or contribution to the Budget Regulation Fund.

One criticism levelled against the Government's policy has been that the heavy taxation required both to pay for the expansion of social services and to overbalance the Budget in good years tends to retard the growth of savings. Taxation, which averaged 588 million kronor before the depression, reached the total of 1,130 millions in the estimates for 1938-39. Taxes on income and property have nearly doubled over the period, taxes on automobiles tripled and taxes on consumption increased by nearly a half. Nevertheless, savings have been increasing exceedingly rapidly and the rate of interest in Sweden is now the lowest in Europe. Nor have increased taxation and social charges proved more than industry can bear. Technical advances and rationalisation, aided by cheap capital, have reduced costs and, despite the increase in both the real and money earnings of industrial workers, labour costs per unit of product appear actually to have fallen. Fortunate is the country where the Cassandras are heard with respect but usually proved wrong.

Last year, a skeleton Budget of public works was prepared against the eventuality of a depression. It was not required and this year the state of employment shows distinct improvement. Of late the problems of neutrality and declining population have attracted as much interest as those of cyclical depression. In the event of war, Sweden would strive to maintain her neutrality and to trade with both sides. Defence expenditure has grown to 400 million kronor in the year 1939-40, between three and four times what it was in 1935-36. The population problem has been extensively investigated by a Royal Commission. As a result the Government has taken measures to remove the hindrances preventing people from marrying and having children. Marriage loans are granted, and taxation has been revised to benefit families with children, though there is a bias against family allowances and money payments; subsidies in kind are preferred because they are spent directly on the children. Special attention has been paid to nutrition and to the housing of large families.

It is a remarkable fact that the achievements of Sweden's Social Democrats have been less in the field of socialisation than in that of extending the social services and in using the powers of the State to smooth the workings of the existing economic order. It is true that the State plays an important rôle in the nation's economic life. It directly controls most of the public utilities—the Post Office, the telephone and telegraph system, the most important railways, most of the electric power and a large part of the timber resources. It controls indirectly the Riksbank, the radio, air transport, tobacco manufacture and the trade in liquor; and it holds a half share in the capital of the largest iron ore mining company, as well as exercising a licensing control over the armaments industry. But, outside these industries, important though they are, the direction of private enterprise is unfettered. Except in agriculture, Sweden has in the main avoided new restrictions on trade. The tariff remains one of the lowest in Europe. Many of the duties are specific, that is, on weight or quantity, not value; and their incidence is, consequently, diminished in times of boom. In addition, there have been reductions of duty following the trade agreements with Great Britain and the U.S.A.

The outstanding feature of Swedish industry is still its resilience and adaptability, and Sweden has avoided the bureaucratic control which re-armament has imposed or is imposing on the larger Powers. Despite the new "social policy" the Swedish economy must be one of the freest in Europe. The nation's achievement is not to be found in the field of spectacular political evolution; it is to have brought about a large increase in the standard of life and to have created widespread social services without undue interference with private enterprise and by the fullest use of democratic institutions. There is here a lesson in the greatness of small Powers.

## NOTES OF THE WEEK

**The Prime Minister on Danzig.**—The Prime Minister's statement about Danzig in the House of Commons on Monday had the double merit of accurately stating all the relevant facts and clearly re-affirming Great Britain's policy in all contingencies. The essential fact is that any attempt to settle the future status of Danzig by unilateral action, organised by surreptitious methods, thus presenting Poland and other Powers with a *fait accompli*, could not be considered as a purely local matter involving the rights and liberties of the Danzigers—which, incidentally, are in no way threatened—but would at once raise graver issues affecting Polish national existence and independence. We have guaranteed, Mr Chamberlain reminded the House and Herr Hitler, to give our assistance to Poland in case of any clear threat to her independence, which she considers it vital to resist with her national forces, and we are firmly resolved to carry out this undertaking. Herr Hitler is thus warned that, unless he desists from his present manoeuvres at Danzig, he will involve Germany in a general war. At the same time, the British Prime Minister very properly emphasised, in terms used not long ago by the Polish Foreign Minister himself, that, in a clearer atmosphere, there would be no obstacle to a free and reasonable discussion of possible improvements in the present settlement at Danzig—though there is nothing in the least unjust or illogical in an arrangement that secures to Poland an access to the sea which is vital to her independence, without placing under non-German rule the almost wholly German population of the Free City. Herr Hitler, as Mr Chamberlain pointed out, originally regarded the situation at Danzig as so little urgent or dangerous that he entered, on the basis of it, into a ten-year non-aggression pact with Poland. In March Herr Hitler suddenly demanded a revision of the status of Danzig and the Corridor; and that he has since repudiated his non-aggression treaty with Poland four years before its maturity. And why? Seemingly because, after the destruction of Czechoslovakia, Herr Hitler believes it possible to apply the same process of pressure to Poland. The question is: Can he be brought to see that he cannot carry out this next item on his agenda of aggression without putting Germany at war with the world? The official German comment on the Prime Minister's statement is that it only tells the Germans what they knew already. Can we take this to mean that at last they do, really and truly, understand? If they do, then discussion is possible. If not, there are anxious days ahead.

**Credits for Roumania and Greece.**—Final agreements with the Roumanian and Greek Governments, signed on Wednesday of this week, provide for export guarantees for United Kingdom goods to the total value of £7,500,000, of which £5,500,000 is for Roumania. The Roumanian agreement falls into two parts, respectively concerning guarantees and "trade and payments." So far as details are at present available, the Roumanian Government will issue bonds up to the total of £5,500,000; the principal and interest of these bonds will then be guaranteed by the Board of Trade, and the sums raised by the Roumanian Government from their sale used for the purchase of goods produced in the United Kingdom. The bonds will bear interest at 5 per cent., and will be repayable over twenty years; similar terms apply to the agreement with Greece. For bonds guaranteed by the Government, this may be considered a rather high rate of interest. The "trade and payments" part of the agreement provides for the purchase in the United Kingdom of cotton yarns, woollen and worsted yarns and carded wool to the value of £750,000. The purchases will be made through the ordinary trade channels and payment effected to the extent of £650,000 out of the credit guarantees, while the other £100,000 will be pro-

vided out of sterling already available in the Anglo-Roumanian Clearing. The official announcement states that various amendments have been made to the existing Payments Agreement, and mentions "the more rapid repayment of outstanding trade debts, the making of advance payments to the clearing and the transfer of passenger moneys and insurance balances." These will be as welcome to United Kingdom traders as the news that a Consultative Committee is to be established to "consider from time to time any difficulties which might arise in the working of the Agreement," and other relevant snags.

**The Cost of Defence.**—In budgeting for defence expenditure in 1939-40, Sir John Simon provided for £20 millions from revenue and some £37½ millions from loans, over and above requirements shown by the detailed estimates. But the supplementary defence estimates presented this week far exceed these sums, and, if they were not all to be provided out of loans, they would form a secondary Budget in themselves. Additional requirements for the Army, Air Force, and the Ministry of Supply together amount to £148,250,000, making the total cost for the armed forces in 1939-40 about £671 millions. In addition, a Supplementary Estimate for the Navy and its reserves is known to be pending. Until the scope of Civil Defence is finally known the additional costs involved in this group of services cannot be estimated. The Army supplementary is for £79,106,000, due partly to general acceleration of the arms programme, partly to formation of the militia and partly to increased establishments of the Regular Army, Reserves and Territorials. These three broad divisions require respectively increases of some £35,618,000, £27,962,000 and £22,959,000 gross. Additional provisions for the Air Force require a further £39,500,000 from loans. Of this, £14,100,000 is for aircraft and about £15 millions for buildings and land (including contractors' works), and the balance is due mainly to increased personnel. The new Ministry of Supply is provided for in a Civil Supplementary Estimate, which appears to require £29,644,000 from loans over and above the £15,768,000 which was to have been issued to the Ordnance factories, now about to be transferred to the Ministry. The Ministry's new gross total is over £144 millions (including £105 millions for munitions, general stores and raw materials) of which £81 millions is provided from Army funds, leaving transfers from the Ordnance votes and the increased allocation from loans to cover most of the balance.

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But the demands of near-war conditions are falling increasingly on civil services also. Civil supplementaries presented this week for £11,930,000 bring the total addition to the original civil estimates up to £15,280,000 whereas only £5,000,000 was provided in the Budget. Comparatively little of the additional sum is connected with peaceful or peace-time services. The earlier supplementary of £3,350,000 covered reserves of merchant ships and of agricultural machinery. Of the new provisions, £1,662,000 is required for camps, publicity services and other matters connected with defence, various defence measures in the colonies require £1,003,000 and Palestine and Spain call for £1,261,000. It is true that £7,928,000 is for agriculture, including £3,006,000 in respect of the Milk Bill and £3,395,000 for oats and barley. But even agricultural policy has a war orientation. Since the Navy supplementary and provision for shipping subsidies have still to come, it is early to judge how far Budget estimates will ultimately be exceeded, but these mounting millions are bringing the time of prospective real payment by the community nearer each day.

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**The War Risks Bill.**—The War Risks Insurance Bill published on Tuesday last is so elaborately phrased as to make it difficult to comprehend at a first reading. In a Bill which affects so directly and so urgently a vast number of people that is an unfortunate quality, and even the explanatory memorandum which prefaces the Bill leaves certain points obscure. The first part of the Bill deals with war risks at sea. First, it gives retrospective sanction to the Board of Trade's Pool and, secondly, it authorises the Board to carry on business as insurer of ships and cargoes *either* when other adequate facilities are not available *or* during actual warfare. It defines the words "war risks" and the words "King's Enemy risks" as "such risks as the Board may by order define"—a method of definition which does not greatly assist either insurer or insured. Part 2 of the Bill will attract most attention, because it sets up for the first time since the last war Government machinery for covering commodities on land against war risks. This "commodity insurance scheme" may be brought into operation in the event of war to cover the sellers of goods in Great Britain against King's Enemy risks. The details are difficult to grasp, but the essentials seem to be as follows:—

- (1) Before the outbreak of war sellers of goods may be registered with an authorised person as desiring to be insured for a stated sum, and as soon as the insurance becomes operative they will be deemed to have had a policy issued to them.
- (2) Registration fees will vary from £1 for cover up to £10,000 to £10 for cover above £250,000.
- (3) Premium at the rate appropriate to the goods and the situation will be due immediately cover starts.
- (4) The Board may when the insurance begins make it compulsory on all sellers of goods who hold stocks above a certain value to insure up to the value of the goods owned by them.
- (5) The insurance will be a Government monopoly and insurers will be forbidden to cover sellers of goods outside the Government scheme.
- (6) The Board of Trade may by order exclude any class of goods from the scheme, but owners of such goods already registered will continue to be covered.
- (7) The scheme will be operated through agents appointed by the Board of Trade, who will presumably be insurance companies, agents and brokers.
- (8) An agent for the sale of goods will be deemed to be a seller of goods.

The gist of the Bill seems to be that all sellers of goods should register directly the Bill becomes law. By doing so, they will obtain immediate cover against King's Enemy risks if war breaks out.

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**Overseas Airways.**—It can hardly be said that the British Overseas Airways Bill was given a tumultuous second reading on Monday. Sir Kingsley Wood dutifully conducted the House through its clauses, but seemed anxious to meet criticism more than half-way. And of criticism there is certainly no lack. Many of the Air Minister's points are sound and reasonable. Two British

operating companies might provide the outward sham of competition, but in fact the operating problems of the two existing "chosen instruments" are so diverse that competition would be more effective—as it has been in the past and will be in the future—from foreign air services. It is surely not suggested that all services should be duplicated on the Continental and Empire routes, and eventually on the North and South Atlantic routes. The combination of the two companies will provide a public corporation with borrowing powers up to £10 millions, of which £7 millions will probably be issued in the first instance, half being required for the purchase of the constituent companies. Controversy still rages over the purchase prices to be paid to existing shareholders, but it was surely somewhat disingenuous of the Air Minister to argue that the subsidies paid in the past merely covered payments for services rendered and at the same time to declare that in no country in the world is civil aviation within measurable distance of paying for itself. But such controversy is inseparable from the hybrid form which the constituent companies have hitherto preserved. That disadvantage, at least, will be removed by the formation of the new body. The danger—and it was voiced by Government supporters and Opposition speakers alike—is that the corporation may fall under departmental mortmain. The corporation may have full power over the exercise of its day-to-day business, but what does that power really mean if its board is answerable on every major question of policy—finance, services and aircraft—to the Air Ministry and to the Treasury? Since the new corporation is apparently to spend £3½ millions on new aircraft, it must be devoutly hoped that the Civil Aviation Development Committee will ensure the selection of the right types, and also their prompt manufacture. Delays in the production of new types are one of the regrettable features in the report on Civil Aviation in 1938, published this week. But is there any reason why Captain Balfour's estimate that it will take two to three years to make good our deficiencies in air transport should not be materially shortened?

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**Civil Defence.**—The campaign to tell citizens what to do in an air raid has been begun. A season of publicity leaflets, black-outs and exercises has started. But the first leaflet left the main outstanding doubts about Government policy unresolved. It is still quite unclear whether private evacuees will be able to get away after war begins. They may make their own arrangements, but official evacuation will have priority on the roads and railways. The private evacuees are rather vaguely advised to go before the need arises. If unofficial plans are to be permitted it would seem only sense to count up in some way the demand for road space or rail facilities which they represent and to issue co-ordinated advice accordingly. Nor is the official evacuation scheme itself faring well. Mothers still will not register themselves and their children because they do not know who is to care for their menfolk. Nor it seems does the Government itself know. The fact is that in the worst target areas there is now a dangerous *impasse*. Actual shelter is gravely inadequate. The light steel shelters provided for ordinary houses are still conspicuous by their absence in many places—the members of the public not entitled to free ones are appreciably to blame for this. There is no provision even on paper for large tenements. There are no street refuges. And there is no heavily protected shelter at all. The principle of protection is simple: shelter or exodus. In this situation there must be much more evacuation—of whole families, menfolk and all. And the present state of the limited scheme of evacuation does not promise well for the success of any extension.

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**The Claims of Conscience.**—The number of young men who have been required to register under the Military Training Act and who have described themselves as conscientious objectors is about 4,200—a remarkably small

proportion of the total of some 220,000. They will now be required to submit their applications for inclusion in the register of conscientious objectors to the consideration of local tribunals which will shortly commence their sessions. A considerable number will no doubt avail themselves of the opportunity to serve in non-combatant corps, which include the Royal Army Medical Corps, the Royal Army Veterinary Corps, the Royal Army Pay Corps and the Non-Combatant Labour Corps. If the tribunals interpret the Act in the spirit in which it was framed, and consistently with the very emphatic utterances of the Premier and the Secretary of State for War on the subject, objectors will be heard with every sympathy. The duty of the tribunals is to ascertain the genuineness of their objections, and to decide on the basis of proved facts only whether a particular individual shall be registered for military training or for other work of national importance. The task will be difficult, and no kind of prejudice must be allowed to interfere with its performance. The position before the law is that militiamen and conscientious objectors rank equally in their different ways in respect of the duties and safeguards which the Act provides. It is all-important that the spirit of the statute's administration should accord with the implications of its letter, and employers no less than Ministers and members of tribunals have the responsibility of seeing that this is so.

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**Helping Poland.**—Colonel Koc, the leader of the Polish economic mission now in this country, has returned from Warsaw. It is understood that negotiations for British financial assistance are now nearing a conclusion. It has been necessary to take into account not only the Polish Government's needs, but also the whole structure of Anglo-French financial help for East European countries. Since the negotiations began, for instance, Sir Frederick Leith-Ross has been in Paris, presumably to discuss the part which might be played by the French Treasury, and the British Government has brought out a Bill extending export credit facilities to friendly countries to the total sum of £60 millions. It has been realised on the Polish side that any delay there has been is no cause for alarm. Their business differs in several ways from that already done with the Roumanians and Greeks. To begin with, discussions have not been confined simply to the making of a block credit for supply of armaments and for the purpose of improving the two countries' trade balance. In Poland's case vital strategic factors have been in question. It has been necessary to decide precisely what arms, and raw materials for the manufacture of arms, must be made immediately available to the Polish high command. Not all of these can come from the United Kingdom: nickel and copper, for instance, must take the form at least of re-exports, and there are other raw materials which the Poles would like to have that are available only from outside the British Empire. In the second place, the Poles want help in defraying the cost of keeping under arms well over half-a-million men: (the present mobilisation cannot be costing much less than 2½ million zlotys per day, or about £100,000). Private business in Poland, too, has been suffering from the tightness of short-term funds; and there is also talk of devaluing the zloty. It becomes clear that the supply of British goods on credit, even including re-exports, will not cover every item in the bill which the Poles are paying, and which we must help them to pay, for the maintenance of an Eastern front.

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**Russia and Poland.**—A decisive factor in the defence of Poland must be the extent to which the U.S.S.R. is prepared to co-operate. Supplies to Poland in case of war could reach her from the West only through Murmansk on the White Sea, or possibly through the Black Sea ports. Even then, railway communications between Poland and the U.S.S.R. leave much to be desired. The number of railways capable of bearing heavy goods traffic can probably be counted on one hand, and only one, that from Moscow to Warsaw, is double-tracked.

A second aspect of possible Russian co-operation is the actual supply of goods. Here Poles will claim that the basis of co-operation already exists in the Polish-Soviet agreement of February, 1939, and that with good will that agreement might be indefinitely extended. While it may be doubtful to what extent the Soviet Union could supply, and would be willing to supply, Poland with raw materials for her war industries, or with actual armaments, guns, or bombing aircraft, Russian help in this direction would be exceedingly valuable to the Poles.

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**The Anglo-Russian Serial.**—Both parties at Moscow seem to have repented of their move towards an agreement limited to issues which are no longer controversial, and to be continuing with their efforts to reach a widely-inclusive pact of mutual assistance and guarantee. It seems even that the discussions of the last few days have made some little progress to that end. What evidence there is points to the ground of discussion having shifted from the actual nomination of countries to be included in a guarantee system, and to stand now upon the definition of what precisely shall be understood to constitute that "indirect aggression" which, the Soviet Government originally indicated, might take place in the Baltic Republics. It is perhaps natural that the negotiations are as slow as they are: their longevity can be excused only if it is an indirect means of engendering a little more confidence between the two Governments than now exists.

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**Tientsin, Tokyo and Outer Mongolia.**—The Anglo-Japanese negotiations at Tokyo about the situation at Tientsin have not yet started, and it would be idle to pretend that the omens for their success are favourable. The Government at Tokyo, who probably wish the negotiations to meet with some success, has made the opening of discussions possible by agreeing formally that the agenda shall be limited to questions affecting the British concession at Tientsin. In actual fact, however, the Japanese Government, under heavy pressure from the Army of North China, are writing into the margin of the agenda stipulations which entirely change the scope of the proposed talks, and which, if insisted upon, will make it impossible, after all, for the British representatives to talk at all. On the 6th of this month the Japanese Prime Minister himself declared that Japan would break off negotiations about Tientsin if Great Britain refused to accept Japan's claims to establish (by force of Japanese arms and in the teeth of Chinese resistance) a "new order" *à la japonaise* in Eastern Asia. In short, Japan will go on twisting Great Britain's tail at Tientsin unless and until Great Britain consents to become Japan's accomplice and coadjutor, to her own loss, in a Japanese attempt to coerce China.

INSURE WITH



7, CHANCERY LANE, LONDON, W.C.2

In the meantime, the Japanese Army in Manchuria has invaded the Russian protectorate (for such it virtually is) of Outer Mongolia. If the *communiqués* from Tokyo and Moscow are to be taken at their face value, a war on the grand scale between Soviet and Japanese forces has been in full swing on those Mongol grazing-grounds from which Ghengis Khan once rode forth to conquer the world. If British and Russian statesmanship were not almost inhumanly patient, these two Japanese armies, between them, might by this time have involved their country in wars with two Great Powers—as a Japanese way of celebrating the second anniversary of the beginning of Japan's present unprovoked war on China.

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**American Neutrality.**—President Roosevelt met another reverse this week in his plans for amending the United States neutrality legislation. The Foreign Affairs Committee of the Senate, understood to be about equally divided on the key question of whether or not there shall be an arms embargo on the Statute Book, refused to recommend the Administration's Neutrality Bill to the Senate. In terms of American legislative procedure, this refusal means that it will be very difficult for the Administration to get the Bill discussed before the next session of Congress. What it does not mean, of course, is that the amendment of existing legislation, the removal of the arms embargo, is now out of the question: reports from Washington show that the President is unlikely to admit defeat. He has a number of different courses open to him; and there is a good deal of evidence to show that, if he decided to make neutrality an issue between the Administration and the American public, rather than leaving it the issue between the Administration and Congress which it now largely is, he might well carry the day. British observers must meanwhile hope that delay will not breed uncertainty, and that the appearance of uncertainty will not encourage the Axis Powers to believe that America is willing to abdicate her voice in world affairs.

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**Stocks for War.**—The need for the Government to lay up reserves of food and raw materials forthwith has been brought sharply to the fore in current discussion. On Wednesday Lord Templemore stated where the Government stood in the matter. It was not desirable, he said, to give details, but in the case of nearly all essential raw materials, trade stocks and Government reserves together amounted to three months' estimated war consumption. This is satisfactory so far, but it begs the question that is being widely asked. The danger in the next war will be a shortage of shipping, and to minimise that danger it would be wise to import now in quantity needed commodities, either foodstuffs or materials, whose presence in store would ease the strain on shipping in war-time. It is not primarily a question of three months' supply of this or that commodity, but rather of the total tonnage of shipping that can be saved by bulk storage of all kinds now.

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**Supply Powers.**—The chief issue raised on the final stages of the Ministry of Supply Bill has been the fear that the Minister's power to operate undertakings direct may be used to institute State enterprise permanently. On the face of it, it would seem as irrational to claim that no State activities instituted in near-war or war should be continued in peace as to argue that all such activities should *ipso facto* be perpetuated. Each case should be judged on its merits, and the good or expedient retained in the era of demobilisation while the bad or inexpedient is cast away. But there is a point of principle involved. It would be politically fatal if the suspicion were aroused that measures to meet emergency were likely to be used for the quite

different purpose of transforming society. It is explicitly of the essence of all the extraordinary devices lately adopted—compulsory military training, civil defence and Ministry of Supply alike—that they are temporary. In most cases this is laid down in terms, and Mr Burgin's chance of becoming the State capitalist should presumably be similarly restricted.

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**Germany and the Balkans.**—The report from Roumania that German agents are pressing the Government to sell them the whole of Roumania's reduced wheat surplus for this year need not be taken too seriously. The significance of the report lies in its indication of the changed conditions in Eastern Europe since Britain undertook to lend financial backing to the independence of South-Eastern countries. Six months ago the Roumanian authorities had little alternative but to fall in with suggestions from Germany, however undesirable those suggestions might seem to be. Now the British Government, in agreeing to help Roumania, has provided an alternative—though it may be remarked that the agreement to buy 200,000 tons of Roumanian wheat, as expressed in the protocol to the Anglo-Roumanian financial pact, will not be a very generous alternative if it is made conditional on the wheat being "available at world prices." The fact is that the political scene in the Balkans remains uncertain. The Bulgarian Prime Minister's visit to Berlin appears to have settled nothing; it is only further evidence that Herr Hitler is hoping to achieve the same kind of ascendancy in Sofia as he has already achieved in Budapest. If he can hold the councils of Bulgaria and Hungary, and at the same time align with his own those of Yugoslavia, then he will be in a strong position to edge Roumania into a position of less sterilised neutrality than she now occupies. If the *Drang nach Osten* means anything at all, it means at least Germany's commercial control of Roumania's oil and grain. Until Bulgaria is secure within the Axis camp (which also implies that Yugoslavia must be within it as well), that commercial control cannot hope to be established. Nor, with King Carol on the Roumanian throne, will it be easy to establish then.

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**France and Syria.**—On the 8th of this month the French High Commissioner for the mandated territories in the Levant suspended the constitution of Syria and provisionally transferred the task of government to a council, appointed and controlled by himself, to rule by decree. On the French side, it has been declared officially that this step implies no repudiation of the existing Franco-Syrian treaty of September 8, 1936, providing for the liquidation of the French mandate, and no postponement of the date for the coming into force of the treaty. This date, on which Syria is to attain her independence, is to be the day of her admission to membership of the League of Nations; and, by the terms of the treaty itself, this admission is to be secured within three years of the date of ratification. From the Syrian point of view, the trouble is that France so far has shown herself unwilling to ratify the Treaty of September, 1936, though nearly three years have now passed since it was signed. In full view of the spectacle of the British quandary in Palestine, it should need some effrontery to take our French neighbours and allies to task for the much less unhappy present situation in Syria. It is not out of place, however, to recall that the establishment of a treaty relation between Great Britain and an independent Iraq has proved a success; that the Franco-Syrian treaty was inspired by this Anglo-Iraqi precedent; and that there are now no serious drawbacks to weigh against the potent advantages of carrying the Franco-Syrian treaty to completion. Happily for Syria, she has no communal problem comparable to the Arab-Jewish *impasse* in Palestine; the protection of the non-Sunni religious minorities, Muslim and Christian, in Syria has been well provided for in the text of the treaty as it stands; and, finally, the thorny ques-

tion of the Sanjak of Antioch and Alexandretta has now been settled (albeit to Syria's dissatisfaction) by the cession of that territory to Turkey. In these otherwise propitious circumstances the hesitation of the French is reported to arise from a fear that a genuinely independent Syria might steer an anti-French course. The reply to this is that a prompt and full grant of Syrian independence, subject to the terms of the treaty, would almost certainly have the effect of erasing from Syrian minds all backward-looking anti-French sentiments.

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**Re-armament in Australia.**—The ship of Australian defence preparations, enlarged and fortified, is passing through a patch of troubled water. Last week the Council of Defence approved plans for spending £A32 millions in the current year, more than twice as much as in any previous year in peace-time. Only £A7 millions of the 1939-40 programme will be spent outside Australia, and most of this is already covered by loan provisions. The accounts for the year ended June 30 last show that a substantial portion of the estimated loan expenditure of £A4½ millions on defence has not yet been spent. The accounts provided a surplus of £A627,000, so the Treasurer begins the current year in a favourable position; but rising interest rates and intensified competition for loanable funds will set him severe problems. Mr Menzies, the Prime Minister, took occasion the other day to explain why his Government had turned down the suggestion that they should build or buy a capital ship: a new ship could not be built before 1943 and would cost £20 millions; to transfer a ship would only weaken the Royal Navy. This is a matter on which the Admiralty seem to have spoken with two voices, first advising Australia to adopt a capital-ship programme and then pouring cold water on the idea. Mr Menzies' chief difficulties over preparations against war come neither from technical critics nor from financial

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**Nutrition and Milk.**—The Lords had nothing new to say about health and nutrition on Wednesday, but they made the well-known points with force and authority. The need for an increased consumption of milk and dairy produce, fish, fruit and vegetables was underlined in two ways: on the one hand, it was rightly urged that this was to a great degree a question of education; on the other, it was generally agreed that for the large impoverished core of the population it was a matter of insufficient means. Family allowances were widely sponsored as the means to bridge the gap between poverty and adequate feeding; but powerful words were also spoken about the obstacle of unduly high prices. Milk was properly the target of criticism here; and the new Milk Bill shows no sign that any effort to alter a system of organisation for the milk industry which penalises the poor is envisaged. The Government claims credit for its free or cheap milk services for mothers and children, and credit is deserved. But older children, adolescents and adults need milk for nutrition, too, and the only way to ensure it for them is to cheapen milk for everybody.

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**Marshalling Man Power.**—A mistake occurred in the article under this title on page 53 of last week's *Economist* (July 8th). By an obvious printer's error, the number of women attached to the Army was allowed in some copies of the paper to read 176,500 instead of 17,500, the correct figure.

## THE WORLD OVERSEAS

### Turkey in the European Balance

(From a Correspondent in Ankara)

AFTER nineteen years Turkey has linked herself by an alliance to Great Britain and to France, the two countries which, had it not been for Kemal Atatürk, would have dismembered her in 1920. That such an alliance should be possible is due not so much to the subtlety of Western diplomacy as to the logic of events. Kemal Atatürk based the restoration of his country upon two broad principles: on the one hand, on a complete break with the West, not in the sphere of social life, where a forceful process of Westernisation was begun, but in the matter of political entanglements—the new Turkey taking one ally only, Soviet Russia her neighbour to the East; and, on the other hand, on the restoration of Anatolia to its forgotten place as homeland of the Turkish race, a policy requiring that region's intensive development. The Turks were to devote all their efforts to the reconstruction of Asia Minor and they would need years of peace for the task.

To-day Turkey is firmly knit into the Western alliance system. The change came about gradually. Turkey had either to sacrifice isolation or the *status quo*, and it was the rôle of Italy to force the choice upon her. The bombardment of Corfu in 1923 was a first warning of the new "dynamism" at large in the Mediterranean. Turkey took a first step away from isolation and concluded a ten-year pact of security with Great Britain in 1926; and Italy's reaction was a series of conciliatory moves culminating in a pact of friendship in 1930.

The next phase opened with the Abyssinian war. Turkey (now a League member) joined in sanctions and early in 1936 Turkey and Greece placed their harbours at the disposal

of the British Navy. More recently, Italy's intervention in Spain (a disquieting precedent) increased the Turk's distrust; and the Spanish war also brought the forging of the Axis. Now Turkey had grounds for fears on two fronts; in the Balkans from a predatory Germany; along her sea coasts from an expansive Italy. Finally, the successive annexations of Czechoslovakia and Albania showed Turkey what she might expect.

Turkey moved rapidly from the strict solitude of her earlier position. The appearance of the Nazis as a potential menace in the Danube basin led to the formation of the Balkan Entente in 1934. Three years later Turkey linked herself by treaty with the countries lying to the East, Iraq, Iran, and Afghanistan. Then in 1938 came a special treaty of mutual assistance with Greece and, finally, the pact with Great Britain followed by that with France.

Turkey's policy to-day has not changed fundamentally. She is still bent on the regeneration of Asia Minor, and she still desires a long period of peace. It is the West that has made the advances to Turkey in recent years and she has been in some degree able to impose her conditions. She has done so always with a view to strengthening her own position: Turkey's *quid pro quo* for supporting Great Britain during the sanctions period was the return of the Dardanelles to full Turkish sovereignty and their opening to the navies of the Black Sea Powers; the present treaty with Great Britain was preceded by a substantial credit of £16 millions and is to be followed by another and possibly larger one; and France has had to agree to the return of the Hatay (the old Sanjak of Alexandretta) to the Turkish State. Thus the Turks have



succeeded in combining their new political commitments with solid advantages for Anatolia.

The other principle, that of safeguarding peace and the *status quo*, has not been lost from sight. In the Eastern Mediterranean, Turkey is forwarding the work of consolidation by independent negotiations with Egypt, and the ancient bonds uniting the two countries are recalled, together with their common interest in a long period of peace to be devoted to the task of internal consolidation. Again, in the making of the Peace Front, Turkey's influence on Anglo-Soviet relations has probably been overrated—because of M. Potemkin's sudden visit to Ankara in the spring—but there is no doubt about the interest with which Turkey is following the negotiations between her newest and oldest allies. Nor should the anxiety pass unmentioned which certain circles feel here lest Turkey should have committed herself to a Peace Front in which a crucial link may yet be absent.

It is the Balkan problem that is exercising Turkey's diplomatic skill most painfully at present. The Hitlerian eruptions in Central Europe have, like all earthquakes, tended to prise open the political crust along the lines of maximum weakness. The Balkans are crisscrossed with such lines. The startling changes of last winter have encouraged smaller revisionist Powers to look for a violent redrawing of the Balkan map, and the process of consolidation which was going slowly forward has been brought abruptly to a standstill. Bulgaria, Germany's wartime ally, had never become a signatory of the Balkan Pact, but had obtained recognition of her right to re-arm. This intended prelude to her entry into the Balkan Entente has now been disappointed.

Turkey met the re-emergence in the Balkans of the revisionist-*status quo* clash in a spirit of constructive statesmanship. It is known that an attempt was made to reach an agreement with Bulgaria on the basis of a revision in her favour of the Dobruja frontier. Unfortunately, the moderation of King Boris of Bulgaria was overruled by extremists at home. Extravagant claims on Roumania were brought in and negotiations broke down. There are grounds to fear that this was the last opportunity. Rumours that the Turks are completing the fortifications on the Bulgarian frontier with feverish haste tends to confirm the belief that they have now little confidence in the possibility of a peaceful issue.

### Turkey's Worth as an Ally

In the event of a European war, the gain to ourselves from the Turkish alliance is in the first place negative in that Turkey is not co-operating with our enemies. A German break-through in Roumania to the Black Sea, or through Greece to the Aegean loses much of its danger when the Bosphorus, the Dardanelles and the whole of Asia Minor can be mobilised in our own plan of campaign. On the positive side, the gains are harder to assess. A Turkish Military Mission to England and a British Mission to Turkey are examining the possibilities of co-operation. The difficulties on the Turkish side are those of a young, unindustrialised country. There is no native armament industry (only assembling plants). Turkey's mineral reserves are vast, but they are hardly exploited yet and new industrial installations require years to become operative. The big iron works at Karabük are to open this autumn, but experts on the spot are still doubtful about the coking qualities of Turkish coal and her iron ore deposits are a thousand kilometres away along a single-track railway. Lack of communications is another serious difficulty; few roads are up to heavy military traffic, and the railways are mainly single track and often very vulnerable. But Anatolia would be practically impregnable.

From the naval point of view the chief advantage of the alliance is the fact that the British Navy can use the harbours of Asia Minor, participate in the defence of the Dardanelles, and operate from an assured base in the Aegean. The Turkish

Navy could do little more than patrol its own coasts, although the submarines which are—ironically enough—being delivered by Germany could do useful work in the closed waters round Turkey. The Turkish air force has a front line strength of about 250 machines of miscellaneous origin—German, Polish, French, British—but the British armament credit is enabling British suppliers to take the lead and the most recent order was for 36 Westland Lysanders.

Turkey's real strength lies in her army bred from an incomparable fighting stock. She could probably put into the field thirty to forty divisions well supplied with light equipment. To be really effective, however, the Turks need a big supply of larger equipment—tanks, anti-tank guns, heavy artillery. Current negotiations will probably determine how much Great Britain can place at their disposal. Re-equipped, the Turks could hold the Thracian front alone and immobilise in the Balkans a considerable proportion of the enemy's forces.

Turkey will not fight for this or that ideology. She has not joined the West for the good graces of Great Britain or for the imperishable tradition of democracy. She has made her alliance because the Dictators have created a solid basis of interest between Turkey and the West. For internal consolidation and reconstruction she needs the help of older industrialised countries, and she does not want to be absorbed into the *Lebensraum* of a predatory empire. Above all, she wants peace to devote herself to work and this need is the measure of her reliability.

July 10th.

## Germany Over Danzig

[FROM OUR BERLIN CORRESPONDENT]

THE British Government's part in the creation of a Peace Front against all possible aggressors, based as it was on their experiences during the Czech crisis, has only resulted here in an intensified propaganda campaign against Great Britain. In official circles it is believed that, although the opposition of the Western Powers to the aggressive aims of other States is stronger than it was a year ago—as indicated by their armament activity and the speeches made by their leading statesmen—a compromise similar to that reached at Munich can be forced upon Poland about Danzig even now with the use of sufficient pressure. The slow progress of the negotiations at Moscow lends support to this belief; and it is thought that the British Prime Minister will continue his peace policy—although the change in his attitude since Munich cannot be disregarded.

The "dynamic" Powers are impressed only by concrete measures; and it is certain that the intensified arming of Great Britain and France, their agreements with Turkey and the granting of credits to Eastern European States have certainly had an appreciable influence, but not a decisive one. The Government is unrelenting in its search for a solution of the Danzig question which will accord with its wishes; and military measures, which are to reach a peak in August, are being steadily continued. Meanwhile, the impression is given here than a strengthening of the British Cabinet would lead to a decisive turn in the German-Polish tension; while it is also admitted there, as it is in Russia, that this step would greatly ease the British-Soviet negotiations.

The economic and financial position of Danzig itself has seriously deteriorated under the influence of political agitation and Anschluss propaganda. The Bank of Danzig has, therefore, stopped the transfer of interest and payments for Danzig's foreign loans until further notice. Foreign exchange will no longer be given for any but essential or tourist traffic with foreign countries. No longer ago than the autumn of last year, the Gauleiter of the Nazi party in Danzig, Herr Forster, gave a glowing account of Danzig's economy. He said that unemployment had been entirely eliminated, and that the dockyards were employing about 8,000 men against only 2,000 in the years before 1933. The building trade had received contracts amounting to 8 million gulden (£ = 25 Danzig gulden) in a single year from the Nazi party alone. The wage income had increased from 50 to 92 million gulden, and the turnover of food stores from 90 to 173 million gulden. Tax receipts had risen from 47½ to 70 million gulden, and the savings banks and bank deposits from 205 to 244 million gulden, while about 60 million gulden had been set aside for public works and foreign indebtedness was reduced from 100 to 77 million gulden. (It should not be forgotten here, though, that in the autumn of 1937, the rate of interest on the majority of Danzig's foreign loans was reduced

by 2 per cent. by negotiation with the Free City's creditors, and that the redemption dates were extended by five years.)

If this view of Danzig's economic position is sound, the present ban on transfers abroad is due solely to political developments and their influence on the City's business. The official reason is that Danzig's foreign exchange holdings have decreased owing to the port's smaller turnover and reduced exports to Poland. Between 1928 and 1938 Danzig's port turnover fell from 1,476 to 375 million gulden, while Gdynia's port turnover rose from 133 to 1,183 million gulden. And the new ban on transfers abroad appears all the more astonishing in the light of the fact that the Bank of Danzig has gold holdings of 24.4 million gulden, and foreign exchange holdings of 1.7 million gulden. These reserves are described as being solely for the purpose of foreign trade and to cover imports needed for the modernisation of industry. Actually, foreign exchange is hardly necessary for the latter purpose, since the main orders go to Germany and are paid for in goods as part of the German-Polish trade agreement. In the quota year 1937-38 Germany sold to Danzig 22.1 million zlotys' worth of goods—more than any other nation; Great Britain and her colonies followed with 19.4 millions, Holland with 3.7 millions, Norway with 3.4 millions, and France with 2 millions. In the calendar year 1937 Germany's sales to Danzig were valued at 24.8 million zlotys or 40 per cent. of the Free City's imports. The transfer moratorium mainly affects British, Dutch and United States interests.

July 13th.

## The Copenhagen Congress

[FROM OUR DANISH CORRESPONDENT]

THE tenth Congress of the International Chamber of Commerce closed on July 1st in an atmosphere of remarkable cordiality, which was in pointed contrast to the cross-purposes and political tension of the outside world. The terms of the resolution sponsored by the President of the Chamber, Mr Thomas S. Watson, were agreed by the end of the second day. Broad and general as those terms were, they were not such as to be automatically accepted by the representatives of the more extreme Nationalistic States, and the securing of agreement bore witness to an unexpected spirit of conciliation and mutual understanding. The resolution reiterated that the I.C.C. seeks to contribute to world peace through trade; recognised that the world can produce enough raw materials and manufactured goods to supply all the people of all countries with the necessities and comforts of life; and expressed the belief that lasting political stability and the settlement of outstanding economic issues are necessarily interdependent. It concluded by recommending:—

That the Governments of France, Germany, Italy, Japan, the United Kingdom and the United States of America each collaborate, in so far as this is not the case already, with their own leading business men in a thorough study of the economic and fiscal conditions of their individual countries with respect to their national needs and their possible contribution to the world's economic development, and that when these countries shall have completed their surveys, their economic experts meet for the purpose of formulating a plan of adjustment which will give all countries of the world a fair opportunity to share in the resources of the world.

A second important resolution emphasised the need for sound monetary policies; for exchange stability based upon such policies; and for raising the standards of living in every country. It pointed out that the latter aim is dependent in large measure upon greater freedom in the exchange of goods and services across national frontiers; upon an increase in the flow of funds for economic purposes between the world's money markets; upon the encouragement of international investment in order that the surplus savings of some countries might aid in the development of others where capital is needed; upon integrity in the treatment of international investments, and of foreign capital generally; upon the full development of national resources; and, above all, upon the maintenance of economic and political peace within and among national communities.

In accepting the resolution the I.C.C. urged upon Governments the desirability, in the meantime, of maintaining the maximum degree of *de facto* exchange stability as a preliminary to the ultimate *de jure* stabilisation of exchange rates. It was repeated that the Tripartite Agreement of September, 1936, between France, the United Kingdom, and the United

States, subsequently extended by the adherence of Belgium, the Netherlands and Switzerland, offers a practical means of linking together the currencies of the major trading countries and their associates with a view to maintaining a stable relation between them. The hope was expressed that no currency depreciation would be undertaken in order to obtain unreasonable competitive exchange advantages; but that, if adjustment were found necessary, it should be made by international agreement rather than by unilateral action. The working of the Tripartite Agreement rests upon the willingness of certain countries to buy and sell gold freely. This arrangement should be continued and the use of gold for settlement of international balances retained as an important and desirable feature of international monetary co-operation.

The necessity of economic demobilisation was first proposed in a resolution by Dr F. H. Fentener van Vlissingen at one of the group meetings. This pointed out that the concentration of energy in all countries upon armaments brought with it many economic and social difficulties and prevented the normal expansion of international trade. Limitation of armaments was an essential preliminary condition for the development of trade on a sound basis. A thorough investigation should therefore be made at once of the immediate economic measures that would necessarily succeed any relaxation of the present political tension, with a view to drawing up concrete proposals for carrying out the transition from the present quasi-war economy to a peace economy. The Congress empowered the President and Officers of the I.C.C. to make the necessary arrangements for conducting this investigation with the utmost diligence. They were recommended to study, in particular, ways and means of meeting in every country the latent demand for higher standards of living.

The tangible results of the tenth Congress of the I.C.C. are the resolutions carried. But good results are also to be expected from the personal links established between influential business leaders from all over the world and their agreement on a common policy of world economy to be laid before their respective governments. It would be Utopian to expect the resolutions carried to effect an immediate change in world policies. Nevertheless, the fact that leaders of trade, banking and industry from forty-one different countries have met and agreed on the principles of an economic order to contribute to a lasting peace and a higher standard of living, provides a ray of hope in an anxious world. Economic co-operation between the peoples in producing and exchanging vital necessities is not an abstract creation of the mind. It is a truth which, however much it may be denied to-day, never ceases to exist. It now awaits recognition in statecraft.

July 3rd.

## The Shape of Things to Come in U.S. Finance

[FROM OUR NEW YORK CORRESPONDENT]

INTRIGUING glimpses of the scientific possibilities of the future are provided in a number of displays at The World of To-morrow Exhibition, but there are no exhibits foreshadowing the future of finance. Perhaps this is an omen.

The world of finance in the United States does indeed wear an extraordinary appearance. The Government has just passed another milestone in this province, having closed on June 30th its ninth successive year of deficits. The excess of expenditure over revenue was, on the basis of Treasury accounting, \$3,542 millions (excluding sinking fund) compared with the official estimate in January of \$3,972 millions. These figures do not, of course, really reveal either the

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position of the Treasury or reflect the full scope of the Government's financial operations. To do so, they would have to include, on the one hand, the substantial amounts of tax revenue which the Treasury obtains as loans from trust funds and accounts and, on the other, to show the considerable outlays uncovered by revenue made by the agencies of the Government.

There is no really influential opposition to the present practice of spending out of deficits. Even the intense fight in Congress over the appropriation of relief during the new fiscal year dealt entirely with the *method* of expenditure: there was never any serious demand that the *amount* should be less than the President asked for, and proposals were numerous for an amount substantially larger, and the agricultural appropriation made was, in fact, much larger than that required by the original Budget.

The fact is that the practice of deficit spending has for the past year or so been extensively rationalised and popularised. Only a few years ago it was generally regarded as reprehensible procedure to be tolerated only briefly under conditions of extreme necessity. Now deficit spending is widely termed "investment," desirable to "offset saving" on a semi-permanent or permanent basis. Eliza has found not one Professor Higgins, as in Shaw's "Pygmalion," but many.

Thus, the first new fiscal year now opened will complete the Federal Government's first decade of deficits. The deficiency for the new fiscal year was estimated in January at about \$3,333 millions on the Treasury accounting basis, but the excess of actual appropriations over the Budget estimates suggests that the deficit may in the event exceed both this estimate and the realised figure for the year just closed. Moreover, the Treasury basis of accounting will probably cover the full results of the year even less adequately than in previous years. The new spending programme, forecast several weeks ago, proposes enlarged outlays by the agencies of the Government with funds borrowed on the credit of the Government. This proposal will probably be substantially enacted; if so, outlays outside the Budget will be even larger than has recently been the case. On the other hand, if the proposed revision of the Social Security Act is passed, as seems likely, the amounts which can be borrowed from the trust funds will be somewhat reduced after January 1, 1940. Thus any consideration of Budget figures alone is misleading.

### The Future Rôle of Government

The implications for The World of To-morrow of this state of affairs in Federal finance must be many. The possibilities for the future are not easy to disentangle, but certain facts do appear to be reasonably clear. First, the United States Government has gone a long way toward the establishment of a capital Budget, as distinct from an operating Budget. The agencies of the Government now have assets totalling about \$12,500 millions, and a very substantial proportion of their operations does not appear in the regular operating Budget. The step of complete segregation of all operations on capital account would not be a long one from present practice.

Secondly, the canalisation of national savings through the Federal Government has gone a long way. There is little to indicate any reversal of this trend, and some reason to suppose that a still larger proportion of savings may in the future pass under the directional influence of the Govern-

ment. Proposals to expand agency operations, the attractiveness of U.S. savings bonds in the present money market and the extent to which the notion of deficit spending has permeated the community, all point in this direction.

Thirdly, the financial structure of the country has taken on a new form during the decade of deficits. The assets of financial institutions are now mainly in Government securities or in those of concerns very largely influenced by official fiscal operations. The money market is essentially a market for Government securities.

Fourthly, there is a very widespread dependence on the Government, socially as well as financially. It is estimated that somewhere between a fourth and a fifth of the population of this country relies practically directly on Governmental outlays. And the operation of the Social Security Act may be expected to expand this proportion in coming years.

## Gains and Forebodings in France

[FROM OUR PARIS CORRESPONDENT]

THE returns of French overseas trade in June show that, compared with June, 1938, imports for the month are up by 246 million francs and exports by 904 millions francs. The excess of imports over exports has thus been reduced by 657 million francs, or 10 per cent. of a total trade turnover of between 6,000 and 7,000 million francs—an appreciable proportion.

The movements in total trade for the first six months of 1939 were as follows:—

|                              | Jan.-June<br>1938 | Jan.-June<br>1939<br>(Million fr.) | Difference    |
|------------------------------|-------------------|------------------------------------|---------------|
| IMPORTS—                     |                   |                                    |               |
| Foods .....                  | 6,097             | 6,818                              | + 720         |
| Industrial raw materials ... | 13,635            | 13,970                             | + 334         |
| Manufactured goods .....     | 3,530             | 3,977                              | + 446         |
| <b>Total .....</b>           | <b>23,264</b>     | <b>24,765</b>                      | <b>+1,501</b> |
| EXPORTS—                     |                   |                                    |               |
| Foods .....                  | 1,902             | 2,578                              | + 676         |
| Industrial raw materials ... | 4,531             | 5,464                              | + 933         |
| Manufactured goods .....     | 7,530             | 9,996                              | +2,466        |
| <b>Total .....</b>           | <b>13,963</b>     | <b>18,039</b>                      | <b>+4,076</b> |

These figures show two things. First, total trade has increased, exports more than imports; and, secondly, the import balance has been appreciably reduced. The general improvement is even more spectacular when trade with foreign countries, and excluding trade with the French colonies, is considered in isolation. Here, in the first six months of 1939 the excess of imports over exports has been reduced to 5,000 million francs, compared with 7,000 million francs in the corresponding period last year.

An exact appreciation of these figures requires some consideration of the behaviour of money and prices in the same period. The divergence between the movements of the figures for the value of trade and those of its quantity suggests that the rise in the price of imported goods in terms of depreciated francs has checked buying, while the rise in domestic prices has inflated exports in terms of value, the quantity of exports increasing hardly at all. In the case of manufactured goods the quantity exported has actually declined slightly.

Nevertheless, with the reduction of the annual import surplus to about 10,000 million francs, the French balance of indebtedness has again become active. Tourist receipts alone, estimated variously between 6,000 and 12,000 million francs, the latter figure, in your correspondent's opinion, being nearer the mark than the former, should suffice to cover the trade deficit. The existence of this new state of affairs explains the continuation of a small but constant stream of gold imports which, according to the Finance Minister, doubled in volume between May and June.

So, after eight months of financial reorganisation, M. Paul Reynaud is able to congratulate himself that he has re-established two essential equilibria; that of the balance of payments and that of the ordinary Budget. "After ten years of budgetary deficits averaging eight milliards," he declared a few days ago, "it is possible for us to say for the first time at the half-year that the ordinary Budget is balanced."

### An Uncertain Future

It is necessary to point out, without in any way detracting from the efforts made by the Government and the country, that the improvement has been assisted by a number of fortuitous factors. Such are the virtual abolition of the legislation supporting the 40-hour week, the bargaining strength in world markets conferred by monetary depreciation, and the financing of re-armament expenditure by new forms of borrowing and taxation. These advantages are not permanent.

The continued rise in prices indicates that M. Reynaud's formula, "Inflation, and not budgetary policy, is responsible for the rise in the cost of living," now requires correction or re-interpretation. In fact, increased living expenses are reducing the nation's purchasing power; it was necessary to raise wages earlier in the year. The vicious circle of rising wages and rising prices is not so much in evidence as it was in the days of the Popular Front, but it has not disappeared altogether.

Public opinion is disquieted when the advocates of a new drive to cut down civil expenditure come into conflict with the partisans of control of money and prices. The matter is debated in governmental quarters where the task of fixing the prices of the harvest of 1939 will soon have to be faced, and where there is a corresponding clash between those who wish to check the price rise by a reduction of customs barriers and those who are above all concerned with the attempt to maintain the activity of home industry.

So far there is no agreement about the right line to take. But the contrast between the activity of the military sector of the economy and stagnation in the civil sector is marked, and it will be even more marked in the autumn, when the combined effect of the financial policy of the Government and of the seasonal rise in prices will be felt. So far the junction between income and expenditure has been effected by means of borrowing. But, if the international tension is prolonged, the disequilibrium between the cost of re-armament and the national revenue will assume a more serious aspect. The Government will then have to face an economic and financial problem of a kind which is perfectly capable of introducing quite a different tone into French politics.

July 13th.

## Entrenched Neutrality

[FROM OUR GENEVA CORRESPONDENT]

NOT long ago the Swiss electorate adopted, by 444,200 votes to 195,000, an official proposal authorising the Federal Government to spend about 400 million francs (£ = 20.77 Swiss francs at current rates) on the strengthening of national defence and on important public works. Some 171 millions will go on defence and 157 millions on public works.

The necessary funds will be supplied, in the first place, by the "Crisis Tax," levied for a further period of three years; secondly, by a credit of 75 million francs supplied by the National Bank, which will use for this purpose a part of the profit of 658 million francs made on the devaluation of the Swiss currency; thirdly, by a new tax ranging from 1½ per cent. to 7½ per cent. levied on those commercial concerns which have numerous branches, and on big shops, on one-price shops and co-operative societies whose yearly sales exceed 200 million francs.

The ordinary military Budget rose from 91 million francs in 1933 to 132 millions in 1939. Extraordinary expenses for the same period totalled about 782 million francs; and to this should be added the 171 millions voted the other day. This makes a total of 953 millions. To the last man, the Swiss are resolved to maintain their neutrality and to defend their territory against any aggression.

This expenditure has made possible the reorganisation of the Army within a short period, development of the Air Corps, and supply of the various Army units with modern and powerful weapons. Several hundred million francs have also been spent on frontier fortifications; these forts, manned by 3,000 to 4,000 men, and powerfully armed, are capable of resisting for several days against any invading force, thus giving the Army time to mobilise. A second fortified line has been erected at some distance behind the frontier "Maginot" line.

As no referendum was demanded, the Bill extending from six to eight weeks the initial period of military service came into force six weeks ago; at the same time, the serving age is extended to include men between the ages of 18 and 60.

The Army now consists of three army corps, nine divisions and three mountain divisions with all auxiliary units, so that Switzerland can put about 400,000 soldiers into the field. In addition to this, Switzerland will soon possess some 400,000 auxiliaries, men and women, for A.R.P. defence, Red Cross, transport and industry.

July 6th.

## Jugoslavia's Uncertain Economic Prospects

[FROM OUR BELGRADE CORRESPONDENT]

RARELY has Yugoslavia presented such a queer pattern of economic possibilities as this year. Following European uncertainties, there appeared signs of a severe depression during March and April. Exports during the first quarter of this year dropped from 847,000 tons to 673,000 tons and from 1,194 million dinars to 1,082 millions in value—a drop compared with the same months of 1938 of 20.5 per cent. in volume and 7.8 per cent. in value. And the quarter finished with an import surplus of 174 million dinars. Coming, as this did, after a very moderate trade year in which 67 per cent. of exports passed through clearings, there set in a severe shortage of *devises*, which forced the Government to depress the dinar from 238 to 258 to the £ against sterling, and caused the sterling, dollar and Swiss franc rates to soar on the "black bourse."

Nor were adverse conditions confined to foreign trade. Uncertainty caused heavy withdrawals of savings deposits, which shrank from 11,809 million dinars in February to 11,505 millions in March and 11,243 millions in April (the lowest figure since Munich). That this money was withdrawn for hoarding is obvious from two facts: first, new capital in business during the quarter amounted to only 39,800,000 dinars, against 40,600,000 in 1938; and, secondly, that imports of plant and machinery during the quarter fell from 258 million dinars to 178 millions. Stagnation in business and the lack of liquid means were complete.

Since the second half of April conditions have somewhat improved. International tension eased and there was some improvement in foreign trade. Thus, in April exports were valued at 433.3 million dinars, against 395.7 millions in April, 1938. For the first time in 16 months the monthly figure exceeded the corresponding figure for the same month of the previous year; and there was even a small export balance of 14.5 million dinars—unusual during the first half of the year when the balance is generally adverse. The improvement was helped by the greater demand for mining products and also by the gradual placing of Yugoslav timber in Italy, Switzerland and Hungary, these countries having transferred their purchases of timber from the now closed Austrian market to Yugoslavia.

### Government Aid

Much was done by the Government also by spending increased sums on public works and defence. Thus, in March expenditure reached the record figure of 1,134 million dinars. It is thanks to this that mining and smelting actually showed an increase in activity in the month, mining activity advancing 6.9 per cent. and smelting 22.8 per cent. Even so this advance was considerably smaller than in the corresponding period of 1938. The Government is encouraging exports to cash-paying countries by means of special regulations and premiums, and has actually reduced the share of clearing

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# THE BUSINESS WORLD

## South American Exchanges

BRITAIN'S economic interests in South America have suffered a considerable setback in recent years. Our exports to South American countries, taken as a whole, show a relative decline, since 1932, of nearly 25 per cent. The fall in investment income, over the same period, can be estimated roundly at 60 per cent., a figure which is probably indicative of the decline in the market value of South American securities traded on the London Stock Exchange. Such substantial losses in an old-established export market and a debtor area which has absorbed one-fifth of all British overseas investments have been accompanied by a deterioration of the exchange position of all South American countries which has compelled the application of stringent and complicated control.

Technically, exchange restrictions involve a jungle of regulations, widely differing in detail from country to country. When stripped of their technical complexity, however, the various systems of control can be reduced to a few patterns. Among South American exchange controls three fundamental features may be distinguished. First, exchange control is closely linked with restriction of imports—a feature inherent in any exchange control system. Secondly, special taxation of imports (in addition to tariffs) may be imposed, either by fixing a substantial margin between official buying and selling rates for foreign exchange, or by applying a direct tax on exchange sales. Finally, partial recognition is given to the *de facto* currency depreciation (in “official” or “controlled free” exchange markets) as a means of stimulating exports. In some cases a separate market is maintained for export and import exchange, at partly devalued rates, while another market for remittances reflects the full depreciation.

With these principles of control in mind, we may now examine the exchange position of South American countries individually, in the light of recent changes. Argentina, which holds the first place in Britain's South American interests, is in a much sounder currency position than her neighbours. Her agricultural production is more diversified and, unlike the majority of countries in South America, is not at the mercy of price fluctuations in a single commodity. Yet the balance of Argentine trade deteriorated considerably in 1938, owing mainly to a general drought in the crop season, and showed a surplus of only £3 millions, against £44 millions for the previous year. To improve the position a drastic curtailment of imports was enforced in December, 1938, and as a result the trade balance this year already shows a substantial improvement. Total exports for the period January to April, 1939, amounted to 510 million pesos, against 496 million pesos in 1938, but imports decreased from 531 million pesos to 416 million pesos. By this stringent policy a surplus of 94 million pesos has been obtained for the first four months of this year, compared with a deficit of 35 million pesos for the corresponding period of 1938.

These movements are clearly reflected in the rates ruling on the “free” exchange market, through which financial remittances may be effected. The free market selling rate, which averaged 19.00 pesos to the £ in June last year, declined to 20.50 last December, but has recovered to 20.25 for June, 1939. On the controlled exchange market, through which exports and authorised imports are financed, fixed rates are maintained—the buying, or export, rate being 15 pesos and the import rate 17 pesos to the £, compared with a parity of 11.46 pesos to the £. The margin between the two rates is credited to an Exchange Control Profits Fund, the bulk of which is retained as a

special reserve of the Central Bank. Argentina is, however, employing barter trade agreements in an attempt to make good her decline in normal trade. The recent agreement with Italy, involving an aggregate amount of 460 million lire, follows similar agreements, on a less extensive scale, with Germany, Belgium, Denmark and Brazil. Broadly, however, it may be said that, despite prevailing unfavourable trade conditions, the monetary situation in Argentina is well under control.

Brazil is more typical of South American countries, with her smaller range of primary exports. Despite the disastrous fall in coffee prices, and the strenuous, and apparently successful, efforts to extend the cultivation of cotton, coffee still accounts for 45 per cent. of total exports. The “new coffee policy,” instituted in November, 1937, resulted in an increase of exports, by volume, of nearly 50 per cent. last year, but the value of total exports declined by 10 per cent. At the same time, imports remained high, despite the quota system, owing to the Government's industrialisation policy. As a result, the active trade balance in 1938 amounted to no more than £30,000 (gold), compared with £2 millions in 1937 and £9 millions in 1936. It is not surprising that a marked scarcity of exchange developed. Hence on April 8, 1939, a new exchange system was instituted, under which 30 per cent. of the foreign exchange from exports must be surrendered to the Banco do Brasil at the official buying rate, while the balance of 70 per cent. can be sold to holders of import permits at the free market rate. Simultaneously, the tax on the sale of import exchange was raised from 3 to 5 per cent. The old and new exchange rates are compared below:—

| RIO DE JANEIRO AVERAGE SIGHT RATE ON LONDON |            |            |            |                                |
|---------------------------------------------|------------|------------|------------|--------------------------------|
|                                             | June, 1938 | Dec., 1938 | June, 1939 |                                |
|                                             | Old system |            | New system |                                |
|                                             | \$         | \$         | \$         |                                |
| Buying rate for export bills.....           | 85.500     | 80.500     | 77.250     | Official buying rate .....     |
| Selling rate for imports.....               | 87.000     | 82.500     | 88.800     | Free market buying rate .....  |
|                                             |            |            | 89.600     | Free market selling rate ..... |

It is expected that, with the free movement of rates under the new exchange system, exports will be stimulated.

Chile's official “export market” rate is pegged to the dollar at 25 pesos, equivalent at present to 117.10 pesos to the £. Export exchange, however, is obtainable only with difficulty, even for licensed imports. At the same time, compensation trade is conducted with several overseas countries, under bilateral agreements. By such means, exchange resulting from certain specified exports may be sold at free market rates in payment for imports from the countries concerned. Similar arrangements are also in existence with some free-exchange countries, like France, Belgium and Switzerland, and they provide a more favourable exchange rate for the Chilean exporter than exports to Britain. Higher rates, together with the shortage of official export exchange, tend to divert Chile's foreign trade to the “compensation countries.” Rates for compensation exchange, however, are subject to considerable fluctuations, seasonally and also between different countries. For example, the present rate for French francs is 0.85 pesos, which gives a cross-rate of 154 pesos to the £. But the Belgian rate is 0.97 pesos, corresponding to a cross-rate of 133.50 pesos to the £.

Three rates of exchange exist in Uruguay: official, “free controlled,” and free. The official rate is paid for exchange accruing from exports, and is fixed at 7.60 pesos to the £. The “free-controlled” rate is the selling rate for “necessary” imports and for certain privileged financial payments, and is in practice fixed at 9.50 pesos to the £. The free rate, which is available for imports of luxury goods, financial payments, and other transactions, declined sharply from an average of 11.75 pesos to the £ in June last year to 13.25 pesos in December, but the average of 13.30 pesos for June last indicates greater stability this year. Much of Uruguay's foreign trade is now distorted into bilateral channels, through compensation arrangements and through proportional import quotas.

So much for the exchange controls in the most important South American republics. The smaller States have not been slow to copy the examples set by their larger neighbours. Thus, Paraguay controls its foreign exchange in close accordance with the Argentine exchange—so closely, in fact, that all exchange transactions are actually made in the Argentine foreign exchange market. In Bolivia, three “official” exchange rates are in operation. A certain proportion of the exchange accruing from exports—the percentage varies with different commodities—must be surrendered to the Central Bank at the rate of 82 bolívares to the £. The balance can be sold to one of the three authorised banks, at Bs. 140 and is resold to importers who hold permits at Bs. 141.40. By a new decree all proceeds of shipments of minerals (the bulk of Bolivia's exports) are now liable to surrender to the Central Bank,

and new restrictions have been imposed on the transfer of profits of foreign-owned companies. Ecuador does not operate exchange control, and it is expected that the existing import control may be shortly removed. At the same time, the supply of exchange appears scarce. Ecuador's distinction is surpassed only by Peru, which is the only country in South America which has not imposed restriction either on imports or exchange operations. But in this case also the exchange situation is strained, and the average buying rate for 90-day sterling bills has deteriorated progressively.

Two exceptions to the general exchange position in South America are provided by Colombia and Venezuela. A considerable influx of foreign capital has recently been in progress, and the foreign trade and exchanges of each country are closely linked to the United States. Colombia's foreign exchange market is open, while in Venezuela import restrictions only are in operation. The Venezuelan exchange has, in fact, been “on gold,” with a rate fixed at Bs. 3.19 per dollar, since April, 1937.

Summing up, two points emerge clearly from this examination of South American exchanges. Firstly, exchange receipts are confined to exports, which are commonly limited to a narrow range of primary products; hence, the South American republics are largely forced to regulate their imports if they wish to pursue a positive currency policy. At the same time, a growing diversion of trade into bilateral channels is in progress. The wider implications of this second aspect, with particular reference to Germany's headway in South American trade, will be examined in a further article.

## Refrigeration

THE adjustment of temperatures to minister to the comfort and convenience of human beings is as old as the practice of making fires and building huts to keep warm and constructing dwellings with wide eaves and thick walls to keep cool. Nor did the ancients confine themselves to rough expedients to provide more comfortable shelter. Food, too, was subjected to primitive temperature control. There is evidence that snow and mixtures of snow and salt were used for food preservation by the Romans; there were mediæval towns and castles equipped with ice-houses; and from more modern times there are stories of exotic delicacies transported in swift sledges across Russia from the Caucasus to the court of the Czar at St. Petersburg.

But these were only rough-and-ready devices, uncertain of success and narrowly limited in scope. Refrigeration as practised to-day is a science. Its rôle can be simply stated: applied to food, it is to provide cool and preservative conditions for commodities from the place of their production to the place of consumption. The engineer insulates a given space; then he cools it; finally, he provides a chain of such refrigerated spaces, in warehouses, ships, ports, trains, road vehicles, shops and dwellings, to cover the interval between the arrival of an article at a place where it can first be refrigerated and its eventual appearance on the table.

The preservation of foodstuffs is by far the most important of the present uses of refrigeration. It is by no means the only one. Its applications to industry include the removal of wax from petroleum in the course of refining, the recovery of solvents, the de-greasing of wool, and in engineering to make possible the easy and rapid assembly of fully machined and polished parts without damage to the finish and without distortion. Nor is refrigeration only of use in the minutiae of industry. Air conditioning in factories, residences and places of entertainment is becoming increasingly widespread, and a refrigerating unit is an essential part of an air-conditioning plant.

As the uses of refrigeration multiply, the methods of providing it acquire a new importance. The three most important media are, first water ice; secondly refrigeration machinery; and thirdly dry ice. (Water ice, of course, requires refrigerating machinery for its production, but from the point of view of the consumer it is an entirely distinct means of obtaining refrigeration.) There are some

250 firms producing water ice in this country, with a total annual capacity of about 2.5 million tons. According to the Census of Production reports (which do not include production by firms employing ten or fewer persons or by

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New Business The net new business completed, after deduction of re-assurances, amounted to - 11,382,000

Receipts The Company's receipts were - 7,940,009

Payments Total Payments to Policyholders, etc. - 5,063,501

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firms making ice for their own use) the output of water ice in 1924 amounted to 1,138,000 tons, valued at £1,368,000, in 1930 to 1,216,000 tons valued at £1,122,000, and in 1935 to 1,160,000 tons valued at £943,000. This decline is more than accounted for by the fall in the consumption of the fishing fleets, who take the major part of the output of water ice, from 872,000 tons in 1930 to 767,000 tons in 1935; consumption for retail and domestic purposes in the same period rose from 201,000 tons to 246,000 tons.

The second method of refrigeration is by mechanical means. Such statistics as are available suggest that, while the consumption of water ice is declining, the output of refrigerating machinery for all purposes is on the increase. The number of vessels holding Lloyd's refrigerating machinery certificate rose from 546 on June 30, 1935, to 620 on the same date in 1938, and their capacity from nearly 88 million cubic feet to close upon 94½ millions in the same period. The capacity of the land cold stores inspected by Lloyd's surveyors is probably about 36 million cubic feet, but many land stores are not surveyed, and Britain's total land cold storage capacity may be estimated at about 50 million cubic feet.

The third medium of refrigeration, dry ice, or solid carbon dioxide, was first introduced on a commercial scale in the U.S.A. about thirteen years ago. Its principal use in the United Kingdom at present is in the storage of ice cream during distribution; but it is increasingly employed in road and rail transport. The total production of compressed CO<sub>2</sub> in solid or liquid form is recorded in the Census of Production and Import Duties Act Inquiries as 9,700 tons in 1933, 11,040 tons in 1934 and 17,005 tons in 1935. (These figures include compressed liquid CO<sub>2</sub> for use in the production of aerated drinks, but it may be taken that a very large proportion consists of dry ice.)

The principal application of refrigeration in the past has been to the preservation of food, and it is likely to be the same in the future. This aspect is one of enormous importance in a country so dependent on imported foodstuffs as Great Britain. Meat and fish find a place in the diet of all but the very poorest, and almost the entire consumption of these makes use of refrigeration at some point. The problem of to-day and to-morrow is to extend the process cheaply to the preservation of more and more articles of general daily diet.

What are the chances of further progress in the technique and cheapness of food refrigeration? The part played by water ice is decreasing. Ice boxes have many inconveniences; and, although there has actually been an extension of the use of water ice in the United States since 1935, the growth of food refrigeration in the future depends mainly on an increase in the use of refrigeration machinery and dry ice.

As we have seen, the quantity of refrigerating machinery in use is growing rapidly. It is, indeed, this process that has made the most spectacular achievements in the preservation of food in the past. In addition to its use for the manufacture of water ice, refrigeration machinery is used to equip cold stores on land and for the refrigeration of cargo space on ships. The story of its development in sea-going vessels to bring more and more foodstuffs to English tables from far-off overseas begins sixty years ago with the pioneer voyages made by the "Frigorifique" from Rouen to Buenos Aires in 1877, when a cargo of meat was kept in good condition for 104 days under the supervision of the French engineer and inventor Tellier, and by the "Strathleven" from Sydney to London in 1879 with 40 tons of beef and mutton. Regular services bearing refrigerated meat between the Antipodes and London were established in 1884 and from the Argentine in about 1890. It was meat in the main which the new ships with refrigerated cargo space brought in; and the falling off in the trade in live cattle from North and South America after 1900 swelled the increase in the quantities of chilled and frozen meat imported into the United Kingdom.

The distinction between chilled and frozen meat is an important one in the record of refrigeration. Only frozen meat can be stored for any length of time, and chilled meat must be quickly marketed if deterioration and loss are to be avoided. This is important for any assessment of the future of land cold storage. In 1936 only about one-third

of the land storage capacity in this country was used throughout the year, and there was vacant space for some 300,000 tons of meat, or between twelve and fifteen weeks' supply for the population. If the trade in chilled meat continues to grow as it has done in late years, especially from Australia and New Zealand, the under-employment of home storage capacity will be accentuated. Moreover, chilled meat deteriorates rapidly when exposed to normal temperatures, which makes it imperative that the final links in the chain of refrigeration from producer to consumer should be speedily improved. Refrigeration in shops and homes, as well as in ships and ports, is now necessary on this count alone.

The future of mechanical refrigeration is thus promising, just as its past has been prosperous. In road and rail transport, vital links in the chain of refrigeration, much progress is likely to come also from the extended use of dry ice. Dry ice possesses greater refrigerating virtue, volume for volume, than water ice. Compared with mechanical refrigeration its use saves space, plant and the need for supervision. The only trouble is that it is still relatively costly. Dry ice has already effected a minor revolution in the soft fruit industry by making it possible to preserve fruit in first-class condition for twenty hours or more—thus increasing the distances which it can travel. And this is only the beginning.

The truth is that the whole process of preserving food by refrigeration is now in an important stage of transition; and there are sufficient new refinements to foreshadow great possibilities for the future. The development known as quick freezing, for instance, makes possible the preservation of foodstuffs without damage to their palatability; moreover, owing to the stunting of bacterial growth which this process brings about it is possible to keep quick frozen foodstuffs in a refrigerator for longer periods than fresh food itself—though they will keep for only a brief time after thawing. In July, 1938, it was stated that sales of frozen foods in the U.S.A. amounted to about 200 million lbs. per annum, valued at approximately £3 millions; and nearly sixty varieties of foodstuffs were treated in this way, including chicken and other poultry and game, peas, spinach, broccoli, asparagus, carrots, peaches, raspberries and strawberries. Indeed, there is room for speculation about the effect which this method of food preservation is likely to have on the canning industry. In some respects quick freezing and canning are directly competitive; and quick frozen foods resemble the fresh products much more closely than canned foods do. But, equally, they are in many ways complementary. Quick freezing can help to spread the activities of canning firms over the whole year, by providing fruit and vegetables for canning out of season. At present, quick freezing is much more expensive than canning and quick frozen foods must be kept in refrigerators. These are powerful limiting factors in its development. An interesting innovation which may help to bridge the gap between these two processes was announced in the U.S.A. at the end of 1938 with the formation of a new company to operate a process for continuous quick freezing in cans of fruits, juices, vegetables, milk, eggs and other products.

The weakest links in the refrigeration chain have up to the present been the ultimate ones—those which connect the ship or the land cold store with the consumer. The gaps are being filled by refrigeration on rail and road and in shops and houses, and devices like quick freezing and dry ice are playing their part. But the final link, represented by the domestic refrigerator, has yet to be forged in such a way as to reach the main mass of British families. It is still estimated by the bodies responsible for refrigerator sales that only the three million families with an annual income of over £250 can be regarded as potential customers. The barrier to extension is in fact the cost of the refrigerator itself, for operation expenses, by gas or electricity, are relatively low. In a few places refrigerators are already being supplied to working class tenants for all-in-rents as low as 1s. a week, and there is no doubt that bigger and rising refrigerator sales must lead to lower costs of production and cheaper refrigerators. The ingenuity of engineers has now created a cold corridor from places as far away as New Zealand and California to the shops and warehouses of English towns. The next extension must be into the homes of the people themselves.

## Finance and Banking

**The Note Circulation.**—On Wednesday of this week the Bank of England announced the purchase of £20,002,848 of gold. This gold, bought from the Exchange Equalisation Account, is intended to provide the additional notes required to meet the expansion in the demand for currency over the holiday weeks. That seasonal expansion has already begun in earnest, helped no doubt by the international tension, which is causing many people to hold in cash rather larger sums than is their wont. Over and above these seasonal influences there is undoubtedly an underlying secular trend towards expansion in the note circulation. The extent of this trend has been somewhat veiled by the return of sterling bank notes from hoards on the Continent. If we allow £20 millions for this particular factor over the past year and compare the latest circulation of £507.9 millions with the total of £488.1 millions at which it stood twelve months ago, we shall obtain a fairly clear indication of the steepness of that secular trend. The reasons for it are not difficult to find: the growth of 600,000 in the employed insured population over the past twelve months is the most obvious of them. Faced with this seasonal expansion in currency requirements superimposed on a more permanent upward movement, the authorities had the alternative of increasing the fiduciary circulation—the method normally used up to now to meet a seasonal increase in the circulation—or to transfer gold from the Exchange Account—a device now available since the Bank can, by the Currency and Bank Notes Act of 1939, pay the market price for the gold. That the second method was chosen may have been an illustration of the new freedom of action given by the new Act. It may, on the other hand, have been due to a recognition that provision was being made for the more lasting as well as for the temporary increase in the circulation. Its choice may also have been suggested by the understandable desire to do nothing at the present juncture that might savour of inflation and adversely affect foreign confidence in sterling. If there is any tendency towards inflation in our present economic situation, and if there exists a determination to defend the present exchange value of sterling, the choice made by the authorities may be the right one, since by reducing—however modestly—the amount of gold in the Exchange Equalisation Account it brings nearer the point at which corrective action will have to be taken through the usual channels.

**Silver Slumps.**—The London silver market has had to endure the most agonising week of the chequered era opened up by the United States Silver Purchase Act of 1934. Both on Saturday of last week and on Monday last the London market was hard put to it running away from selling orders happily subject to price limits. On each day the London quotation fell well below the American parity, even calculating that parity as the straight conversion of the U.S. price for imported silver into sterling at the rate of the day and not, as should be done, by taking the shipping parity and allowing for the costs of taking silver from here to New York. On Saturday London could allow the price to slump with impunity since no silver price is announced in Washington on that day. Monday's however was a more critical fixing. The sterling price fell by ½ to 16½d., a little Indian buying saving the market from even more serious collapse. Washington's reactions to this fresh slump in the London price were awaited here with considerable anxiety. The London price gave a straight dollar parity of 33½ cents compared with the U.S. price then at 36.75 cents. If the U.S. Treasury had carried its consistency to the point of reducing its import price to that parity on Monday evening, the silver market here on Tuesday would probably have been paralysed into complete inactivity. The fixing would have had to be postponed until such time as a cable to Washing-

ton or New York could have ascertained the price at which America would buy. This self-same situation occurred, it will be remembered, in July and December, 1935, when the American authorities began to show some hesitation in buying imported silver. The American authorities, aware no doubt of this situation, unwilling to have their hand forced and to have to buy silver, and unprepared to see the slump in the world price of silver gathering yet greater momentum, did the one thing which in the circumstances they could do—they reduced their import price but not to the London parity. The figure they chose was 35 cents, at which the price has remained during the rest of the week. The London price for its part has recovered to around the parity of this American import price and at 16½d. is finding a temporary equilibrium.

**And Recovers.**—The recovery is due largely to covering by bears who, needless to say, have found the market extremely profitable for their ventures over the past month. India is also a moderate but persistent buyer, and the up-country offtake in Bombay is reported to have risen recently from about 50 to about 80 bars a day. But both the genuine buying and the bear covering cannot be weighed as material factors in the present silver situation. The outlook is dominated by America. The retention of the power to buy foreign silver has been fought for by the Administration, partly because that power serves a useful purpose in international negotiations such as those proceeding with Mexico on the subject of expropriated oil properties. The fact remains that while there is the present uncertainty regarding the price at which America will buy, arbitrage business with the United States is practically impossible. If America can by this general uncertainty avoid buying foreign silver except such metal as may be covered by special bilateral agreements with other Governments, the world price of the metal is only too likely to fall further. The natural offtake, now that China is out of the picture, cannot absorb the production of new metal—so much of it by-product silver whose output is unresponsive to price fluctuations. Amid all this turmoil and uncertainty in the silver position one fact stands clear: the ill effects of the United States Government's uninvited intrusion in the international silver markets in the past five years.

**German Views on Gold.**—Two significantly dissonant views on the future of gold have recently emanated from authoritative German sources. One comes from the President of the Reichsbank, who recently addressed an audience of Dutch bankers in Amsterdam on the finer points of credit and monetary control. To his appropriately attentive audience Herr Funk propounded anew the thesis that a central bank regulated by the "Fuehrer Prinzip" hardly needs gold as an arbiter of credit policy and that as basis for a currency the volume of production (whether of productive or destructive goods) will always win the day against a precious metal. The second pronouncement is to be found in the latest half-yearly report of the Reichs-Kredit-Gesellschaft, as always, an admirably documented and balanced piece of work. The report points out that after the experience gained since 1931 "an exclusion of gold from the mechanism of international payments is unthinkable." The danger to gold is, in the view of this authority, due not to any inefficiency with which its functions are being performed, but to the one-way character of the international traffic in the metal. The gold stream to the United States, which has been flowing almost uninterruptedly since the artificial devaluation of the dollar, is the crux of the gold problem, which will only be solved by a rationally balanced trade and payments relation between the United States and Europe.

# Investment

**Mobilising Foreign Assets.**—Preparedness to-day takes many forms, covering "white war" and "red war" alike. For some time past it has been known that the authorities were considering the computation of the amount of foreign assets which could be marketed abroad in the event of hostilities. The mobilisation of American securities during the Great War was one of the most efficient financial achievements of those four fateful years, and although British investors no longer hold substantial amounts of American railway securities (which formed a large proportion of the assets then mobilised), holdings of foreign securities marketable abroad in British hands are still large. It is understood that the Treasury has invited members of the Association of Investment Trusts to make a return of the total value of their foreign securities as at June 30th this year. Detailed lists are not required at this stage, but totals are to be divided into four groups, comprising U.S. dollar securities, Canadian dollar securities, foreign securities, excluding the British Dominions and France, and other international securities which can be realised outside this country, the Dominions and France. The latter category would clearly include British securities marketable by deposit receipts or blank transfers in the United States, and such shares as Royal

Dutch and "Shell" Transport. To be complete, the survey would also need to cover insurance companies and other financial institutions with appreciable holdings of foreign investments, and it is understood that the insurance offices are preparing a similar investigation.

**London Transport Earnings.**—With the week's traffics to July 8th, London Transport enters upon a new financial period. By the accident of the calendar, it is necessary to make some slight adjustments to the reported figures for the fifty-two weeks to June 24, 1939, in order to estimate the potential earnings for the financial year to June 30th last. If the 52 weeks to July 1st are taken as a basis instead, the Board's gross contribution to the London Area Pool is £29,746,200. To obtain an approximate idea of gross receipts after pooling, an addition of 4 per cent. may be made to the gross contribution. This addition is somewhat lower than the actual relation between contributions and pooled receipts in 1936-37 and 1937-38, but it has the authority of estimates submitted by Sir William Wood to the Railway Rates Tribunal on the occasion of the application for the 5 per cent. increase in

London fares. On this basis, pooled receipts would amount to £30,925,000, excluding joint lines, and would show an increase of approximately £167,000 for the year. Since joint lines (which are shown net in the Board's accounts) will probably reveal little change, the first conclusion from the pooling estimate is that the increase in receipts falls £63,000 short of the special income tax credit of £230,000 which was brought into last year's revenue. Nor is this all. As we pointed out on April 1st, additional expenditure of the order of £100,000 was expected to fall within the year which has just closed. The Board's A.R.P. commitments are probably considerable, and although no information is available regarding the method by which they will be financed, it is pertinent that the maintenance reserve stood no higher than £386,638 at the end of June last year. Further, an increased amount of new capital has come into charge during the past year, although the corresponding works have not yet had time to reach fruition. No less than £215,292 was debited to capital in 1937-38 for interest on works in progress, and part at least of this sum would be charged to revenue last year. All told, the omens are not favourable for the payment of more than 4 per cent. on the "C" stock for 1938-39; indeed, it is conceivable that earnings may fail to reach this level by a significant margin. If that should happen, the Board's ability to earn standard dividends in future years with the assistance of £732,000 additional revenue from the 5 per cent. fares increase would become an open question.

panies, and the prospectus relating to a Commonwealth Mining and Finance issue referred to Mr Claude de Bernales as being governing director for life in Australian Machinery and Investment. It will be recalled that this concern has figured largely in the dispute between Great Boulder Proprietary shareholders' committee and the directors. Of the companies concerned in the prohibition of dealings, Commonwealth was outstanding in the great market activity at the end of 1934 and later, which developed in connection with the Yellowdine discoveries.

**The Reasons for the Decision.**—In matters such as this the Stock Exchange Committee acts as master in its own house. Some shareholders may feel aggrieved at the closing of dealings, but it is rare indeed for a case to appear before the committee three times before a decision is given, and even rarer for the shares of almost an entire group of companies to be removed at one stroke from the lists. It is not to be expected that the committee will depart from its long-established rule of silence, even in the present unprecedented case. The circumstances have been set out in a circular from the Commonwealth Mining and Finance Board, together with a copy of their memorandum setting out the grounds of appeal against the Committee's decision, issued as we go to press. It appears from these documents that the Commonwealth group is prepared to undergo a stringent scrutiny into its history and finances.

**Courtaulds' Higher Interim.**—The Courtaulds report and chairman's speech provided occasion for moderately encouraging references to the company's prospects in these columns last March, which have been justified by this week's decision of the board to pay an interim dividend of 2 per cent., compared with 1½ per cent.—which was not fully earned—a year ago. The response to this news was a rise in the price of Courtaulds ordinary stock from 26s. 1½d. to 28s. 3d. in a more active market on Thursday. The announcement is unaccompanied by any reference to trading conditions, but a recovery in rayon prospects is apparent in the consumption figures, while on the trading side the newly-forged relations between Courtaulds and British Celanese should be providing a stabilising influence, after a period of keenly competitive prices. These are not the only factors in the Courtaulds equation—there is less ground for encouragement, for instance, from the other side of the Atlantic. But after the company's bitter experience last year, 1939 should produce appreciably better results. And the £1 ordinary stock units, with a current yield of £2 16s. 6d. per cent., are evidently looking forward to them.

**Commonwealth Mining Dealings Ban.**—The Economist of July 1st recorded that the Stock Exchange Committee had rejected an application for permission to deal in 4,850,000 2s. 6d. shares of Commonwealth Mining and Finance, subject to right of appeal expiring on Monday this week. On Wednesday this week the Committee announced that the appeal had been disallowed. Even more sensational, however, was the accompanying announcement that permission to deal had been withdrawn for the shares of seven other companies in the group. These include Anglo-Australian Gold Development, Beryl Gold Corporation, Great Boulder Mining and Finance, Meekatharra Gold Mines, Murchison Gold Development, North Kalgurl United Gold Development and Southern Cross Gold Development. The only exception to the ban on dealings is Great Boulder Proprietary. Mr Claude de Bernales is chairman, or managing director, of all of the companies, whose market capitalisation has shrunk from a peak level of over £9 millions to less than £700,000. None of the companies has paid a dividend, and all of them were formed within a period between 1933 and 1935. Australian Machinery and Investment, a company domiciled in Perth, appeared frequently as vendor of properties to these com-

**United Dominions Trust.**—Further appreciable progress is recorded by United Dominions Trust during the year to June 30th. The report, which appears with customary promptitude, reveals that bills receivable and on hand have increased from £7,420,107 to £7,536,489 for the group as a whole, while a further item for bills and notes placed with bankers appears at £365,695. At the same time, loans against security have increased to £529,147, against £460,104, while cash is higher at £1,058,333, against £1,017,399. This increase in the business of the parent company and its five subsidiaries has been financed by an expansion in loans and acceptances from £2,210,749 to £3,621,119, although this rise is in part compensated by a reduction in current, deposit and other accounts from £3,902,789 to £3,112,704. The past year's progress is modestly reflected in an increase in profit, including gross dividends from subsidiaries, after making provision for rebate of interest, bad debts, and contingencies, from £213,248 to £217,496. Owing to an increase in tax requirements, equity earnings are slightly lower at £114,389, but the 17½ per cent. ordinary dividend is covered with a margin of 8.8 per cent. The transfer of £25,000 to reserve fund raises the total to £1,350,000, which is now £250,000 in excess of the preference and ordinary capital. The report comments favourably on the position of the individual subsidiaries, including United Dominions Corporation (South Africa), which has now completed its second year, and has paid a 5 per cent. dividend. A new subsidiary has recently commenced business in Southern Rhodesia. The £1 ordinary units are quoted at 75s. to yield £4 16s. per cent., and may be regarded as a sound "money" stock.

## MONEY MARKET NOTES

### The Bullion Market

CHIEF interest has again been centred this week on silver, and gold dealings have been featureless. The price and the premium have been unchanged throughout the week, and the bulk of the demand has come from arbitrageurs. Sterling has obtained a not inconsiderable

probability of a decline in the rate. A somewhat weaker tendency in discount rates was noticed after the result of the Treasury tender was known, but on Monday the banks maintained their buying rates for September bills at ½ per cent. and would not quote lower than ¾ per cent. for October bills. The market has been reluctant to sell at

wheat crop giving some assistance. From 4.69½ at the beginning of the week they have come down to 4.69, and are consequently at a discount of only ½c. over the London-New York rate. The weakness in the guilder at the end of last week has disappeared. On Thursday there was some buying from Amsterdam, and the spot rate fell to 8.80½-½ fl., compared with 8.81½ fl. at the beginning of the week; and the discount on the three months' forward guilder, which had been ½c., has come back to par to ¼c., showing that no pessimistic view is taken of the Dutch political situation.

### The Bank Return

THE purchase of £20 millions of gold from the Exchange Account is reflected in the holding of gold in the Issue Department, and also in the Banking Department, where Government securities show a fall of £18.3 millions. They would have fallen by the full £20 millions, as the Exchange Account used its proceeds from the sale of gold in the

|                       | July 13, 1938 | June 28, 1939 | July 5, 1939 | July 12, 1939 |
|-----------------------|---------------|---------------|--------------|---------------|
| Issue Dept.:          |               |               |              |               |
| Gold                  | 326.4         | 226.4         | 226.4        | 246.0         |
| Value per oz. fine... | 85. 148s. 6½  | 148s. 6½      | 148s. 6½     | 148s. 6½      |
| Notes in circulation  | 488.1         | 499.0         | 505.7        | 507.4         |
| Banking Dept.:        |               |               |              |               |
| Reserve               | 39.3          | 28.2          | 21.4         | 39.0          |
| Public Deps.          | 13.2          | 15.4          | 19.3         | 29.0          |
| Bankers' Deps.        | 113.0         | 101.4         | 96.5         | 87.0          |
| Other Deps.           | 35.5          | 37.0          | 37.6         | 36.0          |
| Govt. Secs.           | 109.6         | 113.9         | 118.7        | 100.0         |
| Discounts & Advances  | 10.3          | 6.8           | 8.8          | 9.0           |
| Other Secs.           | 20.6          | 22.9          | 22.5         | 22.0          |
| Proportion            | 24.2%         | 18.3%         | 13.9%        | 15.5%         |

purchase of Government securities, if the Bank had not offset the further rise of £2.2 millions in the note circulation by increasing its security items. The fall in bankers' deposits to a relatively low level may be explained by the incidence of Treasury bill payments and maturities, and also to tax payments, which have immobilised funds in public deposits.

### Foreign Exchanges

THE foreign exchange market has again passed a very inactive week. Sterling has been steady. There has been a certain amount of liquidation of bear positions in sterling which were opened a week or two ago when a clash over Danzig seemed imminent. This has been enough to maintain the rate at 4.68½-½, and official support has not been necessary. In fact, on Wednesday there was some official selling of sterling when the rate reached 4.68½. The premiums on the forward dollar have again been reduced and are now quoted at ½c. for one month and 1½c. for three months. Canadian dollars have shown small appreciations against the pound and the New York dollar, the prospects of a good

### The Money Market

THE market's allotment quota at last week's Treasury bill tender was the lowest for nearly two months, amounting to only 44 per cent., while the average rate of allotment also showed a fall from 17s. to 16s. 8.32d. per cent. The cause of both these results was the big reduction in the amount of bills allotted. The Treasury only allotted £37 millions of the £40 millions on offer, which was £10 millions less than the previous week's allotment. Total applications also showed a drop, from £66.6 millions to £63.3 millions, outside tenderers probably being deterred by the



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**Bristol Aeroplane Progress.**—Bristol Aeroplane's consistent progress since 1935 contrasts with the experience of some aircraft companies which had a less advantageous start than Bristol in the air expansion programme. Profits, after depreciation, have advanced by 28 per cent. to £687,817, while special profits of £57,597 on sales of manufacturing rights are added direct to general reserve. A further increase of £100,000 in the taxation provision to £285,000 leaves equity earnings only £34,158 higher at £356,237, and the final dividend of 7½ per cent. on the increased capital, together with the 7½ per cent. interim on the former capital, involves distribution on the same scale as in 1937. The balance sheet, no less than the profit and loss account, testifies to the company's appreciable expansion. Stocks and work in progress appear at £2,489,399 net, against £1,740,913; debtors have increased by more than £600,000 to £1,978,176; and the rise from £70,000 to £172,500 in interests in an associated company represents the further financing of Rotol Airscrews. A comparative analysis of profits for the past three years appears below:—

|                                 | Years ended December 31, |         |         |
|---------------------------------|--------------------------|---------|---------|
|                                 | 1936                     | 1937    | 1938    |
|                                 | £                        | £       | £       |
| Profit, after depreciation..... | 388,400                  | 537,393 | 687,817 |
| Taxation .....                  | 80,000                   | 185,000 | 285,000 |
| Interest and fees .....         | 13,312                   | 9,814   | 24,830  |
| Preference divs. ....           | 22,875                   | 22,500  | 21,750  |
| Ordinary shares:—               |                          |         |         |
| Earned .....                    | 272,213                  | 322,079 | 356,237 |
| Paid .....                      | 203,625                  | 219,750 | 244,688 |
| Earned % .....                  | 30.1                     | 36.6    | 21.8    |
| Paid % .....                    | 22½                      | 25      | 15½     |
| General reserve .....           | 100,395                  | 100,000 | 112,403 |
| Carry-forward .....             | 8,426                    | 10,755  | 9,902   |

† Of which 7½ per cent. interim on old capital of £1,200,000, and final on £3,300,000.

Having recorded satisfaction with the trading results, shareholders' interest in the accounts shifts to the company's finances. Increased capital requirements for aircraft companies are commonplace to-day. Additional resources were clearly necessary for Bristol Aeroplane to finance a total expenditure of £1,500,000 for new buildings and equipment, as contemplated last July. In November a 75 per cent. scrip bonus was distributed by capitalising £900,000 from premiums, and at the same time holders of £1,200,000 of the original capital were offered a further £1,200,000 of new shares at par. The 7½ per cent. final dividend for 1938 is payable on the whole of the new capital of £3,300,000. As a result of the share issue, the bank loan of £491,915 which appeared at the end of 1937 has been repaid, and cash holdings amount to £299,739, against a mere £1,637 a year ago. The new capital (which was paid up in December) had not yet had a chance to produce any revenue by the end of 1938. Hence, prospects for the current year should be correspondingly good, with the reservation that A.P.D. will take a fair toll from the company. The present price of the 10s. shares is 19s. 9d. On an assumed 15 per cent. dividend basis (which would be possible if 1939 earnings were only maintained) the yield would be £7 12s. 6d. per cent.

**Blackburn and Handley Page.**—In many cases, the published accounts of companies directly interested in the defence programme have not shown an expansion of profits on any comparable scale with output. It would seem that

the main factors controlling aircraft profits have been relatively high expenses incurred far in advance of full production, costs of adaptation to new types, and delays in fixing contract prices and costings with the Air Ministry. Since the impact of these factors is now waning, the latest Handley Page and Blackburn results may be regarded as marking the close of a period of preparation, rather than earnings comparable with peak production. Blackburn Aircraft total profits for the year to March 31st amount to £142,001 against £139,657, but after deducting a further £5,000 for taxation and the first 5½ per cent. sinking fund instalment for preference share redemption (which absorbs £23,000), earnings for the equity are reduced to £52,801 against £80,770. A 15 per cent. dividend is again to be paid on £408,406 capital. The capital was doubled in February last, but the £408,406 new capital only ranks for dividend in the current year. Since the proceeds were not available until the end of the financial year, interest charges on loans (which have been replaced by the share issue) were higher than in 1937-38. A year ago an increase in profits was foreshadowed by the chairman, and when the new issue was made in February, profits for 1938-39 were not expected to be lower. It appears that expectations of substantially higher profits have been postponed somewhat further; the growth of gross work in hand over the year from £1,234,268 to £2,745,735 may be a better guide to the company's expansion. The Handley Page preliminary results are also disappointing at first sight, though the full report and chairman's speech may throw more light on the figures. Net profits for 1938 amount to £190,695 after transferring £30,000 from tax reserve no longer required, compared with an unassisted net profit of £210,126 a year ago. The 10 per cent. interim less tax and the tax-free final of 20 per cent. make a gross distribution of £37 11s. 9d. per cent. on £373,395 ordinary stock. If this rate of return appears high, it must be recalled that the capitalisation of Handley Page has always shown exceptional features. Even after the 50 per cent. scrip bonus in July, 1938, and the 100 per cent. scrip bonus in December, 1937, the capital is of moderate size in relation to assets. Blackburn 10s. ordinary shares are quoted at 12s. 3d., to yield £12 5s. per cent., and Handley Page 5s. units, at 22s. 9d., to yield £8 16s. per cent. gross. These are high yields, but both concerns are exposed to the close control of Air Ministry contracts and to A.P.D. Investors are evidently looking ahead to the time when it may not be necessary to expand the air arm at the present enormous rate.

**International Tea Recovery.**—For the previous two years International Tea accounts provided the paradox of a sharp fall in profits during a period of expanding turnover. Increased wages and costs, coupled with lower profit margins arising from intense competition in a small range of important lines, explained the contrast. In the latest year to April 30th, however, the company has made welcome progress. Though total profits are still well below the level of more prosperous times, the 10 per cent. improvement in trading profits from £626,043 to £687,042 is a satisfactory result. Equity earnings have risen from £205,048 to £255,240, which suggests greater dividends for ordinary stockholders, but the conservative distribution is one of the features of the latest report. The 10 per cent. dividend is repeated, although in 1936-37, when percentage earnings for the equity were only slightly above those for 1938-39, as much as 16 per cent. was distributed. For many years past the company has regularly allocated £100,000 to reserve account, which stands at £1,858,814. This allocation has been made from revenue in the latest year—an encouraging point, since in each of the three years to April 30, 1938, the provision was only possible by drafts upon the dividend equalisation reserve, which is now exhausted. Profits for the past three years are analysed on the opposite page.

|                                   | Years ended April 30 |            |         |
|-----------------------------------|----------------------|------------|---------|
|                                   | 1937                 | 1938       | 1939    |
|                                   | £                    | £          | £       |
| Total profit .....                | 680,310              | 626,043    | 687,042 |
| Depreciation .....                | 80,000               | 70,000     | 75,000  |
| Taxation .....                    | 50,000               | 95,000     | 100,000 |
| Other expenses .....              | 51,838               | 45,224     | 46,031  |
| Preference dividends .....        | 210,771              | 210,771    | 210,771 |
| Ordinary stock:—                  |                      |            |         |
| Earned .....                      | 287,701              | 205,048    | 255,240 |
| Paid .....                        | 248,000              | 155,000    | 155,000 |
| Earned % .....                    | 19.4                 | 14.5       | 18.9    |
| Paid % .....                      | 16                   | 10         | 10      |
| To reserve account.....           | 100,000              | 100,000    | 100,000 |
| Dividend equalisation reserve ... | Dr. 60,000           | Dr. 50,000 | ...     |
| Carry forward .....               | 108,506              | 108,554    | 108,794 |

The parent company's balance sheet contains no outstanding changes, but the accounts are presented in a somewhat improved form, and now include a consolidated balance sheet—a desirable addition, since £3,789,662 out of total assets of £8,159,361 consist of interests in subsidiaries. The consolidated statement shows total assets of £8,933,725, including £1,555,080 for goodwill, which arises from the difference between the cost of subsidiary interests and the book values of the assets. Properties account for £3,157,760 and stocks for £1,912,186. Consolidated profits are already indicated in the International Tea accounts, for subsidiaries' profits are apparently distributed in full. The 5s. units of ordinary stock yield £4 10s. per cent., at the current price of 11s. 1½d., compared with a "low" of 9s. 1½d. earlier this year. The company appears to be turning the corner, after a period of some adversity.

**Union Cold Storage Results.**—For the first time since 1933, this company's year's operations have failed to show an increase in profits. For 1938, profits amounted to £893,328 (after taxation and excluding a non-trading item of £83,184) compared with £984,632 for 1937, a fall of 9.3 per cent. excluding the special credit from revenue. No reason is offered for this decline, but the statement in recent annual reports that profits of subsidiaries exceed net dividends received by the parent company is modified in the latest directors' report to show that subsidiaries' net earnings and the parent company's net income from the group are approximately equal. Depreciation again accounts for £125,000 while interest absorbs £27,435 compared with £29,209. The dividend on the privately held ordinary shares is repeated at 10 per cent., but earnings are reduced from 11.1 to 1.9 per cent. Comparative figures for the last three years appear below:—

|                             | Years to December 31, |         |          |
|-----------------------------|-----------------------|---------|----------|
|                             | 1936                  | 1937    | 1938     |
|                             | £                     | £       | £        |
| Profit and dividends .....  | 964,894               | 984,632 | 893,328  |
| Depreciation reserve† ..... | 125,000               | 125,000 | 125,000  |
| Directors' fees .....       | 2,400                 | 2,325   | 2,250    |
| Interest .....              | 6,588                 | 29,209  | 27,435   |
| Preference divs. ....       | 720,000               | 720,000 | 720,000  |
| Ordinary divs.:—            |                       |         |          |
| Earned .....                | 110,906               | 108,098 | 18,643   |
| Paid .....                  | 100,000               | 100,000 | 100,000  |
| Earned % .....              | 11.5                  | 11.1    | 1.9      |
| Paid % .....                | 10                    | 10      | 10       |
| Carried forward .....       | 221,564               | 229,662 | 231,490† |

† Direct transfers to depreciation reserve from special transactions: 1936, £197,595; 1937, £251,454; 1938, £226,151.  
‡ After crediting a non-trading item of £83,184.

The balance sheet shows mortgages and loans at £1,565,541 compared with £1,773,932, a fall of £208,391, while "creditors, loans, accrued charges and provision for contingencies" have fallen 27.9 per cent., from £991,775 to £714,675. A sum of £339,387 has been applied from the depreciation reserve to reducing assets, while debtors, the depreciation reserve and payments in advance have fallen from £711,913 to £417,248. The depreciation account has, however, been credited with £226,151 due to the sale of

surplus assets, and now stands some £11,764 higher on the year at £1,530,903. After so many years of sustained profitability, any hasty judgment of the company's earning capacity, based on a disappointing year, is to be avoided. But the light which the accounts throw on the group's financial circumstances is indeed dim. Substantial holdings in subsidiary companies, however, valued at £8,709,780, form over half of the parent company's total assets, and are again subject to the auditors' reservation. Without a consolidated balance sheet and profit and loss account for guidance, the group's internal position remains a closed book.

**Philip Hill and Partners.**—The latest report of Philip Hill and Partners covers a fifteen months' period to June 30th, for which net profits amounted to £643,530. This figure is slightly in advance of the earnings rate for the year to March, 1938, when profits totalled £502,456. In view of the difficulties of the new issue market during the period covered by the accounts, these results are commendable. The company has in fact raised over £16 millions by public offers, and has transacted private deals involving over £3,500,000. Income tax and national defence contribution absorb £191,221 for the period, and the dividend of 31½ per cent. actual is covered by earnings of over 50 per cent. The rate of distribution is thus maintained on the annual basis of 25 per cent. Quoted securities held by the company had a book value of £3,515,377 at the end of June, and a market value of £3,236,419. Including the subsidiary Quadrant Trust, and the subsidiary English Industrial Trust, the group's investment depreciation amounted to £269,826. This shortfall compared with book values must be reckoned moderate in view of the difficulties of the past year, and it has been fully provided for by the investment depreciation reserve, which has been set up with transfers of £215,434 from general reserve and £140,000 from undistributed profits. After these provisions, general reserve stands at £1,000,000 and dividend equalisation reserve at £200,000. Some shareholders might be inclined to ask for one further item of information: a statement of investments. But a reference in the report to the fact that "the directors are intimately acquainted with the businesses and affairs of many of the companies in which shares are held" makes it clear that the company's holdings are largely of a specialised character which fall within what may be called the Philip Hill group. The 5s. shares, quoted at 12s., provide the high yield of £10 8s. per cent.

**Montague Burton Profits.**—In relation to the satisfactory record of previous years, the fall in 1938-39 net profits of Montague Burton from £556,911 to £458,261, as shown

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by the preliminary statement was at first sight disappointing. The full report, however, confirms the directors' view that, considering the abnormal conditions prevailing, the results are "not unsatisfactory." Total profits are only 4 per cent. lower, and the net effect of a number of changes in the expense items is a fall of £64,083 to £150,621 in earnings for the equity, which are fairly highly geared in relation to total profits. Although the 7 per cent. cash dividend is repeated, no recommendation is made for the repetition of the 3 per cent. scrip bonus payable in previous years. Details of the allocation of profits are shown below:—

|                            | Years ended March 31, |         |         |
|----------------------------|-----------------------|---------|---------|
|                            | 1937                  | 1938    | 1939    |
| Total profit .....         | 861,928               | 947,449 | 906,804 |
| Depreciation .....         | 155,094               | 178,199 | 203,096 |
| Taxation .....             | 135,076               | 202,207 | 190,551 |
| Staff funds, etc. ....     | 28,542                | 28,339  | 3,704   |
| Deb. and other interest .. | 178,937               | 174,000 | 213,833 |
| Preference divs. ....      | 152,500               | 150,000 | 145,000 |
| Ordinary shares—           |                       |         |         |
| Earned .....               | 211,779               | 214,704 | 150,621 |
| Paid .....                 | 111,232               | 111,729 | 113,130 |
| Earned % .....             | 13.3                  | 13.5    | 9.3     |
| Paid % .....               | 7†                    | 7†      | 7       |
| General reserve .....      | 100,000               | 100,000 | 50,000  |
| Carry-forward .....        | 224,068               | 227,043 | 214,534 |

† Also 3 per cent. capital bonus.

One of the principal changes is a provision of £31,952, for roughly 7 months' interest on £1,000,000 5 per cent. secured loan stock subscribed during 1938-39. This stock can scarcely have reached full earning capacity by the end of March. The net increase in other interest is £7,881, while the balance of 5 per cent. First Mortgage Debenture Stock was redeemed last January. In addition there is an increase of £24,897 in depreciation, but a saving of £11,656 in taxes, and on this occasion the £25,000 allocation to pension and benevolent fund is not repeated. The balance sheet reflects continued expansion of the business, and though the increase in stocks from £1,383,745 to £1,578,709 is quite substantial, such a movement is only to be expected with the company's growing turnover. No proposal, however, is contained in the report for writing off the £35,794 of issue expenses for the 5 per cent. Secured Loan stock which appears in the balance sheet. On a long view trading prospects appear satisfactory and at present the company is probably deriving benefit from defence expenditure for uniforms. Distribution policy, however, must be interpreted in the light of the growth of fixed charges. The 10s. ordinary shares stand at 11s. 10½d. to yield £5 18s. per cent.

**Earls Court and Olympia.**—The unhappy history of Earls Court, Limited, reached a critical stage on Friday last week, when a receiver and manager was appointed on the application of the Prudential Assurance Company. The Prudential is a large holder of the £636,941 4½ per cent. first debenture stock, on which the interest due on July 1 has not been paid. Martins Bank was also a party to the proceedings, as the holder of a £125,000 prior lien debenture issued to secure an overdraft, of which £73,850 was outstanding as at September 30th last year. Serious delays occurred in the construction of the exhibition building, and substantial increases and adjustments in the company's capital were required. As a result, it has a three-decker debenture capital, including £300,000 of 5 per cent. second debenture stock, and £400,000 of 6 per cent. third debenture stock. The latter originally ranked as a second charge, but its interest was increased from 5½ per cent. in consideration of its displacement by the new second debentures issued in November, 1937. In addition to these obligations, the company owed London Transport £189,250 on September 30th last year, payable by deferred instalments, under the lease of the property. In the course of the proceedings, the plaintiffs pleaded that the company was rapidly coming to the end of its resources. The history of the company affords a striking illustration of the vulnerability of prospectus profits estimates to unfore-

seeable events. Total profits of £233,775 were anticipated in a full year, and even last year the directors estimated that earnings after debenture and other interest, but before depreciation, would amount to £81,000 for 1939-40. Making all allowance for delays in building and for political factors, the conclusion which emerges is that London has not room for two exhibition buildings on the scale of Earls Court and Olympia. The incidental damage which Earls Court has done to the latter company may be measured in a fall in its profits from £150,090 for 1936 to £94,121 last year, and in the discontinuance of the regular 10 per cent. ordinary dividend from the end of 1936. The 5s. shares of Olympia, which commanded a price of 10s. 10½d. in 1935, are now quoted at 2s. It will need all the ability of the company's management to rectify this damage; but it should not be impossible, in the long run, provided that only one centre is employed for exhibition purposes.

**London Tin Outlook.**—Both from the report and from this week's meeting, London Tin shareholders have obtained informative comment upon the tin position, and in its consequences for the group. At last Monday's meeting, Captain Oliver Lyttelton laid stress on the future earnings outlook of specific companies. During 1938-39, an interest was purchased in British American Tin Mines, which control Siamese Tin Mines. In 1938, the latter company showed a profit of approximately £59,000, though none was distributed. Recoveries on this property are low, but ore reserves are extensive, and great improvement in recoveries is expected from a new process which should be in operation by the end of this year. Before April, 1940, again, the two dredges of Lower Perak Tin Dredging should be working, and a return on this important investment should then be brought within sight. Captain Lyttelton disclosed, in fact, that 82 per cent., or £2,839,864, out of the company's total investments is in companies earning revenue, and that interests representing £300,000 had come into this revenue-earning category during 1938-39. Of the non-revenue producing balance of £621,811, as much as £391,740 is invested in the Lower Perak company, which is expected to be operating during the current financial year, while a further £150,000 represents the holding in a management company whose cash is deposited with London Tin, and whose profit-earning capacity is therefore limited. Thus, the Corporation's long term prospects depend upon tin prices and consumption; but in the short term—a phrase which requires careful definition in view of the time lag between the earning of profits and their appearance in the Corporation's books—sources of additional revenue provide an important pointer to the prospects of the 4s. ordinary shares, which stand at 3s. 1½d. to yield £5 2s. 3d. per cent.

**Low Temperature Carbonisation.**—After a satisfactory record of progress, the heavy drop in Low Temperature Carbonisation total profits from £116,683 to £42,943 for the year to March 31st, coupled with the absence of an ordinary dividend, has come as a shock to shareholders. Some saving in expenses is recorded, but this is of small consequence compared with a fall of two-thirds in total profits. Since the balance available for ordinary shareholders is no higher than £815 against £67,737, which covered the 4 per cent. dividend for 1937-38 with a margin of 1.8 per cent. the absence of any distribution for the latest year is unavoidable. The report stresses that trading "was adversely affected by special circumstances, which are not expected to recur." Indeed, the latest report provides abundant comment on the year's working. The varied character of the company's difficulties may not, in itself, be welcome to stockholders, but they may agree, however, that future troubles are not likely to coincide in a spate. Mild weather in three out of the six winter months was the main trading difficulty last year. As a result, stocks piled up to large proportions, and though special selling measures were taken to dispose of them, the report leaves it to be inferred that the 46 per cent. increase in sales which resulted from these measures will apparently benefit

the current year's profits, while the exceptionally heavy selling expenditure involved has already been written off. The export trade was less profitable, and the colliery in South Wales worked at a loss owing partly to a reduction in orders from the steel trade and partly to technical difficulties. This loss, however, has been met out of the parent company's general reserve. Initial expenditure on plant which is not yet producing revenue has also played its part in the reduction of profits. Coal oil distillation resulted in a working loss (provided for out of the parent company's general reserve) owing to the number of new processes involved, and the South Wales "Coalite" plant, projected for completion by the end of 1938 has been held up by delayed delivery of materials. With the completion of the main programme of expansion, prospects depend on the maintenance of the increased sales recently reported. The 2s. ordinary units stand at 1s. 6d.

**The Week's Company Profits.**—A number of important miscellaneous industrial company results are contained in our usual list of profit and loss accounts, which appears on page 150. Excluding banks and companies for which comparable figures are not available, the table includes reports of some 54 companies whose net profits amount to £7,684,000 against £7,786,000, a decrease of only 1 per cent. Aggregate net profits of 1,549 companies reporting in 1939 to date are £205,442,000, or 8½ per cent. lower than the £223,692,000 earned by the same companies in the previous year. The week's results are discussed in preceding Notes, and on page 129 under the heading "Shorter Comments."

**Company Meetings of the Week.**—Reports of company meetings commence on page 135. Captain Oliver Lyttelton's speech at the *London Tin Corporation* meeting is discussed on page 126. Mr W. Sandford

Poole informed shareholders of *Trustees Corporation* that, while the margin on the valuation of the company's investments had disappeared during the year, the resultant depreciation represented only a small percentage of the balance-sheet figure for investments of £3,205,833. At the meeting of *Eastwoods Cement*, Mr Horace Boot discussed the company's productive capacity, now 265,000 tons, which was capable of interchange between works as required. At the meeting of *Powell Duffryn Associated Collieries*, Mr E. L. Hann informed shareholders that though coal exports to South America were higher last year, France had taken 2,710,000 tons less of British coal, while political considerations had frustrated the provisional cartel agreement with Germany. The company had to a substantial degree anticipated the objects of Part II of the Coal Act, 1938, and rumours of negotiations for further amalgamations were to be discounted. At the meeting of *Gold Mines of Kalgoorlie*, Mr P. E. Marmion declared that the increase in net profits this year was due to the full year's operation of the new mill, increased metallurgical efficiency and reduced working costs. Sir Godfrey B. H. Fell pointed out to *Thistle-Etna Gold Mines* shareholders that while most of last year's development work had been unproductive, though absolutely necessary, an increase in ore reserves was expected this year. At the meeting of *Nyasaland Railways* Mr W. M. Codrington informed shareholders that the company had agreed to take over the marine service of Lake Nyasa from the Government. The new assets are to be acquired by the issue of a maximum of £70,000 "C" debenture stock, which will be acquired by the Government. The consent of the "A" debenture holders would also be sought to increase the Bridge Debenture stock from £1,784,000 to £2,025,000. Mr W. H. Dukes dealt with future prospects at the *Anglo-Dutch Plantations of Java* meeting. Owing to the cut in the tea quota, production for nine months of the financial year would be lower than last year, though prices should be maintained. Average rubber selling prices are higher on the year, but this advantage has been offset by lower forward sales.

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*One Hundred and Tenth Statement of Assets and Liabilities, 30th June, 1939.*

| Dr.                                                                                | LIABILITIES.     | ASSETS.                                                                                         | Cr.              |
|------------------------------------------------------------------------------------|------------------|-------------------------------------------------------------------------------------------------|------------------|
| To Capital authorised and issued ...                                               | £ 1,060,000 0 0  | By Coin. Bank Notes and Balance at Bank of England ...                                          | £ 5,478,736 2 4  |
| To Reserve Fund ...                                                                | 530,000 0 0      | By Balances with, and Cheques in course of Collection on, other Banks in the United Kingdom ... | 3,006,594 9 8    |
| To Reduction of the Bank Premises Account ...                                      | 305,000 0 0      | By Money at Call and at Short Notice ...                                                        | 8,337,050 0 0    |
| To Current, Deposit and other Accounts (including provision for Contingencies) ... | 34,169,952 16 10 | By Bills Discounted ...                                                                         | 211,028 15 1     |
| To Acceptances and Engagements on account of Customers ...                         | 4,142,774 8 8    | By Investments:—<br>British Government Securities ...                                           | £ 8,349,339 4 2  |
|                                                                                    |                  | Other Securities ...                                                                            | 1,059,881 14 8   |
|                                                                                    |                  | Subsidiary Companies ...                                                                        | 9,405,120 18 10  |
|                                                                                    |                  | By Advances to Customers and other Accounts                                                     | 8,889,422 10 11  |
|                                                                                    |                  | By Liabilities of Customers for Acceptances and Engagements as per contra ...                   | 4,142,774 5 8    |
|                                                                                    |                  | By Bank Premises (at cost, less amounts written off):—<br>Freehold ...                          | £ 620,000 0 0    |
|                                                                                    |                  | Leasehold ...                                                                                   | 120,000 0 0      |
|                                                                                    |                  |                                                                                                 | 740,000 0 0      |
|                                                                                    |                  |                                                                                                 | £ 40,207,727 2 6 |

**AUDITORS' CERTIFICATE AND REPORT.**

We report that we have examined the above Balance Sheet with the Books of the Bank, and have obtained all the information and explanations we have required, and we are of opinion that such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of our information and the explanations given to us, and as shown by the Books.

H. A. LAWRENCE,  
MARTIN D. V. HOLT,  
FRANCIS GLYN,  
10th July, 1939. M. BAIRD, Secretary.

Chartered Accountants.

Every description of British and Overseas Banking and Exchange Business transacted.  
The Bank undertakes the office of Executor and Trustee.

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## THE STOCK EXCHANGES

## London

## SETTLING DAYS

TICKET JULY 18 ACCOUNT JULY 20

ONCE again the stock markets have lacked brilliance, but while business has remained on a small scale, the firmer undertone, which was apparent before the slowly sagging tendency of recent weeks, has begun to reappear. Large price movements have been virtually absent, though industrials and gilt-edged stocks have not always moved uniformly. It is characteristic of the predominance of politics that industrials are the more lethargic, and gilt-edged comparatively sensitive, to day-to-day changes in sentiment.

Without any special pointers one way or the other, *gilt-edged* were quiet on Monday, some bear-covering, however, bringing modest improvements here and there. The market was pleased with Mr Chamberlain's statement on Danzig, and a fresh advance occurred, War Loan and other undated stocks rising  $\frac{1}{2}$ . But towards mid-week there was no further encouragement in the political sphere, and the heavy Supplementary Estimates for arms left the market in chastened mood, so that there was a general but quite moderate reaction. Undated stocks were in the forefront of any movements.

Apart from the mid-week setback, home corporation issues were firm and the new scrips hardened. Changes in Dominion stocks were small and varied, New Zealand turning easier after a good beginning. In the foreign bond market there was lack of uniformity. Far Eastern bonds were consistently depressed, while Brazilians, which were the market favourites early in the week, lost ground on Wednesday. Among European issues, the main feature was a recovery in Czech bonds. There were no excitements among *home rails*, and good traffics left ordinary and preference stocks no better, and even a shade lower. A feature of the week was the steady demand for railway debentures. London Transport issues were supported.

Industrials were inactive, but a firmer tone than of late was apparent, and prices were a shade better for choice. A cheering factor in mid-week was the Courtaulds interim. Iron and steel shares attracted less attention than usual, and movements were diverse, but there was a fairly smart recovery in mid-week, Neepsend Steel particularly being in demand. Little interest was shown in coal shares, while the tendency in the engineering section was uncertain. Electrical equipment issues also were irregular. Motor shares were firm but uninteresting to start with, but showed some irregularity later. Gloucester Wagon were a firm feature on Tuesday. Changes in aircraft quotations were slight. Aircraft Components went ahead on the dividend, but reacted on profit-taking.

Textile shares were firmer on support from the Midlands, while rayon issues made a mixed showing, British Celanese failing to hold the gains of Tuesday, although Courtaulds responded to the interim dividend. Tobacco shares came in for attention on Wednesday, Galahar and Imperial Tobacco receiving support from the provinces. On Mon-

day, Watney deferred strengthened on final dividend hopes, and brewery shares remained generally firm. City of London deferred reacted on Thursday, however, following the dividend announcement. Among provision issues, International Tea responded to the higher profits, while Liebig's were a firm feature. Movements among store shares were at first small and irregular, but later in the week buying interest centred on Woolworth, while British Home Stores were outstanding among the falls. Shipping issues were irregular and usually easier, though buying support was forthcoming at the lower levels for Clan Line and Royal Mail Lines. In the miscellaneous group, movements early in the week were nominal. Tuesday saw a firmer tendency, however, in which British Oxygen, Associated Cement and Turner and Newall were outstanding, and though prices were hesitant later in the week, Associated Cement, London Brick and Birmid Industries continued their advance.

Oil shares were irregular on Monday. There was some investment demand for Burmah and Paris bought Royal Dutch and "Shell," but Mexican Eagle were on offer. On Tuesday the leaders were steady, while Trinidad and South American issues received some attention. In mid-week the leaders slipped back fractionally in very quiet trading. Rubber shares were featureless all the week, and prices were generally easier. Tea shares also lost ground, reflecting current problems in Mincing Lane.

A rather firmer tone was evident in the mining market on Monday. Among Kaffirs, Brakpan and Consolidated Main Reef led with fractional gains. Later, prices were held on Paris support for Sub Nigel and Crown's, with some tentative local support for the dividend-payers. Interest dwindled in mid-week, however, and quotations moved irregularly. Developing issues, especially Venterspost and Western Holdings, gained slight ground at first, but later in the week prices were irregular in sympathy with the producers. Finance shares followed the general trend, though "Johnnies" were consistently firm on the dividend announcement. Among West African issues, Marlu provided a diversion on Wednesday, but later slipped back in a quiet market. Copper shares have been more active than in recent weeks on the better metal price, but tin shares finished below the best, despite maintained tin prices.

We are officially informed that Mr Horace William Moon has been expelled from the Stock Exchange.

## "FINANCIAL NEWS" INDICATORS

| 1939         | Total Bargains | Corres. Day 1938 | Security Indices |                |
|--------------|----------------|------------------|------------------|----------------|
|              |                |                  | 30 ord. shares*  | 20 fixed int.† |
| July 7       | 4,110          | 6,470            | 77.8             | 117.9          |
| " 10         | 4,845          | 6,270            | 78.0             | 118.0          |
| " 11         | 4,280          | 6,280            | 77.9             | 118.2          |
| " 12         | 4,515          | 6,300            | 78.2             | 118.2          |
| " 13         | 4,585          | 6,085            | 78.5             | 118.2          |
| 1939 High... | ...            | ...              | 88.0             | 123.5          |
| Low...       | ...            | ...              | Mar. 10 73.7     | Jan. 3 114.9   |
|              |                |                  | Jan. 27 73.7     | May 1 114.9    |

\* Approx. total recorded in S.E. List. † Approx. total recorded in S.E. List.

## ACTUARIES' INVESTMENT INDEX

A rise of half a point during the week to Tuesday, July 11, 1939, is shown by the Actuaries' index of 160 industrial equities. The index stood on that date at 60.7, compared with 60.2 the week before and 63.8 the month before. Hence the average yield has declined from 5.77 per cent. a week ago to 5.74 per cent., and compares with 5.48 per cent. a month ago. A selection of the individual indices is given below:—

| Group (and No. of Securities) | Prices (Dec. 31, 1928 = 100) |              |               |                  |
|-------------------------------|------------------------------|--------------|---------------|------------------|
|                               | June 13, 1939                | July 4, 1939 | July 11, 1939 | Prices 1939 High |
| Insurance (10)                | 113.8                        | 109.4        | 109.7         | 116.8            |
| Aircraft Mfg. (5)†            | 81.7                         | 71.9         | 73.1          | 86.7             |
| Cotton (5)                    | 22.7                         | 20.3         | 22.4          | 27.6             |
| Gas (8)                       | 100.8                        | 98.6         | 98.0          | 112.4            |
| Iron & Steel (19)             | 57.1                         | 53.1         | 53.6          | 58.4             |
| Motors (7)                    | 36.2                         | 33.2         | 33.7          | 39.2             |
| Home Rails (4)                | 45.4                         | 40.8         | 41.7          | 49.2             |

† December 30, 1938 = 100.

| Group          | Yield %       |              |               |                 |
|----------------|---------------|--------------|---------------|-----------------|
|                | June 13, 1939 | July 4, 1939 | July 11, 1939 | Prices 1939 Low |
| Insurance      | 3.77          | 3.93         | 3.91          | 105.7           |
| Aircraft Mfg.  | 9.63          | 10.94        | 10.75         | 71.9            |
| Cotton         | 3.40          | 3.65         | 3.59          | 20.1            |
| Gas            | 5.88          | 6.03         | 6.07          | 97.5            |
| Iron and Steel | 6.42          | 6.90         | 6.84          | 49.5            |
| Motors         | 5.85          | 6.38         | 6.27          | 31.9            |
| Home Rails     | 0.36          | 0.40         | 0.38          | 29.5            |

## New York

In the absence of disturbing political developments over the week-end, the undertone was firm on Wall Street on Monday. In quiet trading, A.T.T. and Chrysler were in demand, though news of labour difficulties imparted a hesitant tone later in the day. In the bond market, Government issues were a firm feature, other issues being affected by switches into higher yielding preference and high-grade common stocks. On Tuesday prices advanced further, but rail bonds moved against the general trend, under the lead of Baltimore and Ohio. Later, rumours of an early settlement of the General Motors strike and optimism concerning international and domestic developments generated a sudden upward movement in all sections of the market, the Dow Jones industrial average gaining 2.42 points to 136.98. Iron Age estimates this week's rate of steel ingot production at 50 per cent. of capacity, compared with 40 per cent. last week, which included a holiday.

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 | June 28, 1939 | July 5, 1939 | July 12, 1939 |       |
| 347 Ind'ls. ...  | 92.8        | 114.5         | 96.7         | 97.3          | 100.0 |
| 32 Rails ...     | 23.6        | 32.5          | 24.4         | 24.7          | 25.4  |
| 40 Utilities ... | 77.8        | 88.3†         | 81.9         | 82.9          | 85.3  |
| 419 Stocks ...   | 79.3        | 95.6          | 82.8         | 83.3          | 85.7  |
| Av. yield* ...   | 4.34%       | 3.31%         | 4.35%        | 4.29%         | 4.16% |

\* 50 Common Stocks. † March 8th.

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

| July 6 | July 7 | July 8 | July 10 | July 11 | July 12 |
|--------|--------|--------|---------|---------|---------|
| 108.3  | 107.7  | 107.6  | 108.1   | 109.5   | 111.8   |

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 |             |
| July 6 | 410            | 5,070         | 63          |
| " 7    | 330            | 4,630         | 64          |
| " 8    | 324            | 4,500         | 34          |
| " 10   | 280            | 4,350         | 57          |
| " 11   | 420            | 5,700         | 87          |
| " 12   | 910            | 6,000         | 128         |

\* Two-Hour Session

## New York Prices

|                                        | Close Latest |               | Close Latest                 |               |  |
|----------------------------------------|--------------|---------------|------------------------------|---------------|--|
|                                        | July 6, 1939 | July 13, 1939 | July 6, 1939                 | July 13, 1939 |  |
| <b>1. Rails and Transport</b>          |              |               |                              |               |  |
| Atchafalaya .....                      | 261½         | 285½          | Shell Union.....             | 101½ 105½     |  |
| Balt. & Ohio.....                      | 41½          | 44½           | Socony Vaco.....             | 11½ 118½      |  |
| Ches. & Ohio.....                      | 32½          | 34½           | Stan. Oil Cal.....           | 26½ 26        |  |
| G.N. Ry. P.C.....                      | 21½          | 23½           | Stan. Oil N.J.....           | 41½ 42½       |  |
| Illinois Cent.....                     | 11½          | 12½           | Texas .....                  | 36½ 36½       |  |
| N.Y. Central.....                      | 14           | 14½           | <b>4. Manufacturing</b>      |               |  |
| Northern Pac.....                      | 7½           | 8½            | Briggs .....                 | 19½ 21½       |  |
| Pennsylv. R.....                       | 16½          | 17½           | Chrysler .....               | 70½ 76½       |  |
| Southern Pac.....                      | 12½          | 13½           | Elec. Autolite ..            | 30½ 33½       |  |
| Southern Ry.....                       | 14½          | 15½           | Gen. Motors .....            | 43½ 45½       |  |
| Union Pac.....                         | 95           | 96½           | Nash Kelvin.....             | 6 6½          |  |
| Greyhound.....                         | 17½          | 18½           | Boeing Airplan ..            | 21 23½        |  |
| <b>2. Utilities and Communications</b> |              |               |                              |               |  |
| Am. W.orks.....                        | 87½          | 10            | Douglas Air.....             | 67½ 70½       |  |
| Con. Edison.....                       | 30½          | 32            | United Aircraft ..           | 35½ 37½       |  |
| Edison .....                           | 16           | 16½           | Allied Chem.....             | 163 166       |  |
| El. Bond & St.....                     | 71½          | 8½            | Dupont .....                 | 150½ 152      |  |
| Nat. Pwr. & Lt.....                    | 71½          | 8½            | Un. Carbide.....             | 75½ 79½       |  |
| N. American.....                       | 21½          | 23            | Alia Chalmers ..             | 35 36         |  |
| Pac. Gas & El.....                     | 30           | 31½           | Gen. Electric .....          | 34½ 37        |  |
| Pub. Serv. N.J.....                    | 37½          | 42½           | West. Elec.....              | 96 102        |  |
| United Corp.....                       | 21½          | 23            | American Can.....            | 95½ 96½       |  |
| U.S. Gas Imp.....                      | 12½          | 13            | Caterpillar .....            | 42 43         |  |
| Amer. Tel.....                         | 160½         | 166½          | Int. Harvester ..            | 55 58½        |  |
| Inter. Tel. For.....                   | 64           | 64½           | Johns Manville ..            | 70½ 72½       |  |
| West. Union.....                       | 18½          | 23            | Am. Radiator .....           | 12 12½        |  |
| Radio .....                            | 5½           | 6             | Corn Prods.....              | 60½ 60½       |  |
| <b>3. Extractive and Metal</b>         |              |               |                              |               |  |
| Am. Rol. Mill.....                     | 13½          | 13½           | I. Case & Co.....            | 73 74         |  |
| Beth. Steel.....                       | 53½          | 57½           | Glidden .....                | 16½ 17½       |  |
| Republic St.....                       | 15           | 16½           | Celanese of Am.....          | 23½ 24½       |  |
| U.S. Steel.....                        | 46½          | 48½           | Eastm'n Kdk.....             | 163 165½      |  |
| U.S. Steel P. 107 ..                   | 107          | 107           | Loews .....                  | 41½ 43½       |  |
| Am. Metal .....                        | 29½          | 30½           | 20th Cen. Fox ..             | 18½ 20½       |  |
| Am. Smelting .....                     | 40           | 44½           | <b>5. Retail Trade, etc.</b> |               |  |
| Anacosta .....                         | 24½          | 25½           | Mont. Ward.....              | 49½ 52½       |  |
| Cerro de Pas.....                      | 36½          | 38½           | Sears Roebuck ..             | 75 77½        |  |
| Int. Nickel .....                      | 45½          | 48½           | Woolworth .....              | 46½ 47½       |  |
| Cenoteo .....                          | 32½          | 35½           | Nat. Biscuit.....            | 26½ 27½       |  |
| J.S. Smelt.....                        | 48           | 51            | Nat. Dairy .....             | 15½ 16½       |  |
| Phillips Petr.....                     | 32½          | 34            | Am. Tob. B.....              | 83½ 85        |  |
| <b>6. Finance</b>                      |              |               |                              |               |  |
| Comcl. Credit .....                    | 44½          | 45½           | Nat. Distillers ..           | 25 26½        |  |
| Com. Inv. Tr.....                      | 50½          | 51½           |                              |               |  |

\* 3d

## Capital Issues

## CAPITAL ISSUE TOTALS

| Week ending                               | Nominal Capital | Conversions | New Money |
|-------------------------------------------|-----------------|-------------|-----------|
| July 15, 1939                             | Nil             | Nil         | Nil       |
| To the Public                             | Nil             | Nil         | Nil       |
| To Shareholders                           | Nil             | Nil         | Nil       |
| By S.E. Introduce                         | Nil             | Nil         | Nil       |
| By Permis. to Deal                        | 903,213         | Nil         | 1,302,593 |
| Savings Certs. eight days to July 6, 1939 | Nil             | Nil         | Nil       |

| Year to date    |  | Including Conversions |  | Excluding Conversions |  |
|-----------------|--|-----------------------|--|-----------------------|--|
| 939 (New Basis) |  | 82,007,088            |  | 77,337,007            |  |
| 938 (New Basis) |  | 212,037,561           |  | 194,827,008           |  |
| 939 (Old Basis) |  | 51,150,867            |  | 47,500,788            |  |
| 938 (Old Basis) |  | 158,260,109           |  | 141,999,651           |  |

| Year to date    |  | U.K.        |  | Brit. Emp. ex U.K. Countries |  |
|-----------------|--|-------------|--|------------------------------|--|
| 939 (New Basis) |  | 50,508,667  |  | 24,667,336                   |  |
| 938 (New Basis) |  | 152,383,082 |  | 40,014,687                   |  |
| 939 (Old Basis) |  | 31,340,697  |  | 15,840,091                   |  |
| 938 (Old Basis) |  | 123,655,526 |  | 15,945,001                   |  |

## Nature of New Borrowing (Excluding Conversions)

| Year to date     | Deb.        | Pref.     | Ord.       |
|------------------|-------------|-----------|------------|
| 1939 (New Basis) | 42,522,115  | 5,005,187 | 29,809,705 |
| 1938 (New Basis) | 131,541,142 | 9,405,111 | 53,880,755 |
| 1939 (Old Basis) | 36,293,921  | 1,988,459 | 9,218,408  |
| 1938 (Old Basis) | 120,782,223 | 4,197,496 | 17,029,932 |

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

**Bruntons (Musselburgh), Ltd.**—Issued capital, 500,000 10s. ordinary and 250,000 6 per cent. cumulative £1 preference shares. Power Securities Corporation have purchased 246,500 preference shares at 19s. 6d., and 125,000 ordinary shares at 12s. 6d., plus expenses of £1,300. Wire and rope manufacturers. Profits before depreciation: 1936, £83,425; 1937, £123,395; 1938, £138,990. Net assets, £535,854.

## CONVERSIONS AND REPAYMENTS

**British Insulated Cables.**—This company will repay on January 1, 1940, at 103 the £700,000 of 5 per cent. mortgage debenture stock outstanding.

## ISSUE OVERSEAS

**Government of India Rupee Loan.**—Further issue of Rs. 15 crores of 3 per cent. loan, redeemable at par June, 1965, or from 1963 on notice. Subscriptions in cash at Rs. 98, or in 5 per cent. loan, 1939-44 (Rs. 100 nominal = Rs. 100 As. 6 cash equivalent) or in 5 per cent. loan, 1940-43 (Rs. 100 = Rs. 104). Lists to be closed when total reached.

## SHORTER COMMENTS

**Company Results of the Week.**—The full report of THE DISTILLERS COMPANY shows that total profits for the year to May 15, 1939, are £2,493,731. Out of the balance sheet total of £35,101,515, some £23,834,312 is represented by interests in subsidiaries. Good progress is recorded by VICTORIA FALLS POWER, who are paying 15 against 13½ per cent., from net profits of £652,036 against £612,629. COVENT GARDEN PROPERTIES report an increase of £49,780 to £333,647 in current revenue, but profits from the sale of property fell, and charges are heavier. It has been decided not to distribute profits on the sale of property, and for 1938-39, 6 per cent. against 7½ per cent. is being paid. FODENS, LTD., pay 2½ per cent. more at 7½ per cent., after making total profits of £54,623 in the year to May 31st, against £57,554 in the previous 11 months. Profits of PHOENIX OIL AND TRANSPORT have fallen owing to a drop in the group's production from 713,405 to 674,375 tons, lower prices, and the taxation borne by the oil industry in Roumania. Satisfactory stability is shown by AMALGAMATED ROADSTONE CORPORATION, whose total profits of £74,527 compare with £71,813; their dividend is ½ per cent. higher at 6½ per cent. FRANCOIS CEMENTATION are resuming dividends with a 15 per cent. payment, after making total profits of £91,788 against £64,782. WILLIAMS AND WILLIAMS repeat the 15 per cent. dividend, net profits being little changed at £53,660. Total profits of SPICERS, LTD., have fallen somewhat sharply from £108,853 to £86,283, but the 3½ per cent. dividend is maintained. Total profits of McDougalls, LTD. are £404,850 against £412,037, and profits of McDougalls TRUST are therefore practically unchanged. The Trust is again paying 10 per cent. Net profits of ALLIED

(Continued on page 130)

## DIVIDEND ANNOUNCEMENTS

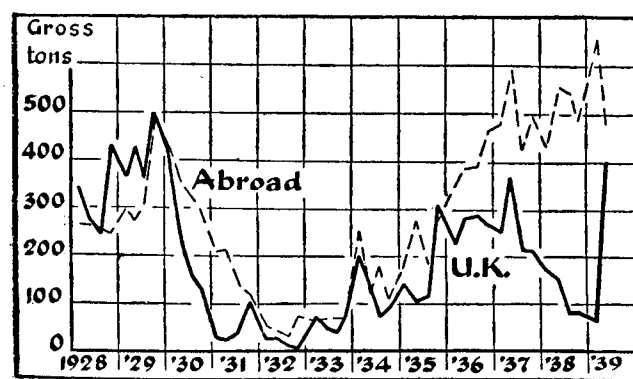
Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

| Company                      | *Int.<br>or<br>Final          | Total                            | Pay-<br>able | Prev.<br>Year                    |
|------------------------------|-------------------------------|----------------------------------|--------------|----------------------------------|
| RAILWAYS                     |                               |                                  |              |                                  |
| Costa Rica Railway ...       | ...                           | 2                                | ...          | 2                                |
| BANKS                        |                               |                                  |              |                                  |
| Com. of Australia ...        | (b) 3½ <sup>1</sup>           | (b) 7 <sup>1</sup> <sub>12</sub> | Aug. 18      | (b) 7 <sup>1</sup> <sub>12</sub> |
| District Bank (A & C) ...    | 9½*                           | ...                              | Aug. 1       | 9½                               |
| Hong Kong Bank ...           | 2½*                           | ...                              | Aug. 14      | 2½                               |
| Do. (B) ...                  | 5*                            | ...                              | Aug. 1       | 5*                               |
| Isle of Man Bank ...         | 9*                            | ...                              | July 17      | 9*                               |
| Lloyds Bank "A" ...          | 6*                            | ...                              | July 29      | 6*                               |
| Do. "B" ...                  | 2½*                           | ...                              | July 29      | 2½*                              |
| Midland Bank ...             | 8*                            | ...                              | July 15      | 8*                               |
| Prov. Bank of Ireland ...    | 11½ <sup>1</sup> <sub>2</sub> | pa                               | ...          | 12½ <sup>1</sup> <sub>2</sub>    |
| Royal of Canada ...          | 2                             | ...                              | ...          | 2                                |
| Union Discount ...           | 3½*                           | ...                              | July 25      | 3½ <sup>1</sup>                  |
| Williams & Deacon's ...      | 12½ <sup>1</sup> <sub>2</sub> | pa                               | ...          | 12½ <sup>1</sup> <sub>2</sub>    |
| INSURANCE                    |                               |                                  |              |                                  |
| Pearl Assurance ...          | \$25*                         | ...                              | Aug. 17      | \$25*                            |
| Reinsurance Cpn. ...         | ...                           | 5                                | ...          | 4                                |
| TEA & RUBBER ...             | ...                           | ...                              | ...          | ...                              |
| Malayan Rubber ...           | ...                           | 3½                               | ...          | 6                                |
| Perak Rubber ...             | ...                           | 2½                               | ...          | 8                                |
| MINING                       |                               |                                  |              |                                  |
| Berkah Tin ...               | 10†                           | 20                               | ...          | 20                               |
| Brit. Tin Investment ...     | 1½ <sup>1</sup> <sub>2</sub>  | ...                              | July 26      | 3*                               |
| Cons. Tin Smelters ...       | ...                           | 4                                | Aug. 4       | 5                                |
| Elec. Zinc (Australiais) ... | ...                           | ...                              | ...          | ...                              |
| Pref. and Ord. ...           | 9†                            | 15                               | Sept. 15     | 15                               |
| Goldfields Rho. Devel. ...   | ...                           | 5                                | ...          | 5                                |
| Johannesburg Invest. ...     | ...                           | 15                               | Sept. 15     | 15                               |
| Marlu Gold ...               | \$10†                         | ...                              | Aug. 1       | ...                              |
| Rantau Tin ...               | 2½*                           | ...                              | July 31      | 4*                               |
| INDUSTRIALS                  |                               |                                  |              |                                  |
| Aeroplane Castings ...       | ...                           | 15                               | ...          | 7½                               |
| Aircraft Components ...      | ...                           | 25                               | ...          | 7½                               |
| Aldford House ...            | ...                           | ...                              | ...          | ...                              |
| American Trust ...           | 2½*                           | ...                              | ...          | 2½*                              |
| Assets Co. ...               | 2½*                           | ...                              | ...          | 2½*                              |
| Beecham Holdings ...         | 3½†                           | 16½                              | ...          | 2½*                              |
| Blackwell Collieries ...     | 2½*                           | ...                              | ...          | 2½*                              |
| Bradbury Greators ...        | 3*                            | ...                              | July 31      | 3*                               |
| Brick Investments ...        | ...                           | 2½                               | ...          | 5                                |
| Bristol Aeroplane ...        | (a) 7½†                       | 15                               | ...          | 25                               |
| British Investm. Trst. ...   | 5*                            | ...                              | Aug. 1       | 5*                               |
| Brit. Steam Inv. Trst. ...   | 4†                            | 6½                               | July 28      | 6½                               |
| City & London Brewery ...    | £4*                           | 7                                | ...          | ...                              |
| Colombo Commercial ...       | £4*                           | ...                              | July 31      | £4*                              |
| Coursaults, Ltd. ...         | 2*                            | ...                              | Aug. 15      | 1½*                              |
| Cropper and Co. ...          | ...                           | ...                              | ...          | 10                               |
| Crossley Brothers ...        | ...                           | 5                                | ...          | 2½                               |
| Crossley Engines ...         | ...                           | 10                               | ...          | 12½                              |
| Currie and Co. ...           | ...                           | \$22½                            | ...          | 15                               |
| Darlington Mills ...         | ...                           | 5                                | ...          | 9                                |
| Deb. Capital Invest. ...     | 2*                            | ...                              | Aug. 1       | 2*                               |
| Dixor ...                    | 15*                           | ...                              | ...          | 15*                              |
| Dundee Shipping ...          | 6†                            | 10                               | ...          | 10                               |
| Elec. Dist. of Yorkshire ... | 4½*                           | ...                              | ...          | 4½*                              |
| Evans (W.) Manchstr. ...     | ...                           | 2½                               | ...          | 7½                               |
| Flettons ...                 | 5*                            | ...                              | ...          | 7½                               |
| Fodens, Ltd. ...             | ...                           | 7½                               | ...          | 5                                |
| Foyle's Libraries ...        | ...                           | 6                                | ...          | 6                                |
| Francis Cimentation ...      | ...                           | 15                               | ...          | Nil                              |
| Great Britain ...            | ...                           | 3                                | ...          | 3                                |
| Hancock (Wm.) & Co. ...      | 7½†                           | 10                               | ...          | ...                              |
| Handley Page ...             | \$20†                         | 37 <sup>1</sup> <sub>2</sub>     | ...          | 30                               |
| Head Wrightson ...           | 7½†                           | 10                               | July 25      | 10                               |
| Humber Dock ...              | 2†                            | 4                                | ...          | 4                                |
| Kay and Co. ...              | ...                           | 15                               | ...          | 20                               |
| Lunt (Richard) ...           | 5*                            | ...                              | ...          | 5*                               |
| McDougalls Trust ...         | 6†                            | 10                               | ...          | 10                               |
| Milner's Safe ...            | ...                           | 7½                               | ...          | 7½                               |
| New Brick (Newhey) ...       | 1½†                           | 7½                               | ...          | 7½                               |
| New Huxley Colldry. ...      | 2½*                           | ...                              | ...          | 2½*                              |
| Northmet Power ...           | 4*                            | ...                              | Sept. 1      | 4*                               |
| Palmerston Trust ...         | 3½†                           | 6                                | ...          | 6                                |
| Parkers Brewery ...          | 12½†                          | 16                               | ...          | 16                               |
| Pitman (Sir J.) ...          | 2½†                           | 5                                | ...          | 6                                |
| River Plate Inv. Trust ...   | 5*                            | ...                              | ...          | 5*                               |
| Sammanger Jute ...           | 3*                            | ...                              | Aug. 1       | 3*                               |
| Share, Ltd. ...              | ...                           | ...                              | Aug. 1       | ...                              |
| Symons (S.) & Co. ...        | 3½†                           | ...                              | ...          | 1½                               |
| Tubury Dredging ...          | ...                           | 5                                | ...          | 17½                              |
| Titaghur Jute ...            | 3*                            | ...                              | Aug. 1       | 3*                               |
| Union Steel (S. Africa) ...  | 3*                            | ...                              | ...          | 3*                               |
| S. S. Debenature ...         | 4*                            | ...                              | ...          | 4*                               |
| Victoria Jute ...            | 3*                            | ...                              | Aug. 1       | 3*                               |
| Williams (Ben.) & Co. ...    | 2½*                           | ...                              | ...          | 2½*                              |
| Wiseman (A.) ...             | 6*                            | ...                              | July 26      | 6*                               |

# Industry and Trade

**Recovery in Shipbuilding.**—The accompanying diagram, based on the quarterly returns issued by Lloyd's, shows the tonnage of merchant ships on which work was commenced at home and abroad since 1928. Until the end of 1935, the two curves followed a roughly similar course, and the gross tonnage commenced in this country was not very different from that on which work was begun abroad. Since the beginning of 1936, however, there has been a growing divergency between the tonnage commenced at home and abroad. Between the third quarter of 1937 and the first quarter of 1939 the volume of new orders obtained by shipbuilders in this country showed a rapid decline, in striking contrast to the continued expansion abroad. Early this year it looked as though the merchant shipbuilding industry in this country was threatened by ruin. But when Mr Oliver Stanley

MERCHANT TONNAGE COMMENCED AT HOME AND ABROAD



announced the Government's plans for assisting the shipping and shipbuilding industries on March 28th, both industries took heart again, and shipowners placed a large number of contracts for new vessels. Thus, during the

(Continued from page 129)

**BAKERIES, LTD.** show a considerable rise from £154,186 to £249,782, though profits arising from the Weston Foods acquisition have not been included. On a comparable basis, net trading profits of Allied Bakeries are £384,820, and of Weston Foods, £265,614. Net profits of HECHT LEVIS & KAHN are £92,264 against £119,540. The dividend is 10 per cent., against 20 per cent. on a smaller capital, but a 10 per cent. scrip bonus is distributable in preference shares. Net revenue for the initial trading period of BEECHAM MACLEAN HOLDINGS is £275,471, or £13,555 over the annual revenue estimated in the offer for sale of July, 1938.

## MISCELLANEOUS

**Johannesburg Consolidated Investment Company.**—Profits for year to June 30, 1939, after depreciation and contingencies, £616,000 against £720,380. Dividend maintained at 15 per cent. To reserve, nil (£100,000). Carry-forward about £220,000 (£196,633).

**Fodens, Ltd.**—Profit on trading, after depreciation, £54,623 for year to May 31, 1939, against £57,554 for 11 months. Ordinary dividend raised from 5 to 7½ per cent. To reserve, £25,000 (£15,000). Carry-forward, £29,934 (£16,681). Stocks, etc., stand at £184,308 (£172,800). Debtors, £81,654 (£72,869). Cash £20,774 (£25,072). Creditors, £55,141 (£70,084).

**Covent Garden Properties.**—Net revenue for year to June 30, 1939, £333,456 (£283,668). Profit on sale of properties, £9,473 (£25,435). To: Income tax, £89,873 (£66,633); N.D.C., £9,000 (£8,300); debenture interest, £96,394 (£75,782). Net profit, £140,473 (£152,482). Preference dividend, £45,675 (£46,462).

Preferred ordinary dividend, £27,550 (£28,025). Ordinary dividend, 6 per cent. (£56,550) against 7½ per cent. (£71,662). Carry-forward, £93,238 (£82,540). Total assets, £6,532,656 (£5,821,178).

**British Celanese.**—The company will pay on July 31st to holders registered July 14th a half-year's dividend on the 7 per cent. 1st cumulative preference shares, bringing payments up to April 30, 1938. (In year to July 2, 1938, half-year's dividend to October 31, 1937, was paid.)

**Beecham Maclean Holdings.**—Report for 11½ months to June 30, 1939, shows net revenue £275,470. To income tax £74,866. Preference dividend £52,662. Ordinary dividend 16½ per cent. To preference redemption fund £54,000. Carry forward £944.

**Distillers Company, Ltd.**—The bonus and profits of this company were discussed in *The Economist* of July 8, 1939, page 75. The balance sheet dated May 15, 1939, shows total assets £35,101,515 (£34,270,966). Cash £3,239,713 (£1,780,539). Stocks £899,699 (£1,076,887). Debtors £234,355 (£202,031). Creditors £2,910,245 (£2,980,047). Reserve fund £5,200,000 (£4,800,000). Trading profit £2,492,719 (£2,522,204). Net profit £2,482,202 (£2,512,470).

**Anglo-Java Rubber.**—Profit year to March 31, 1939, £77,482 (£163,612), before debenture service, £35,000 (same). Ordinary dividend reduced from 3 to 2 per cent.; estates reserve £10,000 (last year £32,500 to tax reserve, £35,000 to cultivation reserve, and £5,000 to general reserve); buildings and machinery reserve, £5,000 (£10,000).

**British General Fixed Trust, Ltd.**—Mr H. J. Saunders, of Messrs Peat Marwick

second quarter of this year work was commenced in this country on 402,100 gross tons—the highest figure since the first quarter of 1930—compared with only 71,200 gross tons in January-March. Moreover, many orders have been held up pending the clarification of the Government's plans. The British shipbuilding industry has thus been set on the road to recovery, assisted by the increase in naval work. But although the tonnage commenced abroad fell from 656,800 gross in the first quarter to 480,700 gross in April-June, it still exceeded the volume on which work was begun in this country. Moreover, the tonnage on hand abroad at the end of June, at 2,067,800 gross, is still appreciably higher than the 791,500 gross tons then under construction in the United Kingdom.

**Steel Production Still Expanding.**—The slight decline in the output of crude steel between May and June was due to the smaller number of working days in the past month. Calculated on a daily basis, production rose from

PRODUCTION OF PIG IRON AND CRUDE STEEL

|               |  | (In thousands of tons) |       |       |                           |         |         |
|---------------|--|------------------------|-------|-------|---------------------------|---------|---------|
|               |  | 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 | 692.1 | 1,047.3                   | 957.0   | 1,218.1 |
| June .....    |  | 699.3                  | 541.5 | 715.7 | 1,106.4                   | 776.1   | 1,175.6 |
| 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   | ...     |

Mitchell and Company, has been nominated liquidator with a committee of inspection, comprising representatives of Messrs Strutt and Parker, Crews and Company, and Specialised Unit Trusts, Ltd.

**Eastwoods Cement.**—At this week's meeting the chairman, Mr Horace Boot, discussed the company's capacity, which now totals 265,000 tons, and is capable of interchange between the three cement works as required. Though full costs had increased, prospects were good. Sales of Eastwoods Lewes Cement were satisfactory while Eastwoods Humber Cement was working to capacity and supplying the Admiralty requirements at Rosyth.

**Bank and Discount Dividends.**—Williams Deacon's Bank have maintained their interim dividend at the rate of 12½ per cent. per annum on the "A" and "B" shares. Midland Bank are paying an interim dividend of 8 per cent. actual, the same as a year ago. Lloyds Bank are paying interims of 6 per cent. actual on the "A" shares and 2½ per cent. actual on the "B" shares as before. District Bank is maintaining interim dividends at the previous year's rates as follows: 9½ per cent. actual on "A" and "C" shares and 5 per cent. actual on "B" shares. Union Discount interim remains at 3½ per cent.

**Canadian Eagle Oil Company.**—Balance at credit of profit and loss year 1938, £582,657 (£770,949); brought in, £379,494 (£108,062); dividend on 7 per cent. cumulative first preference shares, £121,011 (£137,361); fixed dividend of 23.88 Canadian cents per share on participating preference shares, £43,522 (£42,525); to holders of Mexican Eagle participating preference, £10,800 (£10,800); ordinary dividend 6d. per share as before, £303,207 (£303,207); Carry forward, £425,210.

45,115 tons per day in May to 45,215 tons in June; the number of steel furnaces in operation at the end of June was 356, against 335 at the end of May. In the case of pig iron, the increase in production was even more marked, though, in contrast to steel, output in June was still below the highest level reached in 1937. It is understood that the flow of raw materials to the steel furnaces is now fairly satisfactory and that the output of steel can be maintained at the present high level. Moreover, Mr R. S. Hudson announced in the House of Commons on Monday that arrangements had been made to supplement domestic steel production by additional imports. Apart from the normal annual imports of just over 500,000 tons of steel under its agreement with the Continental Steel Cartel, the British Iron and Steel Federation has recently made arrangements with the Cartel to import an additional 300,000 tons of semi-manufactured steel during the next few months. So far, therefore, the British Iron and Steel Federation appears to have the position well in hand.

**Cotton Agreement Breakdown.**—Some surprise was expressed in Lancashire cotton trade circles on Wednesday when it was announced that the price agreement for Egyptian carded yarns had broken down and that the Committee had been compelled to release members from the list prices. About fifty mills containing nearly 5,000,000 spindles had adhered to this price agreement for nearly three years. The pact was due for renewal at the end of August and according to the agreement, members who wished to resign had to give two months' notice. It has been known in market circles since the beginning of July that four or five firms had decided to withdraw. The real cause of the breakdown, however, is the fact that during the past six months the owners of several mills in the Oldham area have turned from American to Egyptian cotton and have produced carded yarns. This competition has been very severe for spinners in the price agreement, and it has therefore been decided to return to free market conditions. This decision must lead to some confusion and it is estimated that prices all round will decline from ½d. to 1d. per lb. It is realised, of course, that under the Cotton Industry (Reorganisation) Bill, which will soon reach the Statute Book, it should be possible to arrange a compulsory scheme of price control for all cotton yarns.

**The Government and the Wool Trade.**—When the need for increased supplies of Army clothing began in September of last year the Government gave out additional orders to its regular contractors by accustomed methods. Later it recognised a group of manufacturers for shirting, and to some extent allowed this group to apportion the Government's orders between its members, while Government accountants by periodical inspection satisfied the Director of Army Contracts that a reasonable price had been agreed to. In all these instances the Government bought cloth, leaving weavers and spinners to find their own raw material by private treaty. At the end of May a new method of buying was developed. The Government intimated to manufacturers' federations what yardage was required of certain specified fabrics. Working with the associations of spinners, dyers and wool importers, manufacturers arranged to supply the weight required. But instead of dealing direct with topmakers and spinners for the yarn, the Wool Federation arranged contracts for the tops with all firms in the trade which could supply suitable materials, the Slubbing Dyers' Association arranged the dyeing and re-gilling and the Worsted Spinners' Federation arranged the spinning. The federations of dyers and worsted spinners have restricted the work to their own members, and have been criticised for so doing on the grounds that this restriction has slowed down the output. The work of the Wool Federation appears to have been done most efficiently, but some muddle has occurred in regard to dyeing and the restricted output of re-gilling. By this method the Government has abandoned the system of

fixing a price for finished cloth; it has agreed to a figure for the raw material and then allowed reasonable conversion costs for the various manufacturing processes. To the industry the development is interesting, as it shows the Government's desire to deal with the federations rather than with individual firms, and it provides a test of the ability of the federations to supply large quantities efficiently. In addition, this new method provides confirmation that the Government is experimenting with plans for the control of the wool textile industry in the event of war. It is not a big step from the purchase of tops to the purchase of wool itself, but it should be emphasised that up to the present the Government has not actually bought the raw material. It has guaranteed the accounts as between topmaker and spinner, spinner and manufacturer, and the Worsted Spinners' Federation has provided a small amount of the finance required. It is agreed that the new method of buying causes less fluctuation in prices than that of buying through individual manufacturers, who would compete for the necessary raw materials. The order for 3,300,000 lbs. of 50-56's tops at the end of May raised the market price at most 1½d. per lb. Had a dozen separate manufacturers been competing for the material the rise would probably have been much greater.

**Rally in Copper.**—After having been dull throughout the second quarter of this year, the market in copper has shown a marked improvement since the beginning of this month. At £43 3s. 9d. per ton the London cash price early this week was the highest since the beginning of April and £1 higher than at the end of June. The rally was caused by reports that the French Government is purchasing copper in order to raise its war reserve by 50,000 tons, and by the marked improvement in demand in the United States. There is no official confirmation of the French purchases so far, but orders appear to have been placed in New York to be covered partly by Chilean and partly by U.S. copper. At the end of June stocks of copper outside the United States had fallen to 178,658 short tons, or only seven weeks' supply. Any further marked decline in these stocks would place the extra-U.S. copper market in a dangerously strong position, especially as consumption has exceeded production recently. Had it not been for the adverse conditions in the United States the price of copper in London would long have shown a marked advance. Since June, however, the U.S. position has been strengthened, and so far this month about 100,000 tons have been sold in that country. As consumers' stocks in the United States had fallen well below the safety level earlier this year the higher rate of U.S. sales may well be maintained for some time, although temporary recessions are quite conceivable. Under the influence of the expansion in sales the U.S. domestic price was raised by ¼ cent to 10½ cents per lb. last week and although further increases are not expected the better domestic demand may have a restricting influence on U.S. exports. Future London copper prices will be largely determined by the development of the buying movement across the Atlantic. If it makes headway the London price may reach £45 per ton before long, but if the buying wave ceases the present price is unlikely to be fully maintained despite the unusually strong statistical position of the market outside the United States.

**Difficulties on the Tea Market.**—During the past fortnight the tea market has been concerned with consistent rumours regarding the position of an important firm. These reports have now been confirmed. Messrs. Bunting and Co., produce brokers with a capital of £100,000, have been





faced with difficulties as a result of a dispute with one of their clients—the English and Scottish Joint Co-operative Wholesale Society. A writ on the Co-operative Society has been served by the broker's solicitors and a statement on the position will be made shortly. The amount of the transactions in question is stated to be £1,250,000 and the market believes that up to 25 million lbs. of tea are involved. The London Tea Brokers' Association has already discussed the position to avert serious repercussions of the difficulties both amongst Mincing Lane firms and on the tea market. Although strict secrecy regarding the affairs is being observed, it is hoped that an orderly settlement will be reached. The tea market is unlikely to suffer materially as a result of the dispute. In the 1938-39 season, for which the International Tea Committee has now published its statistics, world consumption of tea amounted to 893,833,000 lbs., against 859,362,000 lbs. in the previous year, and the trend of consumption is still upwards. Simultaneously world net exports of tea from producing countries advanced from 873,697,000 lbs., to 927,149,000 lbs., but as the export quota for the current season has been reduced from 92½ per cent. to 90 per cent. of the agreed standard (a reduction of slightly over 20 million lbs.), there are good prospects that supplies and requirements will show a fair equilibrium in 1939-40, especially as current warehouse stocks in Europe are by no means high.

\*       \*       \*

**American Cotton Acreage.**—The United States Government has estimated the area under cultivation for cotton as on July 1st last at 24,943,000 acres, which compares with the revised figure of 25,018,000 acres for last year's crop. This is the smallest acreage for forty years. The forecast was about equal to expectations and has not had any effect upon prices. The yield, however, will depend upon the weather in the cotton belt during the next two or three months. On the assumption that the yield per acre for the current season is the same as in 1938, the crop should be nearly 12,000,000 bales. This total exceeds the current rate of world consumption. Negotiations concerning the Anglo-American barter deal continue between the Board of Trade and trade interests in Lancashire. It is being urged that no time should be lost in importing the cotton and it is possible that some of the provisional arrangements relating to classification will be modified.

## INDUSTRIAL REPORTS

**INDUSTRIAL** activity is well maintained. The output of coal remains well above last year's level and, although export business has declined, the outlook remains good. The iron and steel industry continues to work at high pressure and the latest quarterly shipbuilding returns disclose a substantial increase in the tonnage of merchant shipping commenced during April-June. The majority of textile trades remain active, and the cotton and wool textile industries have a substantial volume of Government orders on hand.

### Coal

**Newcastle-on-Tyne.**—The market in this area remains steady. Durham screened steam and coking coals are scarce but unscreened bunkers and gas coals are available for prompt shipment. Northumberland steam collieries are comfortably placed; large coal is well contracted, but with the lack of seasonal trade prompt steams are available. Sized coals are well taken up but smalls continue to offer freely at the "controlled" minimum price. Patent oven coke is a firm market; inquiries

persist from the Scandinavian countries, where consumers are stocking against an emergency.

**Glasgow.**—The Scottish trade is fully maintaining its improvement. In addition to considerable activity in respect of industrial requirements the shipping trade is doing well. Last week's shipments showed quite a substantial increase, and the total for the year to date is now close on 600,000 tons up on last year. Some pressure is being experienced at present in respect of the holidays. The ascertainment figures for May show output at 2,741,911 tons, against 2,454,625 tons in May last year. Proceeds were £2,043,760, against £1,870,745, the profit balance being £119,069 compared with £118,887. The Danish Sugar Works are in the market for 20,000 tons of singles for shipment from July to September 10th.

**Cardiff.**—There has been little activity this week. No new orders have been placed and disappointment is felt at the delay in the conclusion of the negotiations for the purchase of between 200,000 and 300,000 tons by the French

**Wholesale Price Index Unchanged.**—During the past two weeks wholesale price movements have been irregular, but *The Economist* index of the general level of prices showed no change on the fortnight. The index of the prices of primary products in this country rose during this period, but that for the United States showed a marked decline partly due to the fall in linseed. The official indices for France and Germany are also slightly lower.

SEPTEMBER 18, 1931 = 100

| Date         | The Economist Indices             |                             |                   | Price of Gold (sterling) | U.S.A., Irving-Fisher | France, Statistique Generale | Italy, Milan Chamber of Commerce | Germany, Statistisches Reichsamt |
|--------------|-----------------------------------|-----------------------------|-------------------|--------------------------|-----------------------|------------------------------|----------------------------------|----------------------------------|
|              | British Complete Index (sterling) | Primary Products (sterling) | American (dollar) |                          |                       |                              |                                  |                                  |
| 1936 Dec. 30 | 131.3                             | 163.9                       | 187.3             | 166.7                    | 128.8                 | 113.0                        | 116.3†                           | 95.4                             |
| 1937 Dec. 29 | 127.8                             | 147.4                       | 135.3             | 164.2                    | 120.5                 | 135.8                        | 143.8                            | 97.0                             |
| 1938 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                 | 153.5                        | 145.1                            | 97.9                             |
| 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                            | 98.0                             |
| 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                    | 115.9                 | 155.5                        | 146.4                            | 97.9                             |
| May 17       | 116.0                             | 134.7                       | 123.4             | 174.9                    | 115.6                 | 157.3                        | 146.2                            | 97.9                             |
| May 31       | 116.7                             | 134.4                       | 125.0             | 174.9                    | 114.8                 | 156.6                        | 146.5                            | 98.0                             |
| June 14      | 115.4                             | 134.4                       | 124.0             | 174.9                    | 114.4                 | 155.0                        | 146.9                            | 98.3                             |
| June 28      | 115.6                             | 134.4                       | 122.3             | 175.0                    | 114.3                 | 154.8                        | 147.1                            | 98.4                             |
| July 12      | 115.6                             | 135.2                       | 120.2             | 174.9                    | 114.8*                | 154.7*                       | ...                              | 98.2*                            |

\* These figures refer to July 8th.

† Monthly average.

Details of the component series of *The Economist* complete index are given below:—

|                     | Sept. 18, 1931 | July 6, 1938 | June 28, 1939 | July 12, 1939 |
|---------------------|----------------|--------------|---------------|---------------|
| (1927=100)          |                |              |               |               |
| Cereals and meat... | 64.5           | 89.1         | 69.0          | 68.3          |
| Other foods .....   | 62.2           | 56.8         | 62.1          | 62.8          |
| Textiles .....      | 43.7           | 52.8         | 53.6          | 53.4          |
| Minerals .....      | 67.4           | 93.4         | 91.8          | 92.3          |
| Miscellaneous ..... | 65.8           | 75.4         | 75.7          | 75.5          |
| Complete index      | 60.4           | 72.9         | 69.8          | 69.8          |
| 1913 = 100 .....    | 83.1           | 100.3        | 96.1          | 96.1          |
| 1924 = 100 .....    | 52.2           | 63.0         | 60.4          | 60.4          |

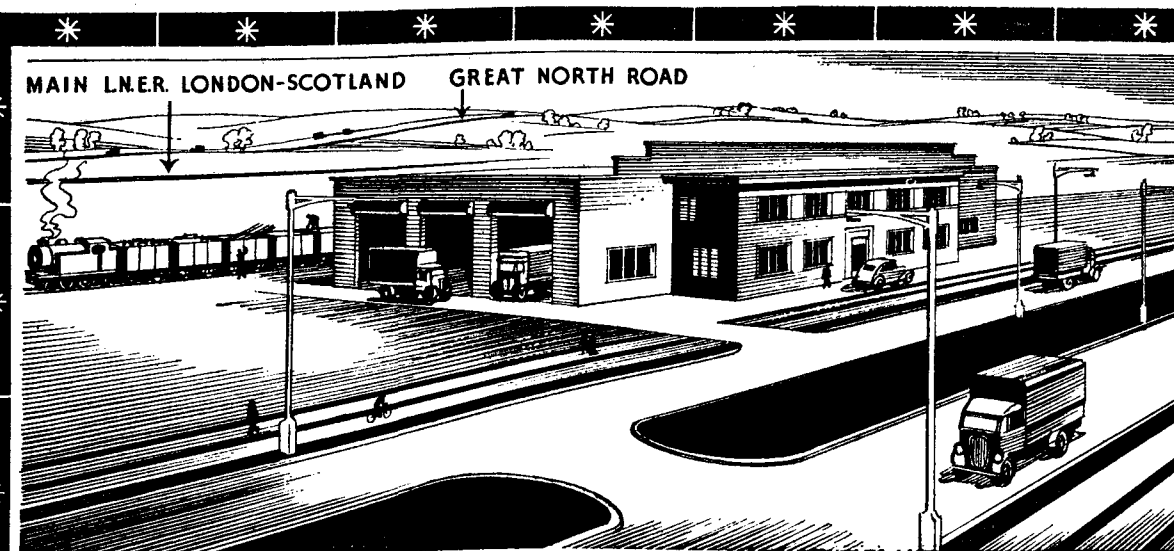
The fall in the prices of cereals and meat was offset by the rise in other foods, particularly butter, bacon and cocoa, while the advance in minerals was due to the firmer tendency of the non-ferrous metals.

**National Railways.** The Joint Consultative Committee appointed under the Anglo-French Trade Agreement of December 10, 1938, met in London last week, but apparently it dealt chiefly with prices and an intimation was given by the French representatives that in determining the direction of their demand for foreign coals they had to have regard primarily to immediate economic considerations affecting the French exchange and internal financial conditions.

Production has shown a slight tendency to contract, and shipments are lower than they were in June. In the week ended July 9th they totalled 404,100 tons, compared with 375,659 tons in the corresponding period last year. The available labour supply has fallen and an official return shows that between June 1, 1938, and June 20, 1939, 7,916 South Wales miners and officials migrated to other employments. Prices are nominally unchanged.

### Iron and Steel

**Sheffield.**—The iron and steel market has undergone little change. Pressure for all steel materials is intense,



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and producers find it difficult to meet demand in full. The call for basic and acid billets shows no signs of easing, and supplies from the Continent do little by way of filling the gap between supply and demand. Small bars, wire rods and strip are in very active request, and structural steel requirements show further expansion.

New business in forge and foundry iron is restricted, but for hematite there is a substantial revival of demand, and forward business shows distinct improvement following the price reduction. The market in finished iron remains disappointing, although a slightly better inquiry exists for marked bars.

The scrap market maintains its strength. Heavy iron-free basic steel is in very short supply, and users find it very difficult to satisfy their full needs. Imported material is instantly taken up. Foundry heavy cast iron at around 80s. per ton finds some buyers, and there is a good call for cast-iron borings at about 35s. per ton delivered.

★

**Middlesbrough.**—The outstanding feature is the import of semi-finished steel from the Continent and of scrap from America, a further large cargo of the latter having just arrived.

The production of basic pig iron is well maintained but is all reserved for use in the adjoining steelworks.

Steel makers continue to fulfil Government orders, but there is a slight expansion in general business both for semi-finished and manufactured steel. Local steel makers have booked a share of the orders for steel rails given out by South African railways.

The Cleveland foundry pig iron trade expands slowly but the price remains at the official figure of 99s. per ton delivered locally for No. 3 quality. East Coast hematite continues in rather better demand at the price which came into force on July 1st, namely, 115s. 6d. per ton for No. 1 grade delivered in the North-East area.

Good Durham blast-furnace coke is available at 24s. 3d. per ton at the ovens and, although there is no new business in foreign ore, imports under old contracts tend to increase.

★

**Glasgow.**—Activity at the steel plants is being intensified in an endeavour to dispatch as much material as possible before works close down for the holidays. The holiday commenced on Thursday night and operations will be resumed generally on Monday, July 24th. In some of the manufacturing industries, however, the holiday is being curtailed, and it appears that work will be resumed as early as Wednesday the 19th in some cases. At the Clydebridge Steelworks holidays are being staggered this year and plant will be operating continuously. Overhaul and repair of plant is being undertaken in practically every important shop in the district, and it is hoped to have plant running smoothly by the end of the holidays. An exceedingly busy period is expected to follow the resumption of work; order books in almost every branch are well filled and prospects for the autumn are particularly bright.

★

**Cardiff.**—Holiday influences are affecting production in the tinplate industry, and in the week ended July 1st the output under the pooling scheme

equalled 64.09 per cent. of capacity compared with 40.11 per cent. in the corresponding period last year. The sheet works, however, are exceptionally busy, and the latest weekly returns of steel production give a total for West Wales (Briton Ferry to Llanelli) of 29,452 tons, and for the whole of South Wales and Monmouthshire of over 60,000 tons. A cargo of 1,500 tons of Australian pig iron has been discharged at Port Talbot this week, and in the course of the next few months about 35,000 tons are expected from India. The rod and wire mills are also fully employed. Prices are nominally unchanged.

★

**News from Abroad.**—In spite of the decrease in turnover on international steel markets the order books of the producers who are largely dependent on export business are satisfactory and are regularly supplemented by new orders. There is a strong feeling among producers that purchases will soon regain their previous level, as current consumption is sufficient to absorb existing stocks and contracts of consumers in a reasonable period.

Semi-products have remained the backbone of the trade, and delivery times for these products are about 10 to 12 weeks, against only about six to eight weeks for finished steel, apart from certain special products which require longer delivery. Producers could, in fact, secure substantial additional orders for semis, particularly from Japan, if they were not anxious to maintain a certain equilibrium between their sales of semis and of finished products, and there is a tendency to restrict the output of semis pending a revival of the requirements for finished steel. Scandinavia and Holland have been in the market for fair quantities, and business with several South American countries, particularly Argentina and Chile, as well as with the Near East, has also been fairly satisfactory. Thick plates are in good demand but are subject to competition from America, and official prices for South Africa have been slightly reduced in order to meet this competition. Generally, rebates on Cartel prices have shown a further slight increase without disturbing the general price structure to a material extent.

The Thin Sheet Comptoir recently held a conference in London, and it was stated that the mills have orders for several months and that price concessions are very rare. The attempts to bring the Swedish tube makers into the International Cartel have been abandoned after prolonged negotiations, because the Swedes insist on a quota which is regarded as too high. The Belgian Cast-Iron Convention, comprising the Belgian, Luxemburg and French producers, has been established after the difficulties with outsiders had been overcome.

## Textiles

**Cotton (Manchester).**—Inquiry remains fairly extensive and in some quarters quite a useful business has been done. Only minor fluctuations have occurred in raw cotton prices. The United States Government has estimated the area under cultivation for the new season at 24,943,000 acres, against the revised figure for last year of 25,018,000 acres. The forecast has had practically no effect upon prices. It is understood

that before the end of the week, Mr Wallace, the Secretary of the Department of Agriculture, will make some announcement relating to the export subsidy. Opinion as to whether this will be variable or fixed is divided.

In the yarn market there has continued an active demand for coarse American ring qualities, but producers are heavily sold and early delivery is not easily arranged. On the other hand, mule yarns are in plentiful supply. An event of importance has been the breakdown of the price agreement for Egyptian carded yarns.

Manufacturers of cloth who cater for the export trade have again reported a limited demand and many buyers do not seem to be in a position to pay Manchester prices. A few more offers have been met with for India, with occasional sales. Only scattered transactions have been put through for Egypt and West Africa. A little more demand has been reported in finishing styles for South America and Scandinavia. Purchasing for the home trade has been on a fair scale. Government officials responsible for the purchase of clothing for the defence forces are pressing, to an increasing extent, for bigger deliveries. It is urged that the Government should lower the standard so that some of the idle machinery in Lancashire can be used for Government materials.

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**Defence Orders.**—With the growing strength of the defence forces, the Government requires larger quantities of cotton fabrics, and already contracts for 24 million yards have been placed with Lancashire cotton manufacturers. There is, however, a serious shortage of denims, which is a heavy drill used for army clothing, and at a meeting in Manchester this week between manufacturers and Sir Frederick Marquis, the honorary adviser to the Government on clothing and textile supplies, the whole position was discussed and plans made for expediting delivery. The manufacturers claim that the Government specification for the cloth is far too rigid and unless it was altered the fabric could not be made by the time stipulated, which was November 30th. There were also complaints that the prices offered by the Government were not satisfactory and Sir Frederick promised he would go into the matter. There are thousands of looms idle which could manufacture the particular cloths if the specification were altered, and it is hoped that the War Office will decide in favour of this action. If this is not done the cloth cannot possibly be made by the end of the year.

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**Jute (Dundee).**—The first forecast of the acreage under jute for the season 1939-40, completed on Saturday last, created little or no interest in the jute market. No one believes that the figures are any more correct on this occasion than they have been for many years past, especially as they indicate a reduction in the area of approximately 3 per cent. on last year, when all along a larger area has been looked for. Prices for raw jute have been so high that there has been more chance of growers increasing their area than otherwise. The area this year is given as 3,056,000 acres, compared with last year's newly revised figures of 3,164,500 acres. In September last year, the original figures

(Continued on page 141)

## COMPANY MEETINGS

# LONDON TIN CORPORATION, LIMITED

DIFFICULT YEAR FOR THE INDUSTRY

COMPANY'S POSITION STRENGTHENED

SUCCESS OF BUFFER POOL SCHEME

CAPTAIN OLIVER LYTTTELTON'S ADDRESS

The thirteenth ordinary general meeting of the London Tin Corporation, Limited, was held, on the 10th instant, at the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.

Captain Oliver Lyttelton, D.S.O., M.C. (the chairman of the company), presided.

The Secretary (Mr S. J. Weedon) having read the report of the auditors,

The Chairman said:—Ladies and gentlemen,—With your permission I will take the report and accounts as read. (Agreed.) We have tried both in the report and the accounts to give you as full information as possible, but some explanations may usefully be added to them.

The contingent liabilities noted at the foot of the balance-sheet are liabilities to advance £150,000 to Lower Perak Tin Dredging—I will deal later with the affairs of this company—and £10,000 to Tongkah Harbour Tin Dredging. The liability for partly paid shares is that of 19s. per share on the 10,000 shares of A. O. Nigeria to which I referred last year.

On the assets side, the most important changes in the portfolio are due on the one hand to the purchase of shares and debentures in British American Tin Mines and on the other to the writing down of investments by £120,000 and to the sale of our holding in Consolidated Tin Smelters. This sale was made to assist Consolidated Tin Smelters in finding the necessary block of their shares with which to effect the exchange with the Dutch smelting company and is therefore evidence rather of a closer co-operation between us than of any divergence of interest. Incidentally, the link thus formed between the British and Dutch interests is a token of international co-operation in a world where such tokens are becoming rare.

## BRITISH AMERICAN TIN MINES

The report touches upon the interesting venture controlled by British American Tin Mines, but its results were not available for publication at the time when the report was issued to you. Siamese Tin Mines, Limited, the operating subsidiary, has an issued capital of £500,000, which is all owned by the parent, British American Tin Mines. It made a profit during the year 1938 of £59,000 in round figures, none of which was distributed. Its tin concentrates were won from the operation of an ordinary gravity plant from which recoveries were low—I might say very low; but a new process, generally called the Cavaet, has been developed and a plant has been designed, ordered, and partly erected. It is expected to begin work before the end of this year and should greatly improve the recoveries. The tailings from the present gravity mill have, of course, been stacked for retreatment by this plant. I would also remind you that the estimated ore reserves are no less than 60,000 tons of metallic tin and that further extensions of the orebody may be expected. In short, the enterprise appears to be full of promise and we have an important stake in it.

## LOWER PERAK

I must now give you some further account of Lower Perak Tin Dredging, the whole of the Ordinary share capital of which is owned by us. Last year we estimated the cost of the two dredges and of bringing them to the face, with, of course, the necessary buildings, stores, and spares, at £440,000. Rises in the price of material and labour have, however, made it necessary to add £60,000 to our original estimate, making it now £500,000. You will remember that this sum is being found by the issue of £300,000

of debentures, all of which have now been subscribed, and by a loan of £200,000 from this corporation; £50,000 has already been made available, leaving £150,000 as a contingent liability. The No. 1 dredge should start at the end of 1939, and it is hoped that the other, on the Pulau Attap area, will start digging before the end of our current financial year, that is, before April 30, 1940.

These will be events of great importance to this company and will mark the end of a long effort to bring this asset into bearing, though the effect on our distributable revenue will not be immediate.

You may remark that our investment in the company is lower by £8,244. This was the loss incurred during its last financial year, and it has accordingly been written off out of our own revenues.

## THE INVESTMENTS

I have referred at previous meetings to the percentage of our assets which produced no revenue. For various reasons a strict comparison, with last year's figure would be misleading, but no estimate of the potential earning capacity of this corporation can be made unless I go much more fully into the subject. The figures are striking, and, I believe, will reassure you about the future. I am going to ignore actual payment of dividends and make my first category that of companies which are themselves now earning revenue; this, I believe, will give you the true comparison; 82.04 per cent., or a sum of £2,839,864, is invested in such companies. This amount includes about £300,000 which we were able to place in this class for the first time during the last year. This leaves in the other category about 18 per cent., or £621,811. Of this sum no less than £391,740, or little short of two-thirds, is represented by our investment in Lower Perak Tin Dredging, and, as I have already told you, we expect this asset to become live during the current year. Furthermore, £150,000, or something under a quarter, represents our holding in Anglo-Oriental and General Investment Trust, a management company which has deposited all its cash with the London Tin Corporation and which cannot, therefore, be expected to trade at any substantial profit.

I promised you last year that we should spare no efforts to reduce the percentage of assets earning no revenue and from the above you can judge that great changes for the better in our potential earning capacity are taking place. Naturally, some part of your funds should be and will be locked up in developing assets, but with skilful management we should be able to be sufficiently enterprising without impairing our earnings or sacrificing our present dividends for the sake of our heirs.

I must also refer shortly to Berjuntai Tin Dredging. This company is now operating successfully, although it unfortunately began working at a period when quotas were at their lowest. Its first results confirm our belief in its future.

Our holdings in gold shares represent 6.1 per cent. of our total investments. The developments both in New Goldfields of Venezuela and Konongo have been exceptionally good. Both are now paying dividends and have a bright future. Improving returns have been made by Tano Gold Dredging.

## THE CASH POSITION

Lastly, our cash has fallen from £483,642 to £310,126, which is largely accounted for by the increase in loans to subsidiaries from £63,000 to £181,000.

The moneys disbursed in dividends are, of course, largely replaced



by incoming dividends, but it seems probable that we may have to borrow on a small scale during 1939-1940. This need cause you no misgivings, since we do not permit any subsidiary company to borrow from any third party, and therefore the total commitments of the corporation and all its contingent liabilities are brought to light in the balance-sheet.

The profit and loss account calls for little comment. Administrative expenses are up by about £2,500, which is chiefly due to the reduced income of the Anglo-Oriental and General Investment Trust. Dividends on investments have fallen by about £72,000; £120,000 has been written off investments and £44,000 of this has come out of the carry forward; £62,069 has been provided by the special dividend referred to in the report. This sum had been kept in the Anglo-Oriental and General Investment Trust, Limited, against just the contingency which has arisen this year.

To sum up, the year has not been a good one for the tin industry. Our own position has, however, strengthened; many hitherto unproductive assets are coming shortly into bearing and our portfolio is in a very excellent state.

I must, however, again warn you that companies such as this, which derive a large part of their income from holdings in operating companies, do not immediately feel to the full either a rise or a fall in the profits of the underlying companies. There is in fact a lag, which is to some extent shortened by the payment of interim dividends—the general practice in the tin mining industry.

I now turn to more general subjects.

#### NIGERIA

During last year the two Nigerian producers in which we are so largely interested, Associated Tin Mines of Nigeria and London Nigerian Tin Mines, were successfully amalgamated. I need not recapitulate the reasons which appeared to make this step desirable; reasons, I may say, which were endorsed without one dissentient voice by the shareholders of both companies. We have an immense stake in Nigeria and I had long planned to make a visit there in early October of last year and to gain a closer touch with conditions on the plateau. Unfortunately, the crisis of September intervened, but I am still hopeful of being able to make a short trip there this year. A. O. Nigeria, under the management of Major Boyes, has served the companies well, and our thanks are due to him and his staff for their unremitting efforts.

#### MALAYA

In Malaya, the re-equipment programme is nearing completion. During the year one new dredge and five reconstructed dredges came into operation. It is a great tribute to Anglo-Oriental Malaya that in every case they are operating successfully and with a truly remarkable absence of the mechanical and other troubles which usually attend the starting up of any new plant in any industry. When the programme is finally completed, the equipment of this group will be second to none. Whilst I wish once again to give unstinted praise to the staff of Anglo-Oriental Malaya for their work, I cannot let the occasion pass without telling you how much you owe to Mr Henggeler; his plans were laid with great foresight and pursued with energy—an energy with which he has imbued every member of the organisation. He is not only one of the foremost engineers in this industry but a great leader of men.

Anglo-Malayan Development has continued its prospecting campaign and has proved one excellent property, which will shortly be sold. The company will be in a strong financial position and has promising work in hand.

I wish next to refer to the activities of the central research department at Rawang. As I told you previously, its first task was to ascertain whether important losses were made in the recovery of tin concentrates and, if so, to segregate these losses to various points in the flow sheet. This has now been successfully done, and a mass of detailed information has been collected. This confirms the prediction that considerable losses of tin take place, and we are now able to say with some certainty what they are in various types of ground under present operating conditions. A few months ago the department entered on the second phase of its researches: it is now conducting experiments in various ways to improve the recovery and is designing apparatus which will be tested out on the spot. I am bold enough to say that I believe the results will eventually repay the cost of the research many times over.

Lastly, we are taking some trouble to train younger men so that they may take their place in the organisation. We have endowed two scholarships at the Royal School of Mines and we hope that

candidates can be found who after this general training will be prepared to devote themselves to alluvial mining.

#### THE TIN INDUSTRY

I propose to conclude this speech with a short review of the tin industry.

The expected revival in consumption has occurred, and, though its effect upon demand was delayed by drafts upon consumers' stocks, there is now little or no "gearing" between consumption and buying.

During the whole period since our last meeting the Buffer Stock was collecting the tin due to it under the scheme, and since November the price of tin has remained obstinately between the limits laid down. Now the initial stages of such a scheme are the most difficult: the only weapon in existence was that against a rise in prices above £230, and the Buffer Stock organisation had no cash with which to arrest a fall. It was therefore clearly impossible for the International Tin Committee to run great risks in the rate of quota which it permitted. The initial stages have now passed, the upper limit has been reached, and presumably the Buffer Stock has begun to liquidate its holding.

Later on it will be possible no doubt for the International Tin Committee to bring quotas closer to the statistical estimates of consumption, in the certainty that, if they have miscalculated—and miscalculate they must because they have to estimate the future—the price structure can be protected until the appropriate quota again secures an equilibrium.

It must be distressing to its critics to know that the scheme is so far successful, and that their gloomy prophecies have not come true.

Moreover, I make so bold as to say that the executive of the Buffer Stock has secured the goodwill and co-operation of the market, and it is easy to understate the value of the London Metal Exchange to the producers and smelters of tin. While we, as producers, must naturally aim at the control of our own affairs, and the conservation of our resources of ore, which are by no means unlimited, we must try at the same time to assist the market, to keep it as free as is consistent with these aims, and to see that its position as the arbiter of world prices is not impaired.

#### TWO POPULAR MISCONCEPTIONS

I will close by referring to two popular misconceptions which are sedulously propagated by the opponents of restriction. The first is that Malaya would be better without restriction at all, and is sacrificing her strong position as a low cost producer for the benefit of the less fortunate. Now whatever might be the short-term results of free competition, the long-term could only be disastrous. In jungle warfare, it is not enough to have only the weapon of low costs; it is also necessary to have much larger ore reserves than your competitor. Otherwise a country like Malaya would perhaps find itself one of the two or three surviving producers, but with reserves insufficient to exploit its Pyrrhic victory.

The other error is that, by producing slightly in excess of consumption, you can secure stability at a slightly lower price. In fact, no given price-level can be attained unless producers are willing to trim their production exactly to demand. To over-produce even 500 tons per month is to have prices at the mercy of others.

Before concluding my speech I must regretfully tell you that Mr de Trafford has retired from the board. We were anxious that he should undertake the chairmanship of Tavoy Tin Dredging Corporation, Limited, which was only temporarily held by Mr Spens, and Mr de Trafford accepted the position. He felt, however, that he could not devote so large a proportion of his time to the tin industry as would be involved by holding both directorships. I am sure it would be your wish to thank Mr de Trafford for his help during the difficult times through which we have passed. Mr Burgess has been nominated by the directors to the vacancy and you will be asked later on to confirm his appointment.

Our thanks are again due to the staff of the head office for the efficient way in which they have handled the business of the corporation during the past year.

The directors' report and accounts were unanimously adopted and the dividend of 4 per cent. was confirmed.

The retiring directors were re-elected.

The appointment of Mr G. F. A. Burgess was confirmed, and the auditors were reappointed.

The proceedings terminated with a vote of thanks to the chairman and directors.

## NYASALAND RAILWAYS, LIMITED

### MARINE SERVICE ON LAKE NYASA

### AGREEMENT WITH CROWN AGENTS

### SUGGESTED CO-OPERATION WITH THE RHODESIAS

### ROYAL COMMISSION'S REPORT

### MR W. M. CODRINGTON'S ADDRESS

The annual general meeting of Nyasaland Railways, Limited, was held, on the 13th instant, at the registered offices, 3 Thames House, Queen Street Place, E.C.

The chairman, Mr W. M. Codrington, M.C., presided. The statement by the chairman, from which the following is extracted, had been circulated to shareholders before the meeting:—Since our last general meeting we have had to mourn the loss of Mr Libert Oury, O.B.E., who died last May. Mr Oury had been a director of the company since its inception, and of the Shire Highlands Railway, Nyasaland, Limited, since January, 1913. The British possessions in East Africa owe much to his far-seeing enterprise, both in opening up the Port of Beira and in pursuing, in the face of every discouragement, the policy of improving communications with the interior, particularly by the construction of the Central Africa Railway, the Trans-Zambesia Railway and the Zambesi Bridge. Your company has lost an able administrator and your directors a colleague on whose wise judgment they had learned to rely. I am glad to be able to tell you that his son, Mr Vivian L. Oury, has succeeded him as London manager of the Moçambique Company and as chairman of the Trans-Zambesia Railway Company; and it is with very real pleasure that we have elected him to a seat on our board. Mr Vivian Oury has visited Nyasaland, where he has other interests, several times in recent years, and his knowledge of local conditions will be of great value to the company. In common with everyone else who knew him and appreciated his work for Nyasaland, we learned with very real regret of the death of Sir Harold Kittermaster, who had been Governor since 1934. The memory of his devotion, and his absolute sense of fairness, will long be treasured by all classes in the Protectorate. In his place we welcome Sir Donald Mackenzie-Kennedy, K.C.M.G., who was appointed Governor early this year. We wish him all success and happiness during his Governorship.

#### PURCHASE FROM GOVERNMENT

I am glad to be able to report to you that we have signed the agreement with the Crown Agents for the Colonies (acting on behalf of the Government of Nyasaland) under which we are to operate the marine service on Lake Nyasa. This provides that your company shall take over the craft and other assets previously operated by the Government, and shall provide a service to connect our lake terminus with all ports on the Lake, including those in Tanganyika. In order to finance the purchase by your company of Government assets, pay for the acquisition of the motor cargo boat "Mpasa," a motor tug, and for an additional passenger carrying vessel necessary to replace the 42-year-old s.s. "Guendolen," the Government agree to subscribe for a maximum of £70,000 of a new class of debenture, which we shall call "C" debentures, to be issued by your company. These debentures will have a first charge on all the assets of the Lake Service and its net earnings, and a charge ranking after the existing debenture stocks on the surplus earnings of the company.

To enable us to implement this part of the agreement we are calling a meeting of the "A" debenture holders in order to seek their consent to the issue of these "C" debentures. We shall at the same time ask their sanction for increasing from £1,784,000 to £2,025,000 the authorised amount of the Bridge Debenture stock which, as you know, is held by the Nyasaland Government and has a charge on the corresponding debentures issued by our subsidiary, the Central Africa Railway Company, Limited, and the income bonds of the Trans-Zambesia Railway Company, Limited.

#### SIR ROBERT BELL'S REPORT

During the year the Finance Commissioner, Sir Robert Bell, published his Report (a document, with appendices, of some 350 pages), which contained an admirable survey of the whole history and admini-

stration of the country. He made various recommendations, none of which, so far as I am aware, has yet been carried out, owing no doubt to the fact that a Royal Commission had meanwhile been appointed to inquire into the relations between Nyasaland and Northern and Southern Rhodesia.

It is of interest to note that he recommended that the liabilities of Nyasaland arising from the various improvements affecting its communications, such as, for instance, the Zambesi Bridge, should be taken over by the Imperial Government; and he also urged the advisability of converting the Government guaranteed 6 per cent. debentures of the Trans-Zambesia Railway Company, Limited, to debentures carrying a lower rate of interest. This measure, which has been urged on the Government by unofficial bodies for many years, would by itself save the Nyasaland Government a considerable sum of money.

#### ROYAL COMMISSION'S RECOMMENDATIONS

Meanwhile, the Royal Commission, presided over by Lord Bledisloe, was appointed to consider what form of closer co-operation or association between Southern Rhodesia, Northern Rhodesia and Nyasaland was desirable and feasible. The Commission made an extended tour of the territories concerned, in the course of which we were glad to have the privilege of carrying them over the whole of our system. They heard evidence from representatives of every possible interest, and they, too, have produced a report and appendices of some 280 pages, in which every aspect of life in the respective territories seems to have been reviewed. So far as our railways are concerned they confirm and extend the recommendations of Sir Robert Bell in regard to the transfer to the Imperial Government of the financial liabilities of the Nyasaland Government in respect of railway communications.

The Commission recommend that it might be advisable to re-define the functions of the existing Government directors or to adopt an arrangement similar to that which they have suggested elsewhere in the case of Rhodesia Railways, Limited, namely, that directors should be appointed to the board by a body "of an informed and impartial character." The Commission never consulted us on this matter and were doubtless ignorant of the fact that the composition of this board and the powers of its directors are strictly defined in the contracts between the Company and the Government which formed the basis of its constitution, and which cannot be altered except by mutual consent.

#### QUESTION OF AMALGAMATION

On the general questions submitted to them the Commission as a whole, while regarding the immediate amalgamation of the three territories as inadvisable, recommended, though without any apparent enthusiasm, that "the amalgamation of these two territories might well be effected without delay." Though it is possible that some economy, and perhaps some increase in efficiency, might be obtained from the amalgamation of some of the technical services of the Governments of Nyasaland and Northern Rhodesia, I cannot foresee that complete amalgamation of the two Governments and the termination of Nyasaland's separate existence would result in any appreciable benefit to any section of the community or in any intensification of its economic development, on which the welfare of all classes ultimately depends.

The Commission furnished no estimate of the amount of money which might be saved by the adoption of their recommendation; but I doubt very much whether it would in practice amount to a sum sufficiently great either to afford sensible relief in taxation or provide increased resources of any consequence for development or social services. Against this possible, but perhaps relatively unimportant, saving must be set two grave disadvantages; in the first place the task before the Government of Nyasaland is sufficiently complex to demand, in the opinion of many interested in the country,

the services of a Governor and an adequate staff able to receive direct from the Secretary of State for the Colonies instructions on matters of policy.

Elsewhere in their Report the Commissioners hint at the necessity for speeding up the machinery by which colonial policy is executed. So far as Nyasaland is concerned (and it is with this aspect alone that I am dealing) nothing but increased delay could result from its incorporation as a Province in Northern Rhodesia, under a Provincial Commissioner who could only obtain his instructions from the Colonial Office via Lusaka, even though authority at Lusaka were yielded by a super-governor endowed with higher powers and greater latitude than are now entrusted to the occupant of Zomba.

#### THE BRITISH COMMUNITY

Secondly, the Commission in their Report refer to the relatively small numbers of the British community in Nyasaland and to their lack of political experience. At the same time, they emphasise the importance of the functions which would be attributed to the Legislative Council of the combined territories. For many years members of the unofficial community in Nyasaland, all of whom are actively engaged in their own businesses, have given a great deal of their time and attention to assisting the Government, whether as members of the Legislative Council or of other bodies appointed to assist in the task of administration.

If amalgamation were carried out such services would have to be rendered hundreds of miles away at Lusaka, where the Nyasaland representatives would form but a small minority of any representative body. Moreover, even if Government were to give them free transport by air, the tax on their valuable time would, I am sure, strain the spirit of generous public service which has always been manifested in the past.

#### PREVIOUS INQUIRIES

What fate has ultimately in store for the territory which we serve is thus for the moment unknown. Since the war Nyasaland has formed the subject of inquiries by the Ormsby-Gore Commission, the Hilton Young Commission on Closer Union, General Hammond, Major Newcombe and Mr E. P. Carter, the Finance Commission of last year and now the Royal Commission. In addition, there have been local inquiries such as the Committee on Emigrant Labour and the Commission now investigating the tobacco industry. Their Reports constitute a complete bibliography. There can be no aspect of human activity which has not been reported on either by "experts" or by "independent minds"! The legislator in search of a policy cannot plead lack of information out of which to forge it.

It would seem, therefore, that the era of inquiry, which has now lasted some score of years, must soon give place to an era of decision, and that the Imperial Parliament must soon be called on to delineate a policy which shall govern the future of these possessions of the British Crown in Central Africa. They will do so in an atmosphere which has been changed by a greater realisation of the Imperial responsibilities of the Government at home; by an increasing knowledge of the achievements of some other Powers in the field of colonial administration in which this country used to consider itself without rival; and at a time when yet other nations are only too eager to obtain an opportunity to demonstrate their fitness to administer native territories.

#### RELATIONS WITH PARLIAMENT

Before seeking to change the administrative divisions of the British possessions, it is more important that the Imperial Government should concentrate on the fundamental relationship between Parliament at Westminster, on whom the ultimate responsibility must rest, and the Administration overseas. For some years now this country has asked only that each Crown Colony should balance its own Budget and not bother the Central Government.

Strictness of financial control does not, however, necessarily ensure enterprise or progress in local administrations; nor have the resultant economic and political conditions been such as to offer to British capital attractions superior to those offered in undeveloped lands under other flags. Though the present systems may have given us an Empire run on the cheap, there are many who think that the results, whether in Africa or in other parts of the world, leave much to be desired when considered in the light of present-day conceptions of the responsibilities of Empire. It is thus with a mixture of concern and hope that I look forward to the future of the territory which this company serves.

The report and accounts for the year ended December 31, 1938, were adopted unanimously.

Mr Norman B. Dickinson, O.B.E., M.I.C.E., and Mr Vivian L. Oury, the retiring directors, were re-elected, and Messrs Peat, Marwick, Mitchell and Company were re-appointed auditors of the company.

## POWELL DUFFRYN ASSOCIATED COLLIERIES, LIMITED

### POWELL DUFFRYN STEAM COAL COMPANY, LIMITED

#### WELSH ASSOCIATED COLLIERIES, LIMITED

The annual general meeting of Powell Duffryn Associated Collieries, Limited, was held, on the 11th inst., in London.

Mr Edmund L. Hann, the chairman, dealt in detail with the company's accounts, and stated that the profit showed a reduction of approximately £85,000. In view of the general state of the coal trade during the year, the profits spoke well for the ability of the company to withstand the vagaries of the trade.

The present improvement in the export position was not yet sufficient to ensure the regular working of the collieries. Much of the trouble would disappear if important buyers would place their orders regularly with this country.

French imports of British coal in 1938 were 2,710,000 tons less than in 1937. First Germany and now Belgium had been allowed to threaten Great Britain as the principal supplier, though strategic considerations alone might have suggested a different policy. The Polish share of the French market was also rapidly rising.

Coal exports to South America had been well maintained, and had improved recently.

#### INTERNATIONAL COAL CARTEL

It was to be regretted that political complications had nullified the advantageous provisional arrangement made between Great Britain and Germany in regard to an International Cartel Agreement.

While the cost of production per ton of coal disposable commercially for South Wales for the three months ending January, 1936, was 14s. 10.75d., in the three months ending January, 1939, it had risen to 18s. 8.16d. Further, the profit per ton in the South Wales coalfield in 1938 was 4.89d., compared with a profit per ton of 1s. 4.01d. for Great Britain as a whole. The prices obtainable in the export market were clearly not sufficient to enable the exporting districts to carry the additional burdens which were continually being thrust upon the industry as a whole.

The country must either restrict legislation or subsidise its export coal trade to offset the extra costs imposed by legislation. In the Bill now before Parliament, for example, it was proposed that damage done by subsidence should be chargeable, not only for the future but also retrospectively, to the colliery owner, even though by the terms of his lease he was absolved from such claims.

With reference to the "Square Deal" campaign, the Transport Advisory Committee proposed that a number of safeguards on which the coal trade had been built up should be removed. The country generally might be prepared to pay more for its transport but export coal must not be called upon to contribute.

The Chairman said that the Report of the Royal Commission on Safety in Mines recommended a simplification of the Mining Code, and it was hoped that Parliament would legislate on these lines.

The Commission also recommended a large increase in the number of Inspectors, but care must be taken to avoid the appointment of so many Inspectors that the colliery manager was unable to carry out the main duties of managing his pit. Real progress could best be made by a radical simplification of the Mining Code and a system of education of youths.

The installation of two new washeries at Naval and Lewis Merthyr Collieries had been completed, and a new screening plant and washery for Albion Colliery had been ordered.

The increased demand for PhenoD smokeless coal justified the confidence that it was the highest grade fuel for the heating appliances marketed to-day. Phurnacite, the new carbonised fuel, had become so rapidly popular that it had not been possible to meet the demand. A new plant was on order.

#### COAL COMMISSION MEMORANDUM ON AMALGAMATIONS

In connection with the memorandum recently issued by the Coal Commission on the subject of amalgamations, the Chairman stated that the history of the company showed that it had to a substantial extent anticipated the objects of Part Two of the Coal Act, 1938. The present time did not, however, appear to be in all respects suitable for the continuance of the policy of amalgamation, and, so far as the company was concerned, shareholders could discount any rumours they might have heard of negotiations in progress for further amalgamations.

The directors' report and the accounts were adopted, and the dividends recommended were duly declared.

The annual general meetings of the Powell Duffryn Steam Coal Company, Limited, and Welsh Associated Collieries, Limited, were subsequently held; the reports and accounts were adopted and dividends duly declared.

## ANGLO-DUTCH PLANTATIONS OF JAVA, LIMITED

### POSITION OF TEA, RUBBER AND OTHER PRODUCTS

#### MR W. H. DAUKES'S REVIEW

The twenty-ninth ordinary general meeting of the Anglo-Dutch Plantations of Java, Limited, was held, on the 14th instant, at 19 Fenchurch Street, London.

Mr W. H. Daukes (chairman and managing director), in the course of his speech, said:—Ladies and gentlemen, the results of the year 1938 have unfortunately proved to be much as I predicted in my speech at our last annual general meeting. The profit in our Java balance sheet, before providing depreciation, was F.3,173,000, which, at F.8.90 to the £, the average rate for the year, represents £356,592. This compares with £661,713 for 1937. In 1937 we set aside £194,746 for depreciation and writings-off; for 1938 the figure has been reduced to £118,046. Our appropriations for this purpose have been on such a generous scale in the past that your board consider that the smaller provision now made is ample.

After including interest received and deducting London expenditure, the balance of profit amounts to £198,622; adding the carry-forward from 1937, £66,855, there remains £265,477 to be dealt with. The directors have placed £33,000 to tax reserve, which will also cover the liability under N.D.C., have added £25,000 to general reserve and propose to pay a final dividend of 3 per cent., making 5 per cent. for the year, leaving, £57,477 to be carried forward to the next accounts. The consolidated balance sheet shows the strong liquid position of the company, gilt-edged investments and cash representing approximately £680,000.

#### TEA

The number of our tea estates remains at the same figure as last year, 21. The area at December 31st last was 26,867 acres, of which practically the whole were in production. The condition of the estates throughout the year has been satisfactory.

Our standard production for 1938 was 18,371,000 lbs., and our export allowance under restriction 11,239,400 lbs. Bought leaf amounting to 405,650 lbs. was manufactured in our factories and 686,488 lbs. of export licences were purchased. The standard production represents an average yield of 682 lbs. per acre for the mature area, and the production for the year, 12,732,258 lbs., represents an average yield of 474 lbs. The gross profit on tea fell from F.2,114,000 to F.1,675,000, which is accounted for by a slight increase in the cost of production from 6.43d. to 6.50d. per lb. and a reduction in the selling price from 10.79d. to 10.07d. per lb. net.

As far as it is possible to foresee the trend of the tea market during the current year, prices appear to be steady at about the same level as last year. To prevent too heavy a rise in stocks, the International Tea Committee reduced the export quota for the current regulation year by 2½ per cent., so that it now stands at 90 per cent. of standard. As a matter of fact, deliveries from bond have been on a very satisfactory scale in this country since the commencement of the year, and the statistical position at the present time is a strong one, though these deliveries do not necessarily connote consumption. At the end of January, when they were at their highest peak, United Kingdom stocks amounted to 252 million pounds, against 227 million pounds at the corresponding date in the previous year. At the end of May, however, according to the latest Board of Trade figures, the stock had fallen to 168,308,000 lbs., compared with 162,841,000 lbs. at the end of May last year.

#### RUBBER

Our 16 rubber estates at December 31st last had a total planted area of 36,378 acres, of which 25,468 acres were in production and 10,910 immature. In the eleven years since we commenced our rejuvenation programme, 14,600 acres have been uprooted and replanted. In 1938, 2,640 acres were thus dealt with and for the current year it is proposed to replant a further 1,750 acres. The capital cost of our rubber stands now in our books at £24 7s. 8d. per acre, a figure which I am sure you will agree is a highly satisfactory one when it is remembered that this includes a large area planted with modern clones and seedlings.

Our standard production for last year was 17,979,684 lbs., the amount exportable averaged 49 per cent., giving us a quota of 8,810,045 lbs., in addition to which we purchased 1,167,533 lbs. of licences so that we were able to ship a total of 9,977,578 lbs. The production from all our estates throughout the year was 9,308,353 lbs., so that we drew to some extent on our carry-forward from the

previous year, which meant that we had a somewhat reduced quantity in stock at the end of 1938. This was in accordance with the policy of the board, who considered the carry-forward at the end of 1937, although within the permissible amount, to be somewhat larger than desirable. As in the previous year, the carry-forward, which can only be shipped against the following year's licences, has been valued at prime cost, that is, the cost of tapping, manufacture and transport.

#### COFFEE AND CINCHONA

Once again coffee has proved a severe disappointment, the market throughout the year remaining practically lifeless. Not only did the price remain low but unfavourable weather during the blossoming period of 1937 was responsible for a reduced crop. The total crop amounted to 13,630 cwt., the net selling price was 19s. 10d., compared with 23s. 9d. per cwt. for 1937. The result was a loss of F.263,000, against a loss of just under F.200,000 for the previous year.

Rejuvenations in recent years have taken place to the extent of 359 acres in 1936, 125 acres in 1937 and 191 acres last year. The improving yields as a result of replanting should enable us in the future to bring costs down to an economic level at which we should be able to hold our own, even on depressed markets, and derive a satisfactory profit if and when the market takes the long-hoped-for upward turn.

The cinchona profit dropped from F.250,000 to F.153,000, which was not caused by any material fluctuation in cost and selling price but is mainly accounted for by the fact that the board decided to write down the valuation of the large stock which has accumulated in Java to a figure which represents the cost of harvesting, manufacture and transport.

During the year 1938, 403,257 kilos of kina bark were harvested, against which we were able to make deliveries amounting to 388,291 kilos. This brings our stock of bark in Java to approximately 850,000 kilos, against a stock ten years ago of 260,000 kilos, whilst at the same time the sulphate content of the bark has risen from just over 6½ per cent. to over 8½ per cent. There is, however, a hope now, that, if the demand for quinine keeps constant over the next few years, our deliveries may be heavier than our harvesting, so causing a welcome reduction on our stock.

#### CURRENT YEAR'S PROSPECTS

After dealing with rice, sisal, tapioca and other products, and stating that the engineering department had continued throughout 1938 to be as active as ever, he concluded by saying: As six months of the new year have always gone by the time our annual meeting is held, it makes it easier to review the prospects for the current year. As a matter of fact, it cannot be said that there is any marked indication of any substantial change.

As regards tea, with the 2½ per cent. cut in the international quota which will be effective for nine months of our financial year, production will be somewhat smaller than in the previous year; on the other hand, there is no indication that selling price will vary to any great extent. The average export quota for rubber is unlikely to be greater and may even be slightly less. The average monthly selling price so far this year has been substantially higher than that of last year, but this is offset by the fact that this year we have not the satisfactory forward sale of last year.

Unless, therefore, the price advances substantially during the latter half of this year, which, in my opinion, is unlikely, the results from rubber also look like being fairly similar to those of the previous year. The sisal market, if anything, has shown a slightly weaker tendency; on the other hand, after the early months of the year, tapioca has shown some recovery. Therefore, as regards our four main products, I do not at the moment see the likelihood of any material change from the conditions of last year.

For any real improvement it would be necessary to have an improved price and a much larger export quota of rubber, and an advance in the price both of sisal and tapioca. All these, in my opinion, depend firstly upon a period of settled political conditions which should in turn be followed by much increased commercial activity, bringing with it as its natural concomitant a general advance in commodity prices.

The report and accounts were adopted.



## GOLD MINES OF KALGOORLIE, LIMITED

### EXPANSION OF OPERATIONS

#### INCREASED DISTRIBUTION FOR THE YEAR

The fifth ordinary general meeting of Gold Mines of Kalgoorlie, Limited, was held on the 11th instant at 20, Aldermanbury, London.

Mr P. E. Marmion (the chairman) said: You will, I am sure, have been pleased to observe the large increase in revenue from gold proceeds, £221,473, compared with £139,513 for the previous year, an advance of 59 per cent. Net profit increased also by almost 60 per cent. from £56,210 to £89,663 and, if you approve the dividend of 6d. per share which we now recommend, the total distribution for the year will be 10½d. against 6d. for the previous year, an improvement of 75 per cent.

#### SATISFACTORY RESULTS FROM NEW MILL

These satisfactory results in a large measure reflect the benefits from the full year's operation of the new mill—a large increase in throughput, a welcome gain in metallurgical efficiency and a substantial reduction in working costs, all very material factors in the well-being of your company. As a result of improvements in our system of ore passes and locomotive haulage and of other savings, the cost of mining and raising ore was reduced by 2s. 11d. per ton, from 14s. 9d. to 11s. 10d., whilst the cost of treatment in the new mill averaged 11s. 1d. per ton, a reduction of 5d. below the corresponding figure for the last 5 months of the preceding year when the mill first came into operation. These reductions were effected in spite of statutory wage increases that added rather more than 7d. per ton to our costs, while, owing to a change in our costing system, the expenditure on stope preparation, amounting to approximately 1s. 2d. per ton, is now included in mining costs.

In the Iron Duke lease particular interest has centred on the development of the ore shoots in the lower levels in the vicinity of the boundary between our property and that of North Kalgoorlie (1912) whose valuable co-operation has been of great assistance to us. The important feature of these ore shoots is that they occur in a wide sedimentary and fragmental margin of the calc-schist closely associated with folding and subsequent fracturing, and this encourages the hope that similar types of ore bodies might occur in the extensive unexplored area of marginal calc-schist in our leases.

What is believed to be the upward continuation of the Lower Hinchcliffe shoot was intersected above No. 10 level in a drill hole, the core of which assayed 118 dwts. for a length of 91 inches.

#### ORE RESERVES

The principal work done in the Oroya South Group of leases was in connection with the valuation of the ore left in the Australia East lease between the surface and No. 3 level in the orebody which includes Nos. 1, 2, 3 and 4 lenses. A thorough investigation by diamond drilling, crosscutting and sampling has shown that there remains in the walls and pillars in the old workings a large quantity, estimated at 322,000 tons, of 4½ dwt. ore, together with some 80,000 tons of fill, principally tailings, with a value of approximately 2,000 dwts. per ton. Including the fill which must be mined with the ore, this represents an addition of 330,000 tons to our reserves, 72,000 tons having been included in former estimates. The bulk of this tonnage can be mined by open-cut methods at low cost, and with gold at its present price, and assuming that there is no material increase in the cost of labour and stores, it is estimated that a satisfactory profit can be made on a throughput of 12,000 tons a month, of which approximately one-third will consist of this lower grade material. The necessary plant has been ordered and we should be milling at the increased rate by about November next.

The estimate of proved and probable ore reserves at the close of the year under review is 670,000 tons averaging 5.2 dwt. per ton, including 66,000 tons of broken ore in the stopes. These figures compare with 338,100 tons averaging 6.6 dwts. per ton at the close of the previous year. I am pleased to advise a marked improvement in recovery from the mill since the early days of its operation.

Summing up the year's results very briefly, I would say that developments were fully up to our expectations in quantity and quality of ore revealed and that increased throughput, reduced operating costs and improved metallurgical efficiency each contributed to the material advance in profits and rate of dividend. The programme of expansion on which we have embarked promises still further to contribute to the economy of our operations and we are thus encouraged to regard the future with confidence.

The report was unanimously adopted and the conversion of the shares into stock approved.

## TRUSTEES CORPORATION, LIMITED

### DIVIDEND AGAIN 10 PER CENT.

The fifty-first annual general meeting of the Trustees Corporation, Limited, was held, on the 12th instant, at Winchester House.

Mr W. Sandford Poole (the chairman of the corporation), in the course of his speech, said:—It is not surprising, in view of the fall of some 5 per cent. during the twelve months in the market quotation of investments generally, that the slender margin of a year ago on valuation of our investments has entirely disappeared. The depreciation, however, is only marginal, and is considerably less than the balance of £72,808 proposed to be carried forward on the revenue account, and represents but a small percentage on the balance-sheet figure of £3,205,833. Moreover, on the basis of the balance sheet before you and the relevant valuation, our capital and our reserves of over £500,000 are shown to be intact.

On the basis of book figures, nearly 49 per cent. of our investments are at home, while nearly 17½ per cent. are in the British dominions and dependencies. Thus, two-thirds of our total portfolio is invested under the British flag.

Interest and dividends, after provision for income tax and N.D.C., amount to £149,395, compared with £162,923, a decrease of £13,528. Just over £3,000 of this decrease was due to additional taxation borne, or to be borne, by the corporation. Notwithstanding taxation deductions at a higher rate, our income from interest and dividends, at £149,395, was some £700 more than in 1937.

Your management were not slow in realising that air-raid precautions would entail heavy additional responsibilities, and have adapted part of the sub-ground floor premises at Winchester House as a permanent air-raid shelter, with fully equipped decontamination and first-aid stations.

With regard to the outlook, allowing for the time lag experienced by investment trusts incidental to the nature of their revenue, I am afraid we must reconcile ourselves to the prospect of some further diminution of total revenue from home investments.

We propose a final dividend of 7 per cent., less income tax, again making the dividend on the ordinary stock 10 per cent. for the year, which in all circumstances must be considered satisfactory.

The report and accounts were unanimously adopted.

## EASTWOODS CEMENT, LIMITED

### DIVIDEND MAINTAINED AT 12½ PER CENT.

The fourteenth ordinary general meeting of Eastwoods Cement, Limited, was held, on the 12th instant, at River Plate House, London, E.C.

Mr Horace Boot, M.Inst.C.E., M.I.Mech.E., M.I.E.E. (the chairman) said:—Investments in industrial concerns included their holdings in Eastwoods Humber Cement, whose works at South Ferryby were now in full production and supplied the whole of the Admiralty requirements for the reconstruction of the oil installation at Rosyth, with a preliminary order for 75,000 tons. Production and sales of Eastwoods Lewes Cement continued at a satisfactory level. The three cement works of the Eastwoods group now functioning in the North, the South and the Midlands had a total productive capacity of 265,000 tons, which was capable of interchange between works as required, thus providing a measure of elasticity greater than ever before. There was a net profit of £28,505, compared with £27,363 for 1938, and with net earnings at 14½ per cent. on the paid-up capital, the dividend was well earned, and the distribution maintained at 12½ per cent.

The most serious item on the production side was again the substantial rise in fuel costs, which applied to coal used for burning and power raising. The control imposed by the marketing schemes had considerably restricted the manufacturers' choice of supply, and they were glad to note the result of the recent appeal.

Referring to the quota scheme, the chairman said they had long advocated it, provided a satisfactory forward policy could be evolved, coupled with suitable safeguards for the interests of smaller makers. The alternative would again have been over-production and all the evils of price confusion should any recession in sales occur following the present international tension.

The future outlook continued to be favourable. The population of the country was becoming more and more cement-minded and fresh uses for the product were being found every day. Any falling off of the tonnage for defence works, A.R.P. and aerodrome construction should be replaced by immediate resumption of work on the roads and public schemes held in suspense ending completion of the re-armament.

The report and accounts were unanimously adopted.

## THISTLE - ETNA GOLD MINES, LIMITED

### DIVIDEND RAISED TO 8 PER CENT.

The fifth ordinary general meeting of the Thistle-Etna Gold Mines, Limited, was held on the 11th instant at Winchester House, London, E.C.

Sir Godfrey B. H. Fell, K.C.I.E., C.S.I. (the chairman), after expressing regret at the death of Mr E. B. Ridsdel in April last, said that the balance from mine working account was £21,380, after charging £16,000 for development. The balance carried down was £18,130 and they recommended a dividend of 8 per cent., less tax, leaving £9,668 to be carried forward.

The total footage of development completed during the year was 9,487, compared with 8,809 in the previous year. The payable footage, 1,523, compared unfavourably with the previous year's figure of 2,788, but the average value was higher at 13.5 dwt. over 19 in., as against 10.1 dwt. over 20 in. Development operations had been adversely affected by extensive dislocation of the reef due to the intrusion of unexpected dykes, the consequence being

that the greater part of the development work during the past year had been dead work, absolutely necessary, but immediately unproductive.

Considering the amount of dead work done, it was not altogether unsatisfactory that the ore reserves had increased from 66,100 tons to 73,350 tons, though the average value was rather lower. During the year the total recovery was 9,156 fine ounces of gold, as against 7,068, and silver recovered amounted to 7,161 oz., against 5,087. All-in working costs in Rhodesia were 14s. 3.589d., a reduction of just under 2s. per ton milled. Mr Prior, the resident engineer, called attention to the high percentage extraction in the plant and the satisfactory running time in the mill.

Although the past year had been in some respects disappointing, he thought that they might be reasonably confident that they had now surmounted the worst of the difficulties attributable to the extensive dislocation of the reef and might look forward in the coming year to a considerable increase in their ore reserves. They were only waiting for that result to proceed with the programme of installing five more stamps, for which the foundations were already complete.

The report was unanimously adopted.

(Continued from page 134)

issued in July of 3,156,000 acres were revised to 3,047,100 acres. Weather conditions for the jute crop have been very satisfactory and a good yield of excellent fibre is expected. Private estimates give the outturn at around 12 million bales.

The Indian jute mills are likely to curtail their production during this season from July 31st by sealing up 20 per cent. of their hessian looms and 7½ per cent. of their sacking looms, which will mean a reduction in consumption of raw jute from about 5,600,000 bales as at present to 5,000,000 bales, while exports will probably be round about 4,000,000 bales. The total needs of the world will therefore be about nine million bales, so that there should be a good surplus to replenish stocks which have been seriously depleted in recent seasons.

The market has ruled firm for a time, but has lately become easier again, with sellers of Daisee 2/3 at £21 per ton for October-November shipment, full group, and Tossa 2/3 at £22 10s., with fours at £21; Lightnings are quoted at from £24 per ton and Hearts at £22 5s., August-September.

Yarns are quiet at 2s. 8d. for common 8-lb. cops and 2s. 9d. for 8-lb. spools for near delivery and 2s. 5d. and 2s. 6d. for October-December. Cloth has improved a little, with prices quoted at 3½d. for 10-oz. and 2½d. for 8-oz., while Calcutta goods have fluctuated slightly.

## THE COMMODITY MARKETS

ON Thursday wheat prices in Liverpool dropped below 3s. 8d. per cental, thus breaking the low record of 3s. 8d. per cental reached during the financial crisis of 1931.

The general trend of the prices of primary products was slightly downwards both in this country and in the United States. Moody's index of the prices of sensitive commodities in the United States fell from 143.2 (December 31, 1931 = 100) to 141.3 during the week ended last Wednesday.

Apart from the fall in wheat, sugar prices also drifted downwards. The market in rubber was dull at slightly lower prices, but cotton prices are scarcely changed on the week. Copper

prices were firm early in the week, but declined on Wednesday. Other non-ferrous metals were steady.

## Metals

**Copper.**—After rising to £43 3s. 9d. per ton; standard cash reacted and closed 1s. 3d. lower on the week at £42 13s. 9d. per ton on Wednesday. The market was influenced by higher domestic sales in the United States where the price was raised to 10.25 cents per lb. last week. The outlook for the European market depends largely upon American developments.

★

**Tin.**—The cash price for tin at £229 15s. per ton and the backwardation at £5 5s. were unchanged on the week, though the latter had shown some fluctuation. The market is now largely dependent upon the Buffer Pool, which appears willing to sell at the present price. As the pool will probably be able to sell a substantial part of its stocks within the next two months, an increase in the export quota for the third quarter is expected in some circles.

★

**Lead and Spelter.**—Spelter closed unchanged at £14 2s. 6d. per ton, while lead advanced by 1s. 3d. to £14 13s. 9d. per ton. The demand for the two metals was very small this week, but sellers are not willing to liquidate freely at present prices and the markets are fairly strong. There has been no news of progress towards the formation of an international zinc cartel, which seems to have been postponed until the autumn.

## Grains

THE markets in wheat were again depressed and they derived no comfort from the official Canadian report of the condition of the spring crop in that country. On the basis of the official report, the spring crop is expected to be between 420-450 million bushels, compared with 330 million bushels harvested last year. The official estimates of the winter and spring crops of the United States were in line with expectations, the total yield being estimated at 716½ million bushels, a reduction of some 250 million bushels from last year's crop. There has been a decline in the prices of Plate and South African maize and the trend of barley prices has also been easier.

## Other Foods

**Provisions.**—Beef prices have shown a slight rise, but quotations for mutton and lamb showed little change. The market in butter was firm and prices higher, but there was little change in cheese. Following last week's improvement, bacon prices showed little change.

★

**Colonial Produce.**—The market in tea has been under the influence of reports that an important firm has encountered difficulties; their probable effect on the market is discussed on page 131. The prices of raw and refined sugar were marked down. The market in coffee was rather slow.

★

**Fruit and Vegetables.**—Business on the London markets was quite active and, considering the larger supplies now coming forward, prices have been well maintained. The rush of the strawberry season is now over and other soft fruits are attracting more attention. Among vegetables, heavy supplies of tomatoes, cucumbers and lettuce have tended to bring down prices.

## Miscellaneous Commodities

**Oils and Oilseeds.**—Shipments of Indian linseed to replenish stocks have been quite good and prices rallied slightly and are steady. Plate seed prices are lower in sympathy with wheat, but demand is small. New crop is now on the market at about £11 10s. per ton for January-February loading. Shipments from Argentina last week were large and the exportable surplus is expected to be further reduced before America's crop is available to crushers. The United States crop has suffered from blight, but a much larger supply than last season is still confidently expected. Egyptian cottonseed prices have declined again to a new low level. Trade in linseed oil is fair, though it is also cheaper than a week ago.

★

**Rubber.**—The market in rubber has been dull and featureless. The volume of business has been small and prices have shown a slightly easier tendency. There is still no information concerning the manner in which the Anglo-American rubber-cotton barter deal is to be carried out and the market is anxious for the position to be clarified.

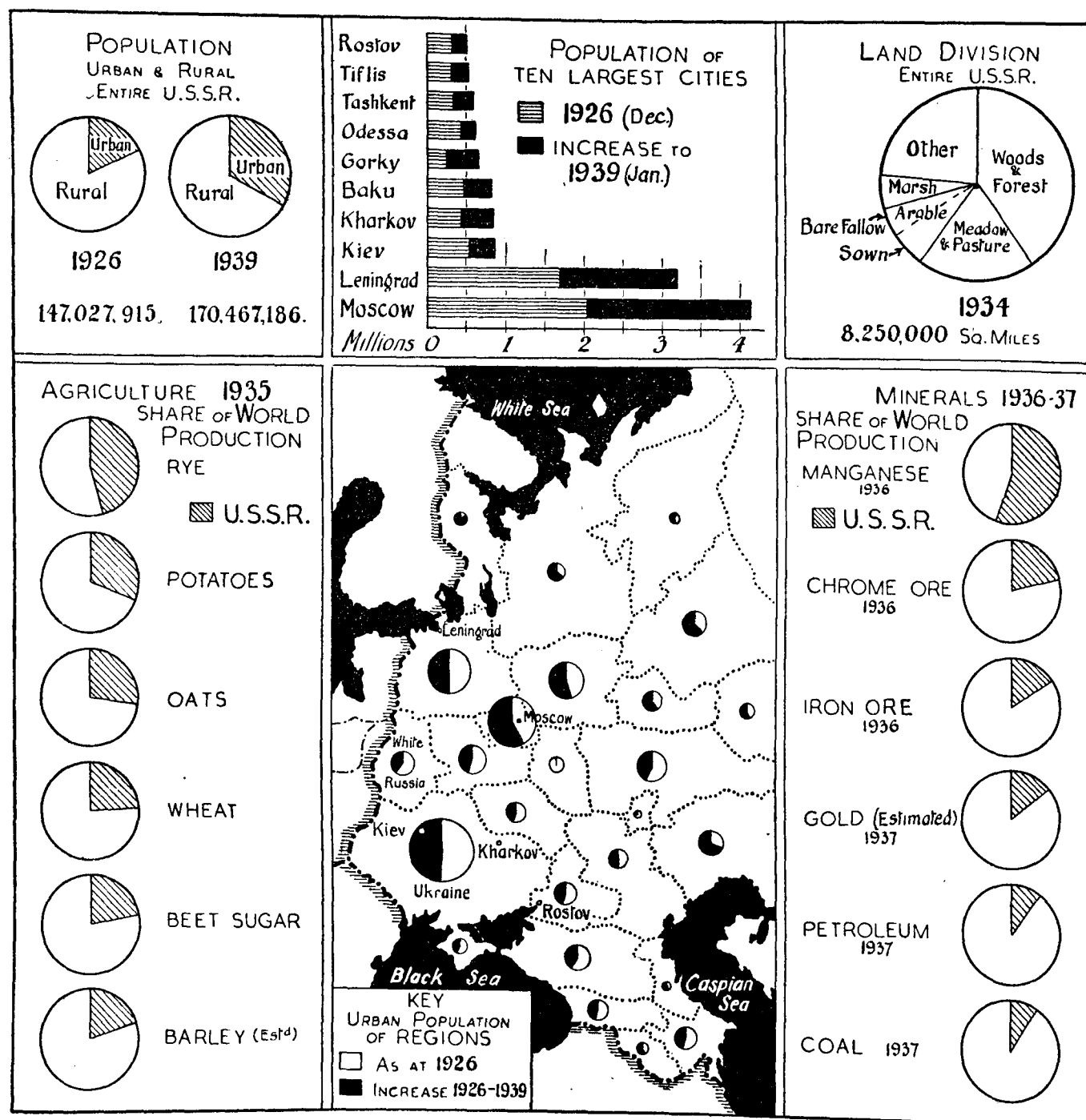
## CURRENT STATISTICS

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# Soviet Russia



We are indebted to the "Russia To-day" Press Service for the preliminary results of the census taken last January.

## Finance

## GOVERNMENT RETURNS

For the eight days ended July 8, 1939, total ordinary revenue was £17,118,000, against ordinary expenditure of £17,558,000, issues of £6,750,000 under the Defence Loans Acts, and £262,000 issued to Sinking Funds. Thus, including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1 last is £152,323,000, against £119,062,000 a year ago.

### ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                                          | Receipts into the Exchequer<br>(£ thousands) |                                       |                                    |                                    |
|--------------------------------------------------|----------------------------------------------|---------------------------------------|------------------------------------|------------------------------------|
|                                                  | Apr. 1,<br>1938<br>to July 9,<br>1938        | Apr. 1,<br>1939<br>to July 8,<br>1939 | 9 days<br>ended<br>July 9,<br>1938 | 8 days<br>ended<br>July 8,<br>1939 |
| <b>ORDINARY REVENUE</b>                          |                                              |                                       |                                    |                                    |
| Income Tax .....                                 | 17,723                                       | 15,129                                | 6,104                              | 4,883                              |
| Sur-tax .....                                    | 6,380                                        | 7,030                                 | 263                                | 370                                |
| Estate, etc., Duties ..                          | 21,760                                       | 23,070                                | 2,860                              | 2,140                              |
| Stamps .....                                     | 4,830                                        | 4,480                                 | 100                                | 100                                |
| Nat. Defence Cont. ...                           | 1,990                                        | 5,790                                 | 300                                | 750                                |
| Other Inland Rev. ...                            | 170                                          | 270                                   | 60                                 | 20                                 |
| <b>Total Inland Rev. ...</b>                     | <b>52,853</b>                                | <b>55,769</b>                         | <b>9,684</b>                       | <b>8,263</b>                       |
| <b>Customs</b> .....                             | <b>59,569</b>                                | <b>67,554</b>                         | <b>5,851</b>                       | <b>6,031</b>                       |
| <b>Excise</b> .....                              | <b>28,100</b>                                | <b>28,040</b>                         | <b>1,200</b>                       | <b>1,090</b>                       |
| <b>Total Customs and<br/>Excise</b> .....        | <b>87,669</b>                                | <b>95,594</b>                         | <b>7,051</b>                       | <b>7,121</b>                       |
| Motor duties .....                               | 4,967                                        | 5,043                                 | 387                                | 414                                |
| P.O. (Net Receipt) ...                           | 1,470                                        | 1,514                                 | <i>Dr.150</i>                      | <i>Dr.100</i>                      |
| Crown Lands .....                                | 280                                          | 320                                   | ...                                | ...                                |
| Receipts from Sundry<br>Loans .....              | 1,495                                        | 1,403                                 | 1,130                              | 1,047                              |
| Misc. receipts .....                             | 1,629                                        | 1,531                                 | 374                                | 373                                |
| <b>Total Ordinary Rev.<br/>SELF-BAL. REVENUE</b> | <b>150,363</b>                               | <b>161,174</b>                        | <b>18,476</b>                      | <b>17,118</b>                      |
| <b>P.O. and Broadcasting</b>                     | <b>20,530</b>                                | <b>21,036</b>                         | <b>1,350</b>                       | <b>1,300</b>                       |
| <b>Total</b> .....                               | <b>170,893</b>                               | <b>182,210</b>                        | <b>19,826</b>                      | <b>18,418</b>                      |

| Expenditure                                              | Issues out of the Exchequer<br>to meet payments<br>(£ thousands) |                                           |                                    |                                    |
|----------------------------------------------------------|------------------------------------------------------------------|-------------------------------------------|------------------------------------|------------------------------------|
|                                                          | Apr. 1,<br>1938,<br>to<br>July 9,<br>1938                        | Apr. 1,<br>1939,<br>to<br>July 8,<br>1939 | 9 days<br>ended<br>July 9,<br>1938 | 8 days<br>ended<br>July 8,<br>1939 |
| <b>ORDINARY EXPENDITURE</b>                              |                                                                  |                                           |                                    |                                    |
| <i>Interest &amp; Management</i><br>of National Debt ... | 86,122                                                           | 86,790                                    | 10,061                             | 9,998                              |
| <i>Pays, to N. Ireland ...</i>                           | 1,880                                                            | 1,911                                     | 285                                | 278                                |
| <i>Other Consol. Fund</i><br><i>Services .....</i>       | 1,177                                                            | 2,939                                     | 585                                | 2,347                              |
| <i>Total .....</i>                                       | 89,179                                                           | 91,640                                    | 10,931                             | 12,623                             |
| <i>Supply Services .....</i>                             | 178,495                                                          | 220,055                                   | 21,794                             | 17,935                             |
| <i>Ditto, plus loans* .....</i>                          | 178,495                                                          | 241,555                                   | 21,794                             | 24,685                             |
| <i>Total Ord. Expend.</i>                                | 267,674                                                          | 311,695                                   | 32,726                             | 30,558                             |
| <i>Issues from Def. Lns....</i>                          | ...                                                              | 21,500                                    | ...                                | 6,750                              |
| <b>SELF-BALANCING</b><br><b>EXPENDITURE</b>              |                                                                  |                                           |                                    |                                    |
| <i>P.O. and Broadcasting</i><br><i>Votes .....</i>       | 20,530                                                           | 21,036                                    | 1,350                              | 1,300                              |
| <i>Total .....</i>                                       | 288,204                                                          | 332,731                                   | 34,076                             | 31,858                             |

\* Supply Services, after addition of issues under Defence Loan Acts.

After raising Exchequer balances by £360,850 to £2,882,037, the other operations for the period (as shown below, excluding issues from loans or to sinking funds) raised the gross National Debt by £20,813,000 to about £8,458 millions.

### 8 DAYS' CHANGES IN DEBT

| NET INCREASES      |               | NET REPAYMENTS, ETC. |               |
|--------------------|---------------|----------------------|---------------|
| Treasury Bills ... | 59,063        | Bk. of Eng. Adv. ... | 37,500        |
| Land Settlement    | 18            | Public Int. Adv. ... | 370           |
| Tithe Act .....    | 230           | P.O. Teleg. ....     | 60            |
|                    |               | N. At. Shipping ...  | 27            |
|                    |               | Ang.-Turk. Arms      |               |
|                    |               | credit .....         | 1             |
|                    | <b>50,311</b> |                      | <b>38,498</b> |

## AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to July 8, 1939, are shown below :—

| (£ thousands)     |                |
|-------------------|----------------|
| Ordinary Exp. ... | 311,695        |
| Issues under Def. |                |
| Ln. Acts .....    | 21,500         |
| Inc. in balances  | 383            |
|                   | <u>333,578</u> |
| Ord. Rev. ....    | 161,174        |
| Gross borr.       | 174,205        |
| Less—             |                |
| Sinking fds.      | 1,801          |
| Net borrowing ... | 172,404        |
|                   | <u>333,578</u> |

## FLOATING DEBT

| (£ millions) |                |       |                         |                 |                     |                 |
|--------------|----------------|-------|-------------------------|-----------------|---------------------|-----------------|
| Date         | Treasury Bills |       | Ways and Means Advances |                 | Total Floating Debt | Floating Assets |
|              | Tender         | Tap   | Public Depts.           | Bank of England |                     |                 |
| 1938         |                |       |                         |                 |                     |                 |
| July 9       | 573.0          | 298.3 | 43.2                    | ...             | 914.5               | 341.5           |
| Mar. 18      | 355.0          | 505.7 | 41.8                    | ...             | 903.5               | 547.5           |
| " 25         | 366.0          | 502.2 | 43.4                    | ...             | 911.6               | 547.5           |
| " 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               | 578.6           |
| " 13         | 439.0          | 506.2 | 44.6                    | ...             | 983.8               | 554.8           |
| " 20         | 439.0          | 506.2 | 45.8                    | ...             | 989.0               | 550.0           |
| " 27         | 449.0          | 505.6 | 44.7                    | ...             | 999.3               | 550.3           |
| June 3       | 459.0          | 535.3 | 41.1                    | ...             | 1054.4              | 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           |
| " 24         | 479.0          | 540.4 | 45.7                    | ...             | 1065.1              | 586.1           |
| " 30         | 993.0*         |       | 45.7                    | 37.5            | 1076.2              | *               |
| July 8       | 489.0          | 563.0 | 45.3                    | ...             | 1097.3              | 608.3           |

\* 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           |         |             |          | s.             | d.                                 |    |
| July 8         | 45·0    | 85·2        | 45·0     | 10             | 5·43                               | 40 |
| 1939           |         |             |          |                |                                    |    |
| Mar. 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         | 38·0    | 58·0        | 32·0     | 26             | 2·83                               | 44 |
| " 13           | 35·0    | 51·3        | 30·0     | 11             | 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 |
| " 26           | 43·0    | 58·3        | 40·0     | 13             | 1·91                               | 74 |
| June 2         | 45·0    | 64·0        | 45·0     | 13             | 1·65                               | 73 |
| " 9            | 45·0    | 66·8        | 45·0     | 14             | 5·23                               | 65 |
| " 16           | 53·0    | 70·1        | 53·0     | 16             | 7·81                               | 60 |
| " 23           | 50·0    | 60·7        | 53·0     | 14             | 6·51                               | 77 |
| " 30           | 53·0    | 66·6        | 47·0     | 17             | 0·00                               | 58 |
| July 7         | 40·0    | 63·3        | 37·0     | 16             | 8·32                               | 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 July 7th 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 as to about 44 per cent. of the amount applied for and applications at higher prices in full. Applications at £91 15s. 10d. for bills to be paid for on Saturday were accepted in full. £35.0 millions of Treasury bills are being offered on July 14th.

## NATIONAL SAVINGS CERTIFICATES

| Sales in               | Number     | Purchase Price |
|------------------------|------------|----------------|
| Twenty-five weeks to : |            | £              |
| June 25, 1938 .....    | 16,450,784 | 12,338,084     |
| June 24, 1939 .....    | 15,446,631 | 11,584,936     |
| Week to :              |            |                |
| June 25, 1938 .....    | 552,935    | 414,698        |
| June 17, 1939 .....    | 591,190    | 443,392        |
| June 24, 1939 .....    | 551,209    | 413,407        |

# BANK OF ENGLAND RETURNS

JULY 12th, 1939

## ISSUE DEPARTMENT

|                         |   |                |           |
|-------------------------|---|----------------|-----------|
| Notes Issued :          | £ | Govt. Debt...  | 11,015,1  |
| In circuln. 507,929,406 |   | Other Govt.    |           |
| In Bnkg. De-            |   | Securities...  | 288,113,7 |
| partment . 38,487,559   |   | Other Secs...  | 162,1     |
|                         |   | Silver Coin .. | 709,0     |
|                         |   |                |           |
|                         |   | Amt. of Fid.   |           |
|                         |   | Issue .....    | 300,000,0 |
|                         |   | Gold Coin &    |           |
|                         |   | Bullion (at    | 246,416,9 |
|                         |   | 148s. 6d. per  |           |
|                         |   | oz. fine) ..   | 546,416,9 |
| 546,416,965             |   |                |           |

## BANKING DEPARTMENT

|                 |             |                |                                      |
|-----------------|-------------|----------------|--------------------------------------|
| Capital .....   | 14,553,000  | Govt. Secs. .  | 100,441 <sup>1</sup> / <sub>2</sub>  |
| Rest .....      | 3,451,480   | Other Secs. :  |                                      |
| Public Depts.*  | 29,524,134  | Discs., etc. : | 9,232.9                              |
| Or her Depts. : |             | Securities     | 22,610.2                             |
| Bankers ....    | 87,110,775  |                | 31,843.2                             |
| Other Acs. .... | 36,781,952  | Notes .....    | 38,487.5 <sup>1</sup> / <sub>2</sub> |
|                 | 123,892,727 | Gold & Silver  |                                      |
|                 |             | Coin .....     | 649.3 <sup>1</sup> / <sub>2</sub>    |

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

## THE WEEK'S CHANGES

| (£ thousands)                                                     |                         |                |                |
|-------------------------------------------------------------------|-------------------------|----------------|----------------|
| Both Departments                                                  | Am.<br>July 12,<br>1939 | Compared with  |                |
|                                                                   |                         | Last<br>Week   | Last<br>Year   |
| <b>COMBINED LIABILITIES</b>                                       |                         |                |                |
| Note circulation .....                                            | 507,929                 | + 2,207        | + 19,82        |
| Deposits : Public .....                                           | 29,524                  | + 10,223       | + 16,30        |
| Bankers' .....                                                    | 87,111                  | - 9,366        | - 25,89        |
| Others .....                                                      | 36,782                  | - 779          | + 1,25         |
| <b>Total outside liabilities...</b>                               | <b>661,346</b>          | <b>+ 2,286</b> | <b>+ 11,52</b> |
| Capital and rest .....                                            | 18,004                  | + 19           | 1              |
| <b>COMBINED ASSETS</b>                                            |                         |                |                |
| Govt. debt and securities                                         | 399,570                 | - 18,388       | + 90,04        |
| Discounts and advances.                                           | 9,233                   | + 444          | - 1,08         |
| Other securities .....                                            | 22,772                  | + 272          | + 2,17         |
| Silver coin in issue dept.                                        | 709                     | + 4            | + 69           |
| Gold coin and bullion                                             | 247,066                 | + 19,981       | - 80,32        |
| <b>RESERVES</b>                                                   |                         |                |                |
| Res. of notes & coin in<br>banking department...                  | 39,137                  | + 17,773       | - 15           |
| <b>Proportion of reserve to<br/>outside liabilities—</b>          |                         |                |                |
| (a) Bankg. dept. only<br>(" proportion ") .                       | 25.5%                   | + 11.6%        | + 1.3%         |
| (b) Gold stocks to de-<br>posits and notes<br>(" reserve ratio ") | 37.4%                   | + 3.4%         | - 13.0%        |

### COMPARATIVE ANALYSIS\*

|                                    | 1938    |         |         |         |         | 1939    |         |         |         |         |
|------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                    | July 13 | June 14 | June 21 | June 28 | July 12 | July 13 | June 14 | June 21 | June 28 | July 12 |
| <i>Issue Dept. :</i>               |         |         |         |         |         |         |         |         |         |         |
| Notes in circ.                     | 488.1   | 495.0   | 494.7   | 499.0   | 507.7   |         |         |         |         |         |
| Notes in banking dept. ....        | 38.3    | 31.3    | 31.6    | 27.4    | 38.7    |         |         |         |         |         |
| Govt. debt and securities ....     | 199.9   | 299.1   | 299.2   | 299.2   | 299.9   |         |         |         |         |         |
| Other secs. ....                   | 0.0     | 0.0     | 0.1     | 0.1     | 0.0     |         |         |         |         |         |
| Silver coin ....                   | 0.0     | 0.8     | 0.7     | 0.7     | 0.0     |         |         |         |         |         |
| Gold, valued at 3. per f. oz.      | 326.4   | 226.3   | 226.3   | 226.4   | 246.5   |         |         |         |         |         |
|                                    | 84.96   | 148.42  | 148.42  | 148.50  | 148.50  |         |         |         |         |         |
| <i>Deposits :</i>                  |         |         |         |         |         |         |         |         |         |         |
| Public .....                       | 13.2    | 22.2    | 25.2    | 15.4    | 29.1    |         |         |         |         |         |
| Bankers .....                      | 113.0   | 100.3   | 97.2    | 101.4   | 87.7    |         |         |         |         |         |
| Others .....                       | 35.5    | 36.4    | 36.1    | 37.0    | 36.4    |         |         |         |         |         |
| Total .....                        | 161.7   | 158.8   | 168.5   | 153.8   | 153.4   |         |         |         |         |         |
| <i>Bkg. Dept. Secs.</i>            |         |         |         |         |         |         |         |         |         |         |
| Government...                      | 109.6   | 116.3   | 112.6   | 113.9   | 100.4   |         |         |         |         |         |
| Discounts, etc.                    | 10.3    | 5.6     | 6.5     | 6.8     | 9.2     |         |         |         |         |         |
| Other .....                        | 20.6    | 23.0    | 25.2    | 22.9    | 22.6    |         |         |         |         |         |
| Total .....                        | 140.5   | 144.9   | 144.3   | 143.6   | 132.2   |         |         |         |         |         |
| <i>Banking dept. reserve .....</i> | 39.3    | 31.8    | 32.2    | 28.2    | 39.1    |         |         |         |         |         |
|                                    | %       | %       | %       | %       | %       |         |         |         |         |         |
| "Proportion" ..                    | 24.2    | 20.0    | 20.3    | 18.3    | 25.5    |         |         |         |         |         |
| Reserve ratio...                   | 50.4    | 35.0    | 34.7    | 34.9    | 37.4    |         |         |         |         |         |

\* Government debt is £11,015,100; capital £14,553,000. † Gold stocks in both departments to deposits and notes in circulation.



## OVERSEAS BANK RETURNS

NOTE—The latest returns of the Bank of Greece appeared in The Economist of May 6th; Egypt, of June 24th; Estonia, South Africa and Federal Reserve Banks, of July 1st; Argentina, Australia, Bulgaria, Denmark, International Settlements, Java, Yugoslavia, Portugal and Sweden, of July 8th.

## U.S. FEDERAL RESERVE BANKS

| Million \$'s                                | July 14, 1938 | June 15, 1938 | July 13, 1938 | July 13, 1939 |
|---------------------------------------------|---------------|---------------|---------------|---------------|
| 12 U.S.F.R. BANKS                           |               |               |               |               |
| RESOURCES                                   |               |               |               |               |
| Gold certifi. on hand and due from Treas.   | 10,635        | 13,421        | 13,535        | 13,605        |
| Total reserves                              | 11,046        | 13,806        | 13,861        | 13,966        |
| Total cash reserves                         | 401           | 376           | 318           | 353           |
| Total bills discounted                      | 9             | 3             | 5             | 5             |
| Bills on open mkt.                          | 1             | 1             | 1             | 1             |
| Total bills on hand                         | 16            | 4             | 5             | 6             |
| Industrial advances                         | 10            | 12            | 12            | 13            |
| Total U.S. Govt. secs.                      | 2,564         | 2,564         | 2,551         | 2,535         |
| Total bills and secs.                       | 2,590         | 2,580         | 2,568         | 2,553         |
| Total resources                             | 14,396        | 17,274        | 17,130        | 17,341        |
| LIABILITIES                                 |               |               |               |               |
| F.R. notes in circ.                         | 4,134         | 4,438         | 4,543         | 4,523         |
| Aggregate of excess m. bank res. over reqs. | 3,150         | 4,260         | 4,290         | 4,450         |
| Deposits                                    | 8,273         | 10,101        | 10,151        | 10,350        |
| Govt. deposits                              | 9,273         | 11,743        | 11,649        | 11,778        |
| Cap. paid in and surplus                    | 309           | 311           | 311           | 312           |
| Total liabilities                           | 14,396        | 17,274        | 17,130        | 17,341        |
| RESOURCES COMBINED                          |               |               |               |               |
| Monetary gold stock                         | 12,979        | 16,027        | 16,136        | 16,174        |
| Treasury and Nat. Bk. currency              | 2,716         | 2,868         | 2,880         | 2,885         |
| LIABILITIES                                 |               |               |               |               |
| Money in circulation                        | 6,444         | 6,936         | 7,100         | 7,041         |
| Treasury cash and deposits with F.R. Bks.   | 2,943         | 3,498         | 3,397         | 3,343         |

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

|                                            | July<br>14,<br>1938 | June<br>15,<br>1938 | July<br>13,<br>1938 | July<br>13,<br>1939 |
|--------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Total gold reserves                        | 4569.1              | 6456.6              | 6499.8              | 6563.8              |
| Total bills discounted                     | 2.8                 | 0.6                 | 1.4                 | 1.2                 |
| Bills on open mkt.                         | 0.2                 | 0.2                 | 0.2                 | 1.2                 |
| Total U.S. Govt. secs.                     | 780.1               | 721.9               | 753.1               | 747.3               |
| Total bills and securts.                   | 787.4               | 725.6               | 757.6               | 751.6               |
| Deposits — Member-<br>bank reserve account | 3921.6              | 5405.3              | 5488.6              | 5591.3              |
| Reserve to depts. and<br>F.R. notes        | 86.7%               | 90.8%               | 90.7%               | 90.6%               |

## BANK OF FRANCE.—Million francs

|                                              | July<br>7,<br>1938 | June<br>8,<br>1939 | July<br>29,<br>1938 | July<br>6,<br>1939 |
|----------------------------------------------|--------------------|--------------------|---------------------|--------------------|
| <b>ASSETS</b>                                |                    |                    |                     |                    |
| Gold*                                        | 55,808             | 92,266             | 92,266              | 92,266             |
| Bills: Commercial                            | 6,233              | 9,884              | 9,906               | 9,223              |
| Bought abroad                                | 744                | 726                | 692                 | 692                |
| Advances on securities                       | 3,564              | 3,468              | 3,471               | 3,557              |
| Thirty-day advances                          | 529                | 845                | 374                 | 542                |
| 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                             |                    |                    |                     |                    |
| Sinking Fund Dept.                           | 5,574              | 5,470              | 5,470               | 5,470              |
| Other assets                                 | 4,194              | 4,652              | 4,768               | 4,606              |
| <b>LIABILITIES</b>                           |                    |                    |                     |                    |
| Notes in circulation                         | 10,150             | 12,187             | 12,261              | 12,347             |
| Deposits: Public                             | 3,226              | 5,592              | 5,188               | 4,978              |
| Private                                      | 12,309             | 17,721             | 16,721              | 15,242             |
| Other liabilities                            | 2,940              | 3,288              | 3,004               | 3,235              |
| Gold to serth liabilities                    | 47.6%              | 63.7%              | 63.8%               | 64.1%              |

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

## REICHSBANK\*

Million Reichsmarks

|                        | July<br>7,<br>1938 | June<br>7,<br>1938 | June<br>30,<br>1939 | July<br>7,<br>1939 |
|------------------------|--------------------|--------------------|---------------------|--------------------|
| ASSETS                 |                    |                    |                     |                    |
| Gold & for. currencies | 76.6               | 76.5               | 76.7                | 76.6               |
| Bills & cheques        | 5838.8             | 7176.3             | 8159.0              | 7778.8             |
| Token money            | 169.1              | 153.2              | 129.7               | 133.4              |
| Renten bank notes      | 43.1               | 34.1               | 14.6                | 22.8               |
| Advances               | 846.2              | 921.2              | 929.5               | 925.0              |
| Secs. for note cover   | 1123.6             | 283.2              | 273.6               | 272.9              |
| Others                 |                    |                    |                     |                    |
| Other assets           | 6195.8             | 8191.9             | 8731.1              | 8531.2             |
| LIABILITIES            |                    |                    |                     |                    |
| Notes in circulation   | 970.0              | 1117.2             | 1281.4              | 986.7              |
| Daily maturing liab.   | 267.1              | 579.1              | 400.4               | 406.7              |
| Other liab. items      | 1.2                | 0.9                | 0.8                 | 0.9                |
| Total note circulation | 1,237.0            | 1,697.1            | 1,682.6             | 1,394.3            |

\* Form of return has been altered, as from June 23, 1939.

## NATIONAL BANK OF BELGIUM

Million belgas

|                        | July<br>8,<br>1938 | June<br>29,<br>1938 | June<br>29,<br>1939 | July<br>6,<br>1939 |
|------------------------|--------------------|---------------------|---------------------|--------------------|
| <b>ASSETS</b>          |                    |                     |                     |                    |
| Gold                   | 2,877              | 3,153               | 3,187               | 3,279              |
| Silver and other coin  | 48                 | 51                  | 54                  | 73                 |
| Foreign exchange, etc. | 797                | 639                 | 739                 | 734                |
| Bills and securities   | 774                | 822                 | 702                 | 692                |
| Advances               | 61                 | 55                  | 48                  | 67                 |
| <b>LIABILITIES</b>     |                    |                     |                     |                    |
| Notes in circulation   | 4,186              | 4,438               | 4,442               | 4,537              |
| Deposits: Govt.        | 10                 | 9                   | 37                  | 8                  |
| Other                  | 276                | 183                 | 161                 | 187                |

## BANK OF CANADA.—Million \$'s

|                                                    | June<br>29,<br>1938 | May<br>31,<br>1939 | June<br>21,<br>1939 | June<br>28,<br>1939 |
|----------------------------------------------------|---------------------|--------------------|---------------------|---------------------|
| ASSETS                                             |                     |                    |                     |                     |
| Reserve, of which .....                            | 213.0               | 240.2              | 251.6               | 246.2               |
| Gold coin and bullion .....                        | 181.7               | 205.6              | 205.7               | 205.7               |
| Securities .....                                   | 166.8               | 166.7              | 159.9               | 160.0               |
| LIABILITIES                                        |                     |                    |                     |                     |
| Note circulation .....                             | 154.0               | 166.2              | 165.0               | 164.6               |
| Deposits: Dom. Govt. ....                          | 20.7                | 24.2               | 36.2                | 28.8                |
| Chartered banks .....                              | 194.8               | 205.4              | 200.9               | 203.1               |
| Reserves to notes and<br>deposit liabilities ..... | 57.4                | 59.7               | 61.8                | 61.3                |

## BANK OF FINLAND

Million F. marks

|                                 | June<br>30,<br>1938 | May<br>31,<br>1939 | June<br>23,<br>1938 | June<br>30,<br>1939 |
|---------------------------------|---------------------|--------------------|---------------------|---------------------|
| <b>ASSETS</b>                   |                     |                    |                     |                     |
| Gold reserve .....              | 620.5               | 1128.2             | 1128.2              | 1128.2              |
| Foreign correspondents .....    | 2081.1              | 2123.8             | 2230.2              | 2251.7              |
| Foreign bills, etc. ....        | 42.8                | 87.7               | 87.8                | 82.9                |
| Int. bills and home loans ..... | 1562.7              | 1293.0             | 1272.1              | 1243.7              |
| Finnish & foreign bonds .....   | 412.1               | 632.5              | 636.5               | 636.3               |
| <b>LIABILITIES</b>              |                     |                    |                     |                     |
| Notes in circulation .....      | 2104.8              | 2226.2             | 2155.1              | 2199.8              |
| Sight deposits: Govt. ....      | 140.7               | 67.6               | 109.0               | 90.2                |
| Other .....                     | 1096.3              | 959.4              | 1106.1              | 1088.4              |
| Cover to sight liab. ....       | 74.1                | 87.5               | 88.9                | 88.9                |

## NATIONAL BANK OF HUNGARY

Million pengő

|                                      | June<br>30,<br>1938 | May<br>31,<br>1939 | June<br>23,<br>1939 | June<br>30,<br>1939 |
|--------------------------------------|---------------------|--------------------|---------------------|---------------------|
| <b>ASSETS</b>                        |                     |                    |                     |                     |
| Metal reserve                        |                     |                    |                     |                     |
| Gold coin and bullion                | 84.1                | 124.1              | 124.1               | 124.1               |
| Foreign exchange                     | 71.9                | 94.9               | 93.9                | 93.6                |
| Int. bills, wts., & secs.            | 438.8               | 458.6              | 405.1               | 438.4               |
| Advances to Treasury:                |                     |                    |                     |                     |
| Long term                            | 119.9               | 203.3              | 202.9               | 230.9               |
| Czech-Kr. exch.                      |                     | 95.9               | 95.7                | 95.7                |
| <b>LIABILITIES</b>                   |                     |                    |                     |                     |
| Notes in circulation                 | 581.1               | 868.0              | 802.1               | 884.9               |
| Current accounts, and<br>sight liab. | 205.5               | 191.6              | 203.1               | 178.2               |
| Cash certificates                    | 69.7                | 99.0               | 99.0                | 99.0                |

† Of which pengő 28 millions short term.

## RESERVE BANK OF INDIA

Million rupees

|                                  | July<br>1,<br>1938 | June<br>2,<br>1939 | June<br>23,<br>1939 | June<br>30,<br>1939 |
|----------------------------------|--------------------|--------------------|---------------------|---------------------|
| ASSETS                           |                    |                    |                     |                     |
| Gold coin and bullion            | 444                | 444                | 444                 | 444                 |
| Rupee coin                       | 636                | 665                | 687                 | 696                 |
| Balances abroad                  | 36                 | 96                 | 83                  | 85                  |
| Sterling securities              | 721                | 595                | 595                 | 595                 |
| Indian Govt. rupee securities    | 323                | 373                | 374                 | 374                 |
| Investments                      | 66                 | 70                 | 73                  | 73                  |
| LIABILITIES                      |                    |                    |                     |                     |
| Notes in circ.: India            | 1,702              | 1,789              | 1,745               | 1,750               |
| Burma                            | 73                 | 103                | 97                  | 96                  |
| Deposits: Govts.                 | 179                | 116                | 147                 | 157                 |
| Banks                            | 169                | 138                | 169                 | 166                 |
| Gold and sterling to liabilities | 54.8%              | 50.0%              | 49.5%               | 49.3%               |

## BANQUE MELLÉ IRAN

Million rials

|                             | June<br>5,<br>1938 | May<br>22,<br>1938 | May<br>19,<br>1939 | June<br>6,<br>1939 |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|
| ASSETS                      |                    |                    |                    |                    |
| Gold .....                  | 312.0              | 310.7              | 310.7              | 310.7              |
| Silver .....                | 405.7              | 406.7              | 406.8              | 406.8              |
| Discounts .....             | 295.9              | 311.3              | 321.1              | 340.1              |
| Public departments .....    | 678.2              | 727.0              | 718.5              | 696.4              |
| Other debit accounts .....  | 658.3              | 979.1              | 922.9              | 882.8              |
| LIABILITIES                 |                    |                    |                    |                    |
| Notes in circulation .....  | 781.3              | 836.8              | 856.2              | 874.5              |
| Public departments .....    | 512.8              | 453.8              | 444.3              | 463.0              |
| Other credit accounts ..... | 988.6              | 1350.2             | 1322.5             | 1193.9             |

N.B.—Market value is: † 434.1 million rials. ‡ 390.2 million rials. (Based on London price and exchange).

## BANK OF JAPAN.—Million yen

| BANK OF AMERICA        |               |              |               |               |
|------------------------|---------------|--------------|---------------|---------------|
| Statement of condition |               |              |               |               |
|                        | June 18, 1938 | May 20, 1938 | June 10, 1938 | June 17, 1939 |
| ASSETS                 |               |              |               |               |
| Coin & bullion: Gold   | 801.3         | 501.3        | 501.3         | 501.3         |
| Other                  | 50.2          | 43.9         | 38.8          | 41.4          |
| Spec. for exch. fund   | 488.0         | 300.0        | 300.0         | 300.0         |
| Discounts and advances | 1201.9        | 449.0        | 461.4         | 447.3         |
| Government bonds       | 1201.9        | 1510.2       | 1474.9        | 1572.9        |
| Agencies' accounts     | 100.7         | 198.4        | 190.3         | 189.7         |
| LIABILITIES            |               |              |               |               |
| Notes issued           | 1801.8        | 1990.1       | 2059.6        | 2129.4        |
| Deposits: Government   | 361.8         | 648.9        | 506.9         | 537.2         |
| Other                  | 121.3         | 164.3        | 180.5         | 118.4         |

## NATIONAL BANK OF ROUMANIA

Million lei

|                                                | June<br>25,<br>1938 | May<br>27,<br>1939 | June<br>24,<br>1939 | June<br>24,<br>1939 |
|------------------------------------------------|---------------------|--------------------|---------------------|---------------------|
| ASSETS                                         |                     |                    |                     |                     |
| Gold and gold exchange                         | 16,872              | 18,662             | 18,724              | 18,742              |
| Clearing and other for<br>exchange.....        | 1,715               | 1,269              | 1,505               | 1,416               |
| Commercial bills                               | 6,977               | 10,869             | 10,748              | 10,832              |
| Agric. & urban advcs.                          | 1,949               | 1,577              | 1,568               | 1,537               |
| Treasury bills issued                          |                     |                    |                     |                     |
| against losses on credits<br>debts and adv. to | 4,871               | 4,664              | 4,668               | 4,674               |
| Treasury.....                                  | 5,607               | 5,583              | 5,583               | 5,583               |
| Secs. and participats.                         | 1,545               | 2,313              | 2,273               | 2,265               |
| LIABILITIES                                    |                     |                    |                     |                     |
| Notes in circulation                           | 29,886              | 38,948             | 38,534              | 38,604              |
| Other sight liabilities.                       | 12,879              | 16,814             | 10,710              | 10,730              |
| Long-term liabilities.                         | 3,061               | 5,061              | 5,116               | 5,060               |

## BANK OF LATVIA

Million lats

|                          | July<br>4,<br>1938 | June<br>5,<br>1938 | June<br>26,<br>1938 | July<br>3,<br>1939 |
|--------------------------|--------------------|--------------------|---------------------|--------------------|
| ASSETS                   |                    |                    |                     |                    |
| Gold coin and bullion    | 77.59              | 92.84              | 92.84               | 92.84              |
| Silver coin              | 13.89              | 11.80              | 11.79               | 11.91              |
| Foreign currency         | 39.18              | 39.95              | 39.86               | 40.14              |
| Treas. notes and change  | 9.66               | 9.78               | 9.69                | 10.05              |
| Short-term bills         | 51.05              | 52.83              | 52.87               | 52.90              |
| Loans against securities | 79.76              | 95.90              | 94.17               | 92.95              |
| LIABILITIES              |                    |                    |                     |                    |
| Notes in circulation     | 60.68              | 84.51              | 83.68               | 81.83              |
| Deposits & currnt. accs. | 137.66             | 138.56             | 133.17              | 133.69             |
| Government accounts      | 65.26              | 71.49              | 75.16               | 75.04              |

## BANK OF LITHUANIA.—Million litas

|                               | June<br>30,<br>1938 | May<br>31,<br>1939 | June<br>15,<br>1939 | June<br>30,<br>1939 |
|-------------------------------|---------------------|--------------------|---------------------|---------------------|
| ASSETS                        |                     |                    |                     |                     |
| Gold .....                    | 79-15               | 62-16              | 62-16               | 62-16               |
| Silver and other coins .....  | 14-11               | 14-24              | 14-00               | 13-91               |
| Discounts .....               | 87-55               | 107-62             | 101-40              | 99-77               |
| Advances .....                | 21-52               | 20-50              | 20-49               | 20-58               |
| LIABILITIES                   |                     |                    |                     |                     |
| Bank notes in circulatn. .... | 122-50              | 168-21             | 160-24              | 155-77              |
| Current accounts .....        | 62-10               | 27-36              | 30-64               | 33-56               |
| Deposits .....                | 13-83               | 7-84               | 10-73               | 8-20                |

## NETHERLANDS BANK

Million florins

|                                          | July<br>11,<br>1938 | June<br>12,<br>1939 | July<br>3,<br>1939 | July<br>10,<br>1939 |
|------------------------------------------|---------------------|---------------------|--------------------|---------------------|
| ASSETS                                   |                     |                     |                    |                     |
| Gold                                     | 1480.7              | 1199.8              | 1155.6             | 1129.5              |
| Silver                                   | 19.9                | 19.1                | 21.0               | 21.6                |
| Home bills, etc.                         | 8.0                 | 11.5                | 8.2                | 10.1                |
| Foreign bills                            | 5.4                 | 2.3                 | 2.3                | 2.3                 |
| Loans and advances<br>in current account | 326.2               | 207.0               | 222.5              | 222.7               |
| LIABILITIES                              |                     |                     |                    |                     |
| Notes in circulation                     | 932.3               | 1015.5              | 1045.4             | 1025.0              |
| Deposits: (a) Govt.                      | 164.8               | 38.2                | 34.4               | 38.3                |
| (b) Other                                | 761.6               | 405.6               | 351.9              | 343.6               |

## RESERVE BANK OF NEW ZEALAND

Million £ N.Z.'s

|                              | July<br>4,<br>1938 | June<br>26,<br>1938 | June<br>26,<br>1939 | July<br>3,<br>1939 |
|------------------------------|--------------------|---------------------|---------------------|--------------------|
| ASSETS                       |                    |                     |                     |                    |
| Gold .....                   | 2.80               | 2.80                | 2.80                | 2.80               |
| Sterling exchange .....      | 15.94              | 5.88                | 5.60                | 5.69               |
| Advances to State .....      | 4.40               | 18.11               | 16.93               | 16.13              |
| Investments .....            | 2.73               | 3.77                | 3.77                | 3.78               |
| LIABILITIES                  |                    |                     |                     |                    |
| Bank notes .....             | 13.75              | 15.60               | 15.47               | 15.58              |
| Demand liab.: State .....    | 2.98               | 4.61                | 2.33                | 1.63               |
| Banks and others .....       | 7.87               | 9.00                | 9.79                | 9.70               |
| Reserves to sight liab. .... | 76.20              | 29.70               | 30.22               | 31.30              |

## BANK OF NORWAY

## EXCHANGE RATES—cont.

## NEW YORK

| New York on        | July 6, 1939                      | July 7, 1939                      | July 8, 1939                      | July 10, 1939                     | July 11, 1939                     | July 12, 1939                     |
|--------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| London—            | Cents                             | Cents                             | Cents                             | Cents                             | Cents                             | Cents                             |
| 60 s. 1. s.        | 4672 <sup>1</sup> / <sub>2</sub>  | 4672 <sup>1</sup> / <sub>2</sub>  | 4672 <sup>1</sup> / <sub>2</sub>  | 4672 <sup>1</sup> / <sub>2</sub>  | 4672 <sup>1</sup> / <sub>2</sub>  | 4672 <sup>1</sup> / <sub>2</sub>  |
| Cables             | 4681 <sup>1</sup> / <sub>2</sub>  | 4681 <sup>1</sup> / <sub>2</sub>  | 4681 <sup>1</sup> / <sub>2</sub>  | 4681 <sup>1</sup> / <sub>2</sub>  | 4681 <sup>1</sup> / <sub>2</sub>  | 4681 <sup>1</sup> / <sub>2</sub>  |
| Demand             | 4681 <sup>1</sup> / <sub>2</sub>  | 4681 <sup>1</sup> / <sub>2</sub>  | 4681 <sup>1</sup> / <sub>2</sub>  | 4681 <sup>1</sup> / <sub>2</sub>  | 4681 <sup>1</sup> / <sub>2</sub>  | 4681 <sup>1</sup> / <sub>2</sub>  |
| Paris, Fr.         | 2 64 <sup>1</sup> / <sub>2</sub>  | 2 64 <sup>1</sup> / <sub>2</sub>  | 2 64 <sup>1</sup> / <sub>2</sub>  | 2 64 <sup>1</sup> / <sub>2</sub>  | 2 64 <sup>1</sup> / <sub>2</sub>  | 2 64 <sup>1</sup> / <sub>2</sub>  |
| Brussels, Bel.     | 17 00                             | 16 99 <sup>1</sup> / <sub>2</sub> | 16 99 <sup>1</sup> / <sub>2</sub> | 16 99 <sup>1</sup> / <sub>2</sub> | 16 99 <sup>1</sup> / <sub>2</sub> | 16 99 <sup>1</sup> / <sub>2</sub> |
| Switzerland, Fr.   | 22 54 <sup>1</sup> / <sub>2</sub> | 22 54 <sup>1</sup> / <sub>2</sub> | 22 54 <sup>1</sup> / <sub>2</sub> | 22 54 <sup>1</sup> / <sub>2</sub> | 22 54 <sup>1</sup> / <sub>2</sub> | 22 54 <sup>1</sup> / <sub>2</sub> |
| Italy, Lira        | 5 26 <sup>1</sup> / <sub>2</sub>  | 5 26 <sup>1</sup> / <sub>2</sub>  | 5 26 <sup>1</sup> / <sub>2</sub>  | 5 26 <sup>1</sup> / <sub>2</sub>  | 5 26 <sup>1</sup> / <sub>2</sub>  | 5 26 <sup>1</sup> / <sub>2</sub>  |
| Berlin, Mark       | 40 12 <sup>1</sup> / <sub>2</sub> | 40 12 <sup>1</sup> / <sub>2</sub> | 40 12 <sup>1</sup> / <sub>2</sub> | 40 12 <sup>1</sup> / <sub>2</sub> | 40 12 <sup>1</sup> / <sub>2</sub> | 40 12 <sup>1</sup> / <sub>2</sub> |
| Amsterdam, Guilder | 53 08                             | 53 08 <sup>1</sup> / <sub>2</sub> | 53 08 <sup>1</sup> / <sub>2</sub> | 53 08 <sup>1</sup> / <sub>2</sub> | 53 08 <sup>1</sup> / <sub>2</sub> | 53 08 <sup>1</sup> / <sub>2</sub> |
| Copenhagen, Kr.    | 20 90 <sup>1</sup> / <sub>2</sub> | 20 90 <sup>1</sup> / <sub>2</sub> | 20 90 <sup>1</sup> / <sub>2</sub> | 20 90 <sup>1</sup> / <sub>2</sub> | 20 90 <sup>1</sup> / <sub>2</sub> | 20 90 <sup>1</sup> / <sub>2</sub> |
| Oslo, Kr.          | 23 53                             | 23 53                             | 23 53                             | 23 53                             | 23 53                             | 23 53                             |
| Stockholm, Kr.     | 24 11                             | 24 11                             | 24 11                             | 24 11                             | 24 11                             | 24 11                             |
| Athens, Dr.        | 0 85 <sup>1</sup> / <sub>2</sub>  | 0 85 <sup>1</sup> / <sub>2</sub>  | 0 85 <sup>1</sup> / <sub>2</sub>  | 0 85 <sup>1</sup> / <sub>2</sub>  | 0 85 <sup>1</sup> / <sub>2</sub>  | 0 85 <sup>1</sup> / <sub>2</sub>  |
| Montreal, Can. \$  | 99 750                            | 99 750                            | 99 750                            | 99 750                            | 99 750                            | 99 750                            |
| Yokohama, Yen      | 27 31                             | 27 31                             | 27 31                             | 27 31                             | 27 31                             | 27 31                             |
| Shanghai, \$       | 13 00                             | 13 00                             | 13 00                             | 13 00                             | 13 00                             | 13 00                             |
| B. Aires, Peso     | 29 04                             | 29 04                             | 29 04                             | 29 04                             | 29 04                             | 29 04                             |
| Rio, Milreis       | 5 10                              | 5 10                              | 5 10                              | 5 10                              | 5 10                              | 5 10                              |

Usance T.T.

† Official.

## IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended July 13, 1939

| Imports           |           |        | Exports             |            |         |
|-------------------|-----------|--------|---------------------|------------|---------|
| From              | Bullion   | Coin   | To                  | Bullion    | Coin    |
| <b>GOLD</b>       |           |        |                     |            |         |
| Eire              | 2,092,968 | 17,479 | S. Africa           | 86,732     | 5,912   |
| S. Africa         | 273,516   | ...    | Netherlands         | 3,257      | 54,870  |
| S. Rhodesia       | 43,540    | ...    | France              | 18,383     | 38,080  |
| British E. Africa | 2,274,100 | ...    | Syria               | ...        | 28,473  |
| New Zealand       | 29,913    | ...    | Switzerland         | 14,161,644 | 349,957 |
| Belgium           | ...       | ...    | U.S.A.              | ...        | 4,014   |
| Total*            | 4,769,619 | 23,625 | Total*              | 14,274,201 | 565,433 |
| <b>SILVER</b>     |           |        |                     |            |         |
| Eire              | 1,960     | 4,920  | Bombay, other ports | 209,204    | 5,000   |
| British W. Africa | ...       | ...    | Jamaica             | 2,290      | 450     |
| S. Rhodesia       | 857       | ...    | Denmark             | 10,560     | ...     |
| Netherlands       | 4,750     | 82     | France              | 2,251      | 18,033  |
| Belgium           | 12,082    | 380    | Egypt               | 27,165     | ...     |
| France            | 7,662     | 1,068  | U.S.A.              | ...        | ...     |
| Japan             | 90,034    | ...    | Total*              | 255,557    | 25,933  |
| Total*            | 115,377   | 8,498  | Total*              | ...        | ...     |

\* Including other countries.

## INDUSTRIAL PROFITS

## SUPPLEMENTARY TABLES

(See Leading Article on page 104)

TABLE (A).—RATES OF INTEREST AND DIVIDEND  
(Quarter ended June 30, 1939)

| Group                         | Debt Capital | Rate of Int. | Preference Capital | Rate of Int. | Ordinary Capital | Rate of Div.* | Rate of Div. a year ago† |
|-------------------------------|--------------|--------------|--------------------|--------------|------------------|---------------|--------------------------|
| Breweries                     | 13,742,281   | 4.3          | 14,346,214         | 4.9          | 15,948,660       | 16.9          | 17.5                     |
| Canals and docks              | 597,778      | 3.8          | 429,500            | 5.1          | 333,782          | 1.5           | 2.0                      |
| Electric lighting and power   | 7,637,032    | 4.2          | 7,283,408          | 5.3          | 12,794,184       | 7.1           | 8.0                      |
| Financial land and investment | 34,699,670   | 4.5          | 22,677,326         | 4.4          | 46,462,750       | 3.6           | 4.3                      |
| Gas                           | 4,135,500    | 3.8          | 6,308,150          | 3.1          | 15,105,077       | 5.0           | 6.0                      |
| Hotels and restaurants        | 5,701,712    | 4.4          | 9,920,601          | 6.0          | 5,851,979        | 9.5           | 10.9                     |
| Iron, coal and steel          | 18,721,607   | 4.3          | 28,372,680         | 4.6          | 89,202,691       | 6.7           | 6.8                      |
| Motor cycle and aviation      | 15,000       | 4.0          | 3,507,866          | 7.1          | 14,683,042       | 11.1          | 11.1                     |
| Oil                           | Nil          | —            | 29,825,917         | 7.7          | 75,655,151       | 18.9          | 22.3                     |
| Rubber                        | 590,480      | 6.5          | 446,144            | 6.6          | 28,753,664       | 3.3           | 7.9                      |
| Shipping                      | 6,353,108    | 4.0          | 11,158,943         | 3.0          | 32,372,887       | 2.7           | 3.2                      |
| Shops and stores              | 5,612,951    | 4.4          | 9,131,505          | 5.5          | 10,583,071       | 18.4          | 16.9                     |
| Tea                           | 1,129,091    | 4.4          | 4,949,166          | 6.0          | 14,058,304       | 9.2           | 10.9                     |
| Telegraphs and telephones     | Nil          | —            | 17,205,382         | 5.6          | 42,273,304       | 5.6           | 4.8                      |
| Textiles                      | 9,170,171    | 4.6          | 15,131,866         | 3.5          | 33,191,821       | 6.4           | 6.0                      |
| Tramway & omnibus             | 2,833,601    | 4.6          | 4,020,060          | 6.5          | 7,427,361        | 9.6           | 9.2                      |
| Trusts                        | 26,158,263   | 4.3          | 29,910,070         | 3.8          | 30,536,964       | 6.0           | 5.4                      |
| Waterworks                    | 1,419,928    | 5.0          | 1,044,009          | 2.6          | 3,176,266        | 4.2           | 3.1                      |
| Building materials            | 550,000      | 4.5          | 2,702,605          | 6.3          | 4,311,025        | 10.5          | 12.6                     |
| Food, confectionery & drink   | 2,062,488    | 6.1          | 10,347,523         | 7.0          | 16,866,020       | 11.7          | 9.7                      |
| Electrical equipment          | 964,812      | 4.4          | 6,195,914          | 5.9          | 13,860,368       | 12.2          | 13.2                     |
| Newspapers, printing, etc.    | 12,494,659   | 4.4          | 16,579,425         | 6.9          | 15,967,862       | 9.4           | 11.9                     |
| Tobacco                       | 80,000       | 4.0          | 635,000            | 5.7          | 883,087          | 8.6           | 6.9                      |
| Warehouse & trading           | 150,000      | 4.0          | 125,000            | 5.0          | 150,000          | 10.0          | 9.4                      |
| Miscellaneous                 | 9,934,301    | 4.4          | 106,487,827        | 6.9          | 113,374,544      | 9.5           | 9.8                      |
| Total                         | 174,960,523  | 4.5          | 358,742,101        | 5.8          | 643,823,864      | 8.9           | 9.4                      |

\* 793 companies.

† 805 companies.

TABLE (B).—PROFITS BY INDIVIDUAL GROUPS  
(Quarter ended June 30, 1939)

| Group                         | No. of Cos. | Total Profits (after Debt Interest) |             | Division of Total Profits (= 100) |           |         |
|-------------------------------|-------------|-------------------------------------|-------------|-----------------------------------|-----------|---------|
|                               |             | Previous year                       | Latest year | Prof. Div.                        | Ord. Div. | To Rea. |
| Breweries                     | 18          | £ 4,418,315                         | £ 4,371,855 | 16.4                              | %         | %       |
| Canals and docks              | 2           | 40,569                              | 30,919      | 71.0                              | 61.9      | 21.7    |
| Electric lighting and power   | 8           | 2,024,726                           | 2,130,306   | 18.4                              | 43.1      | 38.5    |
| Financial land and investment | 58          | 3,904,294                           | 3,295,085   | 30.9                              | 51.7      | 17.4    |
| Gas                           | 10          | 1,155,682                           | 1,152,710   | 16.9                              | 66.0      | 17.1    |
| Hotels and restaurants        | 7           | 1,374,800                           | 1,275,063   | 47.1                              | 43.6      | 9.3     |
| Iron, coal and steel          | 54          | 13,211,693                          | 12,994,689  | 10.1                              | 45.8      | 44.1    |
| Motor cycle and aviation      | 12          | 3,690,984                           | 3,525,725   | 7.0                               | 46.4      | 46.6    |
| Oil                           | 10          | 20,957,482                          | 19,717,765  | 11.6                              | 72.5      | 15.9    |
| Rubber                        | 148         | 3,188,779                           | 1,427,055   | 2.7                               | 66.6      | 30.7    |
| Shipping                      | 19          | 5,530,408                           | 3,815,147   | 11.6                              | 23.1      | 65.3    |
| Shops and stores              | 24          | 4,017,830                           | 4,084,144   | 12.3                              | 47.8      | 39.9    |
| Tea                           | 93          | 2,441,534                           | 2,902,016   | 14.9                              | 64.8      | 20.3    |
| Telegraphs and telephones     | 6           | 3,606,916                           | 3,382,097   | 28.6                              | 63.3      | 8.1     |
| Textiles                      | 19          | 3,769,920                           | 2,975,783   | 18.1                              | 67.4      | 14.5    |
| Tramway and omnibus           | 11          | 1,824,136                           | 1,883,843   | 13.9                              | 37.8      | 48.3    |
| Trusts                        | 60          | 3,738,824                           | 3,441,351   | 33.3                              | 53.6      | 13.1    |
| Waterworks                    | 17          | 246,179                             | 202,031     | 13.5                              | 66.5      | 20.0    |
| Building materials            | 17          | 1,231,857                           | 1,126,162   | 15.0                              | 40.1      | 44.9    |
| Food, confectionery and drink | 22          | 3,310,681                           | 3,551,966   | 20.6                              | 55.6      | 23.8    |
| Electrical equipment          | 12          | 3,580,173                           | 3,312,999   | 11.1                              | 51.6      | 37.3    |
| Newspapers, printing, etc.    | 21          | 4,236,524                           | 3,324,440   | 34.6                              | 44.7      | 20.7    |
| Tobacco                       | 4           | 138,753                             | 125,012     | 28.7                              | 60.9      | 10.4    |
| Warehouse and trading         | 1           | 27,417                              | 35,368      | 17.7                              | 42.3      | 40.0    |
| Miscellaneous                 | 150         | 23,853,237                          | 22,862,357  | 32.2                              | 46.9      | 20.9    |
| Total ...                     | 793         | 115,521,713                         | 104,035,888 | 19.4                              | 53.6      | 26.8    |

## Investment

TRANSPORT RECEIPTS  
BRITISH RAILWAY TRAFFICS

|                | Gross Receipts, week ended July 9 (€'000) |             |             |       | Aggregate Gross Receipts, 27 weeks (€'000) |             |             |        |
|----------------|-------------------------------------------|-------------|-------------|-------|--------------------------------------------|-------------|-------------|--------|
|                | Passenger                                 | Merchandise | Coal & Coke | Total | Passenger                                  | Merchandise | Coal & Coke | Total  |
| L.M. & S.—     |                                           |             |             |       |                                            |             |             |        |
| 1938           | 636                                       | 438         | 216         | 654   | 1,290                                      | 1,285       | 1,256       | 6,999  |
| 1939           | 628                                       | 507         | 247         | 754   | 1,382                                      | 1,267       | 1,264       | 7,301  |
| L. & N.E. (a)— |                                           |             |             |       |                                            |             |             |        |
| 1938           | 416                                       | 289         | 206         | 495   | 911                                        | 8,296       | 8,831       | 6,573  |
| 1939           | 411                                       | 327         | 235         | 562   | 973                                        | 8,209       | 8,666       | 6,894  |
| Great Western— |                                           |             |             |       |                                            |             |             |        |
| 1938           | 293                                       | 171         | 101         | 272   | 565                                        | 5,331       | 5,101       | 2,981  |
| 1939           | 287                                       | 213         | 112         | 325   | 612                                        | 5,318       | 5,386       | 3,065  |
| Southern—      |                                           |             |             |       |                                            |             |             |        |
| 1938           | 393                                       | 58          | 22          | 80    | 473                                        | 8,202       | 1,643       | 831    |
| 1939           | 399                                       | 61          | 24          | 85    | 484                                        | 8,231       | 1,642       | 871    |
| Total—         |                                           |             |             |       |                                            |             |             |        |
| 1938           | 1,738                                     | 956         | 545         | 1,501 | 3,239                                      | 34,685      | 28,141      | 17,384 |
| 1939           | 1,725                                     | 1,108       | 618         | 1,726 | 3,451                                      | 34,434      | 28,340      | 18,131 |

(a) Week ended July 8.

CUMULATIVE AND WEEKLY COMPARISONS  
(000's omitted)

|                                                         | L.M.S.  | L.N.E.R. | Great Western | Southern |
|---------------------------------------------------------|---------|----------|---------------|----------|
| Cumulative Figures                                      |         |          |               |          |
| Gross decrease, second half 1938, over second half 1937 | - 2,423 | - 1,812  | - 926         | - 54     |
| Gross increase, first half 1939, over first half 1938   | + 110   | + 7      | + 309         | + 57     |
| Gross increase, second half 1939, over second half 1938 | + 92    | + 62     | + 47          | + 11     |
| 1 week to July 9, 1939                                  | + 92    | + 62     | + 47          | + 11     |
| Weekly Figures                                          |         |          |               |          |
| Av. weekly increase, 1st half 1939                      | + 4.23  | + 0.26   | + 11.88       | + 2.19   |
| Latest week compared with average 1937-38               | + 92    | + 62     | + 47          | + 11     |
| Latest week compared with average 1927-30               | - 79    | - 86     | - 20          | + 4      |

## IRISH RAILWAY TRAFFICS

| Company             | Gross Receipts, week ended July 7, 1939 (€'000) |       |       | Aggregate Gross Receipts, 27 weeks (€'000) |         |         |
|---------------------|-------------------------------------------------|-------|-------|--------------------------------------------|---------|---------|
|                     | Pass.                                           | Goods | Total | Pass.                                      | Goods   | Total   |
| Belfast & Co. Down— |                                                 |       |       |                                            |         |         |
| 1938                | 3.8                                             | 0.4   | 3.9   | 55.6                                       | 11.6    | 67.2    |
| 1939                | 3.5                                             | 0.4   | 4.1   | 58.1                                       | 11.7    | 69.7    |
| Great Northern—     |                                                 |       |       |                                            |         |         |
| 1938                | 13.9                                            | 7.5   | 21.4  | 253.8                                      | 235.5   | 489.3   |
| 1939                | 14.6                                            | 7.7   | 22.3  | 262.6                                      | 271.7   | 534.3   |
| Great Southern—     |                                                 |       |       |                                            |         |         |
| 1938                | 46.9                                            | 37.8  | 84.7  | 870.5                                      | 1,058.4 | 1,928.9 |
| 1939                | 47.2                                            | 43.5  | 90.6  | 881.3                                      | 1,087.0 | 1,968.2 |

SUEZ CANAL RECEIPTS  
(For Overseas heading, see next column)

| Transit Receipts | 25 June 30 | 1939    | 1938       |
|------------------|------------|---------|------------|
|                  | £257,100   | £12,300 | £4,620,800 |
|                  | 213,700    |         |            |

† 10 days.

OVERSEAS WEEKLY TRAFFIC RECEIPTS  
INDIAN

| Name                | Weeks Ending | Gross Receipts for Week | Aggregate Gross Receipts |
|---------------------|--------------|-------------------------|--------------------------|
|                     |              | 1939                    | 1939                     |
| Bengal & N. Western | 11 June 20   | Rs. 49,45,644           | Rs. 1,16,496             |
| Bengal-Nagpur       | 11 June 20   | Rs. 28,00,000           | Rs. 1,47,409             |
| Bombay, Bar. & C.I. | 13 June 20   | Rs. 28,26,000           | Rs. 1,72,000             |
| Madras & S. Mah.    | 11 June 20   | Rs. 23,09,000           | Rs. 3,09,29,000          |
| S. Indian           | 9 June 20    | Rs. 15,37,713           | Rs. 1,09,37,764          |

## CANADIAN

| Canadian National | 27 July 7 | \$3,248,942 | \$289,582 | \$0,930,472  | \$5,211,533 |
|-------------------|-----------|-------------|-----------|--------------|-------------|
| Canadian Pacific  | 27 July 7 | \$2,355,000 | \$27,000  | \$64,162,000 | \$492,000   |



## 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 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 July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, 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Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 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inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  |  |  | Prices, Year 1939 Jan. 1 to July 12, inclusive |  | 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Year 1939 Jan. |  |  |  |
|-------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|------------------------------------------------|--|--|--|----------------------------------------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## THE WEEK'S COMPANY RESULTS

| Company                                  | Year Ending        | Balance from Last Account | Net Profit After Payment of Deben- ture Interest | Amount Available for Distri- bution | Appropriation  |                 |      |                                          |                 | Corresponding Period Last Year |            |
|------------------------------------------|--------------------|---------------------------|--------------------------------------------------|-------------------------------------|----------------|-----------------|------|------------------------------------------|-----------------|--------------------------------|------------|
|                                          |                    |                           |                                                  |                                     | Dividend       |                 |      | Carried to Reserve, Deprecia- tion, etc. | Balance Forward | Net Profit                     | Divi- dend |
|                                          |                    |                           |                                                  |                                     | Prefce. Amount | Ordinary Amount | Rate |                                          |                 |                                |            |
| <b>Banks</b>                             |                    | £                         | £                                                | £                                   | £              | £               | %    | £                                        | £               | £                              | %          |
| National Bank of Australasia             | Mar. 31            | 154,941                   | 351,245                                          | 506,186                             | ...            | 300,000         | 6    | 50,000                                   | 156,186         | 347,401                        | 6          |
| Standard Bank of S.Africa...             | Mar. 31            | 170,925                   | 573,147                                          | 744,072                             | ...            | 350,000         | 14   | 225,000                                  | 169,072         | 621,633                        | 15         |
| <b>Breweries &amp; Distilleries</b>      |                    |                           |                                                  |                                     |                |                 |      |                                          |                 |                                |            |
| Distillers Company                       | May 15             | 444,360                   | 2,482,201                                        | 2,926,561                           | 95,700         | 1,743,963       | 22½  | 650,000                                  | 436,898         | 2,512,469                      | 22½        |
| Groves (John) and Sons                   | May 31             | 5,765                     | 30,095                                           | 35,860                              | 10,000         | 10,500          | 7    | 8,390                                    | 6,970           | 31,926                         | 7          |
| Kinloch (Charles) and Co.                | Mar. 31            | 14,823                    | 14,136                                           | 28,959                              | ...            | 10,000          | 10   | 2,000                                    | 16,959          | 11,477                         | 10         |
| Tamplin and Sons                         | Apl. 30            | 20,575                    | 115,077                                          | 135,652                             | 38,400         | 16,856          | 10   | 45,815                                   | 34,581          | 106,107                        | 10         |
| <b>Electric Lighting, etc.</b>           |                    |                           |                                                  |                                     |                |                 |      |                                          |                 |                                |            |
| Victoria Falls Power                     | Dec. 31            | 197,535                   | 652,036                                          | 849,571                             | 167,403        | 313,344         | 15   | 150,000                                  | 218,824         | 612,629                        | 13½        |
| <b>Financial Land, etc.</b>              |                    |                           |                                                  |                                     |                |                 |      |                                          |                 |                                |            |
| Aboukir Co.                              | Mar. 31            | 5,363                     | Dr. 2,947                                        | 2,416                               | ...            | ...             | ...  | ...                                      | 2,416           | 12,120                         | Nil        |
| Assoc. London Properties                 | June 24            | 15,018                    | 58,600                                           | 73,618                              | 26,099         | 11,622          | 4    | 21,428                                   | 14,469          | 61,377                         | 6          |
| Australian Estates Co.                   | Dec. 31            | 18,572                    | Dr. 8,410                                        | 10,162                              | ...            | ...             | ...  | ...                                      | 10,162          | 31,536                         | Nil        |
| Ceylon Estates, etc.                     | Mar. 31            | 2,008                     | 1,116                                            | 3,124                               | ...            | 1,201           | 7½   | ...                                      | 1,923           | 2,843                          | 15         |
| Covent Garden Properties...              | June 30            | 82,540                    | 140,473                                          | 223,013                             | 73,225         | 56,550          | 6    | ...                                      | 93,238          | 152,482                        | 7½         |
| Lewis (John) Partnership                 | Apr. 30            | 82                        | 20,246                                           | 20,328                              | 20,179         | ...             | ...  | ...                                      | 149             | 34,128                         | Nil        |
| McDougall's Trust                        | June 30            | 39,497                    | 176,779                                          | 216,276                             | 50,000         | 125,139         | 10   | 2,500                                    | 38,637          | 176,819                        | 10         |
| Marley Tile (Holding)                    | Apr. 30            | 6,892                     | (b) Nil                                          | 6,892                               | 5,437          | ...             | ...  | ...                                      | 1,455           | (a)                            | (a)        |
| Murrayfield Real Estate                  | May 31             | 3,000                     | 1,237                                            | 4,237                               | ...            | 1,088           | 5    | ...                                      | 3,149           | 1,006                          | 5          |
| Pekin Syndicate                          | Dec. 31            | 11,457                    | 9,488                                            | 20,945                              | ...            | ...             | ...  | 10,349                                   | 10,596          | 23,220                         | Nil        |
| United Dominions Trust                   | June 30            | 28,771                    | 143,201                                          | 171,972                             | 16,312         | 76,125          | 17½  | 42,500                                   | 37,035          | 145,911                        | 17½        |
| <b>Motor Cycle and Aviation</b>          |                    |                           |                                                  |                                     |                |                 |      |                                          |                 |                                |            |
| Blackburn Aircraft                       | Mar. 31            | 31,365                    | 90,301                                           | 121,666                             | 14,500         | 44,414          | 15   | 48,000                                   | 14,752          | 92,957                         | 15         |
| Bristol Aeroplane                        | Dec. 31            | 10,756                    | 377,987                                          | 388,743                             | 21,750         | 244,688         | 15   | 112,403                                  | 9,902           | 344,579                        | 25g        |
| Fodens, Ltd.                             | May 31             | 16,681                    | 54,968                                           | 71,649                              | ...            | 16,714          | 7½   | 25,000                                   | 29,935          | (a)                            | (a)        |
| <b>Oil</b>                               |                    |                           |                                                  |                                     |                |                 |      |                                          |                 |                                |            |
| Phoenix Oil and Transport                | Dec. 31            | 374,149                   | 90,246                                           | 464,395                             | ...            | ...             | ...  | 150,000                                  | 314,395         | 108,824                        | Nil        |
| <b>Rubber</b>                            |                    |                           |                                                  |                                     |                |                 |      |                                          |                 |                                |            |
| Banir                                    | Mar. 31            | 1,540                     | 4,769                                            | 6,309                               | ...            | 3,150           | 5    | 1,000                                    | 2,159           | 8,361                          | 4          |
| Bidor                                    | Mar. 31            | 4,449                     | 2,360                                            | 6,809                               | ...            | 2,000           | 4    | 914                                      | 3,895           | 6,211                          | 9          |
| Kepitigalla                              | Mar. 31            | 1,975                     | 3,288                                            | 5,263                               | ...            | 2,603           | 2-08 | 2,011                                    | 649             | 1,851                          | 2-08       |
| Lambak                                   | Mar. 31            | 11,226                    | 10,901                                           | 22,127                              | ...            | 5,000           | 2½   | 5,900                                    | 11,227          | 22,126                         | 7½         |
| Merchiston                               | Mar. 31            | 1,369                     | 2,555                                            | 3,924                               | ...            | 1,950           | 3    | 500                                      | 1,474           | 5,972                          | 7½         |
| Neddeem                                  | Dec. 31            | 10,758                    | 35,974                                           | 46,732                              | 10,519         | 12,622          | 6    | 18,729                                   | 4,862           | 53,295                         | 10         |
| New Columbia                             | Dec. 31            | 20,645                    | 4,593                                            | 25,238                              | ...            | 3,845           | 7½   | 750                                      | 20,643          | 13,292                         | 16         |
| Parana                                   | June 30            | 1,047                     | 1,805                                            | 2,852                               | ...            | ...             | ...  | ...                                      | 2,852           | Dr. 4,588                      | Nil        |
| Perak                                    | Mar. 31            | 4,047                     | 3,019                                            | 7,066                               | ...            | 2,225           | 2½   | 500                                      | 4,341           | 8,712                          | 8          |
| Prang Besar                              | Mar. 31            | 11,201                    | 15,909                                           | 27,110                              | ...            | 8,540           | 10   | 7,100                                    | 11,470          | 20,227                         | 10         |
| Prye                                     | Mar. 31            | 1,090                     | 2,855                                            | 3,945                               | ...            | 1,654           | 1-66 | 1,500                                    | 791             | 6,704                          | 2½         |
| Sennah                                   | Dec. 31            | 2,437                     | 56,013                                           | 58,450                              | ...            | 30,000          | 5    | 25,000                                   | 3,450           | 89,472                         | 10         |
| Timbang-deli (Sumatra)                   | Mar. 31            | 20,999                    | 9,096                                            | 30,095                              | ...            | 7,970           | 2    | ...                                      | 22,125          | 24,684                         | 5          |
| Travancore                               | Dec. 31            | 10,454                    | 7,478                                            | 17,932                              | ...            | 4,635           | 8    | 2,000                                    | 11,297          | 13,658                         | 12         |
| <b>Shops and Stores</b>                  |                    |                           |                                                  |                                     |                |                 |      |                                          |                 |                                |            |
| International Tea                        | Apr. 29            | 108,554                   | 541,011                                          | 649,565                             | 210,771        | 155,000         | 10   | 175,000                                  | 108,794         | 485,819                        | 10         |
| Montague Burton                          | Mar. 31            | 227,043                   | 498,717                                          | 725,760                             | 145,000        | 113,130         | 7    | 253,096                                  | 214,534         | 567,903                        | 7          |
| Savory and Moore                         | Jan. 31            | 16,835                    | 14,873                                           | 31,708                              | 11,330         | ...             | ...  | 10,050                                   | 10,328          | 26,744                         | Nil        |
| <b>Tea</b>                               |                    |                           |                                                  |                                     |                |                 |      |                                          |                 |                                |            |
| Ceylon Upcountry                         | Mar. 31            | 1,241                     | 1,207                                            | 2,448                               | ...            | 1,514           | 8    | ...                                      | 934             | 1,893                          | 10         |
| <b>Textiles</b>                          |                    |                           |                                                  |                                     |                |                 |      |                                          |                 |                                |            |
| Harben's Limited                         | Apr. 30            | Dr. 19,518                | 3,230                                            | Dr. 16,288                          | ...            | ...             | ...  | 22,000                                   | Dr. 38,288      | Dr. 15,678                     | Nil        |
| <b>Trusts</b>                            |                    |                           |                                                  |                                     |                |                 |      |                                          |                 |                                |            |
| Int. Sleepg. Car Trust                   | May 31             | 10,936                    | 5,603                                            | 16,539                              | ...            | ...             | ...  | ...                                      | 16,539          | 13,527                         | Nil        |
| Second Consolidated                      | June 15            | 6,529                     | 25,536                                           | 32,065                              | 30,000         | ...             | ...  | ...                                      | 2,065           | 23,107                         | Nil        |
| <b>Other Companies</b>                   |                    |                           |                                                  |                                     |                |                 |      |                                          |                 |                                |            |
| Aeroplane, etc., Castings                | Mar. 31            | 3,974                     | 25,379                                           | 29,353                              | ...            | 10,875          | 15   | 10,000                                   | 8,478           | (a)                            | (a)        |
| Allied Bakeries                          | June 30            | 40,187                    | 249,782                                          | 289,969                             | 37,150         | 103,862         | 15   | 78,669                                   | 70,288          | 154,186                        | 10         |
| Amalgamated Dental                       | Dec. 31            | 25,379                    | 134,985                                          | 160,364                             | 118,725        | 14,500          | 5    | ...                                      | 27,139          | 134,363                        | 5          |
| Amalgamated Roadstone                    | Mar. 31            | 10,490                    | 65,355                                           | 75,845                              | 13,817         | 22,750          | 6½   | 29,078                                   | 10,200          | 64,153                         | 6          |
| Beecham Maclean Hodgs.                   | June 30            | ...                       | 197,325                                          | 197,325                             | 52,662         | 89,719          | 16½  | 54,000                                   | 944             | (a)                            | (a)        |
| British Monomarks                        | Dec. 31            | Dr. 154,389               | 735                                              | Dr. 153,654                         | ...            | ...             | ...  | ...                                      | Dr. 153,654     | 478                            | Nil        |
| Francois Cementation                     | Mar. 31            | 17,458                    | 61,397                                           | 78,855                              | 1,381          | 13,322          | 15   | 54,934                                   | 9,218           | 44,578                         | Nil        |
| Hecht Levis and Kahn                     | Mar. 31            | 92,264                    | 92,264                                           | 184,528                             | 21,250         | 25,000          | 10   | 28,585                                   | 17,429          | 119,540                        | 20         |
| Hill (Philip) and Partners               | June 30            | 49,997                    | (c) 447,135                                      | 497,132                             | 56,641         | 240,722         | 31½  | 140,000                                  | 59,769          | (a)                            | (a)        |
| Light Production                         | Apl. 30            | 7,510                     | 15,334                                           | 22,844                              | 750            | 9,000           | 20   | 3,000                                    | 10,094          | 16,794                         | 25         |
| Linley Engineering                       | Mar. 31            | 5,595                     | 4,051                                            | 9,646                               | ...            | 1,688           | 10   | 1,000                                    | 6,958           | 3,910                          | 7½         |
| Low Temp. Carbonisation                  | Mar. 31            | 32,450                    | 12,319                                           | 44,769                              | ...            | ...             | ...  | 11,504                                   | 33,265          | 77,344                         | 4          |
| McDougalls, Ltd.                         | Mar. 31            | 29,602                    | 207,830                                          | 237,432                             | 32,000         | 170,000         | 50   | ...                                      | 35,432          | 215,080                        | 50         |
| Roads Reconstruction                     | Mar. 31            | 10,926                    | 23,588                                           | 34,514                              | 16,586         | ...             | ...  | 7,934                                    | 9,994           | 32,014                         | Nil        |
| Spicers Limited                          | Mar. 31            | 106,098                   | 68,194                                           | 174,292                             | 32,500         | 17,500          | 3½   | 18,000                                   | 106,292         | 69,729                         | 3½         |
| Union Cold Storage                       | Dec. 31            | 229,662                   | 1,046,828                                        | 1,276,490                           | 720,000        | 100,000         | 10   | 225,000                                  | 231,490         | 953,098                        | 10         |
| United Tile Manufacturers                | Mar. 31            | 3,382                     | 5,485                                            | 8,867                               | ...            | 5,350           | ...  | ...                                      | 3,517           | 9,935                          | Nil        |
| Weston Foods                             | June 30            | (h) 52,185                | 52,185                                           | 104,370                             | 16,109         | ...             | ...  | 31,571                                   | 4,505           | (a)                            | (a)        |
| Williams and Williams                    | Apr. 30            | 11,064                    | 53,660                                           | 64,724                              | 3,033          | 26,250          | 15   | 24,257                                   | 11,184          | 55,235                         | 15         |
| <b>Total Profits, 1939, in £'000's :</b> | <b>No. of Cos.</b> |                           |                                                  |                                     |                |                 |      |                                          |                 |                                |            |
| To July 8                                | 1,495              | 66,298                    | 197,758                                          | 264,056                             | 37,883         | 106,637         | ...  | 50,120                                   | 69,416          | 215,906                        | ...        |
| To July 15                               | 1,549              | 68,435                    | 205,442                                          | 273,877                             | 39,827         | 110,152         | ...  | 52,372                                   | 71,526          | 223,692                        | ...        |

(a) No comparable figure.

(b) Nine months.

(c) Fifteen months.

(g) Absorbed £219,750.

(h) December 5, 1938, to June 30, 1939.

## Industry and Trade

## COMMODITY STATISTICS

## Coal

| COAL OUTPUT ('000 tons)          |               |              |          |          |
|----------------------------------|---------------|--------------|----------|----------|
| District                         | Week ended    |              | Jan.-May |          |
|                                  | June 24, 1939 | July 1, 1939 | 1938     | 1939     |
| Northumberland                   | 171.6         | 264.4        | 5,681.1  | 5,698.5  |
| Durham                           | 640.2         | 664.9        | 13,875.1 | 13,217.5 |
| Yorkshire                        | 724.3         | 878.6        | 18,992.8 | 18,858.1 |
| Lancs, Cheshire and N. Wales     | 329.7         | 323.2        | 7,400.3  | 7,372.1  |
| Derby, Notts & Leicester         | 575.5         | 522.6        | 14,349.7 | 14,755.1 |
| Staffs, Worcs, Salop and Warwick | 385.8         | 380.7        | 8,532.2  | 8,732.5  |
| South Wales & Monmouth           | 814.7         | 804.6        | 15,682.1 | 14,730.9 |
| Other English districts*         | 124.8         | 120.0        | 2,336.3  | 2,307.1  |
| Scotland                         | 607.8         | 596.0        | 13,035.8 | 13,271.6 |
| Total                            | 4,374.4       | 4,555.0      | 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 30, 1939 | July 7, 1939 | Aug. 1, 1938-1939 | Aug. 1, 1938-1939 |
| American                                      | 16.9          | 15.7         | 1,160             | 952               |
| Brazilian                                     | 7.2           | 7.9          | 262               | 295               |
| Peruvian, etc.                                | 2.8           | 2.8          | 107               | 127               |
| Egyptian                                      | 5.4           | 7.7          | 331               | 330               |
| Sudan Saki                                    | 7.9           | 3.1          | 133               | 145               |
| East Indian                                   | 4.9           | 18.6         | 359               | 432               |
| Other countries                               | 4.2           | 5.1          | 158               | 189               |
| Total                                         | 49.1          | 60.9         | 2,510             | 2,470             |

## Metals

| SALES ON LONDON METAL EXCHANGE |              |               |                |               |
|--------------------------------|--------------|---------------|----------------|---------------|
|                                | Week ended   |               | From Jan. 1 to |               |
|                                | July 5, 1939 | July 12, 1939 | July 13, 1938  | July 12, 1939 |
| Copper                         | 7,350        | 7,950         | 252,975        | 160,810       |
| Tin                            | 1,175        | 985           | 48,300         | 36,820        |
| Lead                           | 6,500        | 4,350         | 189,050        | 153,050       |
| Spelter                        | 3,500        | 2,500         | 169,325        | 99,070        |

## U.K. STOCKS

|                                | July 1, 1939 | July 8, 1939 |
|--------------------------------|--------------|--------------|
| Copper (Br. official whouses): | Tons 4,542   | Tons 5,254   |
| Keined                         | 25,155       | 25,154       |
| Tin (London and Liverpool)     | 9,728        | 10,155       |

METALS—(cont.)  
TINPLATE INDUSTRY

|                                  | Week ended   |               |              |
|----------------------------------|--------------|---------------|--------------|
|                                  | July 2, 1938 | June 24, 1939 | July 1, 1939 |
| Production—per cent. of capacity | 40.11        | 61.69         | 64.09        |
| Shipments                        | 5,397        | 3,538         | 7,122        |
| Stocks—warehouse and in vans     | 5,445        | 6,946         | 6,855        |

## Foods

## WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

|                                   | Week ended         |                    | Season to          |                    |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                   | July<br>1,<br>1939 | July<br>8,<br>1939 | July<br>9,<br>1938 | July<br>8,<br>1939 |
| From—                             |                    |                    |                    |                    |
| N. America.....                   | 486                | 671                | 22,311             | 29,375             |
| Argentina and<br>Uruguay .....    | 463                | 546                | 8,304              | 14,030             |
| Australia .....                   | 230                | 183                | 15,640             | 11,938             |
| Russia .....                      |                    | 51                 | 5,384              | 4,539              |
| Danube and dist. ....             | 298                | 99                 | 6,485              | 9,352              |
| India .....                       |                    | 84                 | 1,700              | 424                |
| Other Countries.....              | 84                 | 28                 | 691                | 1,748              |
| Total .....                       | 1,561              | 1,578              | 60,515             | 71,406             |
| To—                               |                    |                    |                    |                    |
| U.K. ....                         | 291                | 518                | 14,694             | 17,983             |
| "Orders" .....                    | 415                | 396                | 13,679             | 15,730             |
| France .....                      | 22                 | 19                 | 843                | 1,106              |
| Belgium .....                     | 24                 | 51                 | 4,752              | 4,780              |
| Holland .....                     | 94                 | 72                 | 3,069              | 3,722              |
| Italy .....                       | 181                | 106                | 1,292              | 2,215              |
| Greece .....                      | 30                 | 5                  | 2,339              | 1,422              |
| Scandinavia .....                 | 29                 | 29                 | 1,545              | 1,552              |
| Other European<br>Countries ..... | 145                | 54                 | 6,234              | 5,434              |
| Ex - European<br>Countries .....  | 330                | 328                | 12,068             | 17,462             |
| Total .....                       | 1,561              | 1,578              | 60,515             | 71,406             |



## BRITISH WHOLESALE PRICES

July 5, 1939 July 12, 1939

## CEREALS AND MEAT

|                               | s. d. | s. d. |
|-------------------------------|-------|-------|
| Wheat, etc.—                  |       |       |
| o. 2. N. Man. 196 lb.         | 27 6  | 25 6  |
| ng. Gaz. av., per cwt.        | 4 8   | 4 8   |
| iv. July per cental           | 3 10  | 3 9   |
| ir, per 23 lb.—               |       |       |
| raights, d/d London           | 22 6  | 22 6  |
| lanitob, x more               | 21 0  | 20 3  |
| ev. Eng. Gaz. iv. per cwt.    | 5 9   | 6 2   |
| ze, La Plata, landed, 480 lb. | 24 6  | 23 9  |
| No. 2 Burma, per cwt.         | 8 0   | 8 0   |

|                         |     |     |
|-------------------------|-----|-----|
| def. per 4 lb.—         |     |     |
| English long sides      | 4 4 | 4 8 |
| Argentine chilled hinds | 4 6 | 4 8 |
| utton, per 8 lb.—       |     |     |
| English wethers         | 4 8 | 4 8 |
| N.Z. frozen wethers     | 3 2 | 2 2 |

|                         |     |     |
|-------------------------|-----|-----|
| amb, per 8 lb.—         |     |     |
| N.Z. frozen             | 4 4 | 4 4 |
| ork, English, per 8 lb. | 5 4 | 5 4 |

|                 |      |      |
|-----------------|------|------|
| ION (per cwt.)— |      |      |
| nglish          | 98 0 | 98 0 |
| anish           | 98 0 | 98 0 |
| utch            | 94 0 | 94 0 |
| ish             | 91 0 | 91 0 |

|                |       |       |
|----------------|-------|-------|
| MS (per cwt.)— |       |       |
| anadian        | 104 0 | 104 0 |
| nited States   | 90 0  | 92 0  |

## OTHER FOODS

|                  |       |       |
|------------------|-------|-------|
| FTER (per cwt.)— |       |       |
| ustralian        | 116 0 | 118 0 |
| ew Zealand       | 123 0 | 126 0 |
| anish            | 125 0 | 131 0 |
| EESE (per cwt.)— |       |       |
| anadian          | 72 0  | 75 0  |
| ew Zealand       | 73 0  | 75 0  |
| nglish Cheddars  | 67 0  | 67 0  |

|                           |      |      |
|---------------------------|------|------|
| IOA (per cwt.)—           |      |      |
| cora, g.f.                | 20 3 | 20 6 |
| inidad                    | 42 0 | 42 0 |
| renada                    | 55 0 | 55 0 |
| FE (per cwt.)—            |      |      |
| antos supr. c. & f.       | 30 6 | 30 6 |
| osta Rica, medium to good | 66 0 | 66 0 |
| enya, medium              | 66 0 | 66 0 |

|                               |      |      |
|-------------------------------|------|------|
| IS (per 120)—                 |      |      |
| nglish (15-15½ lb.)           | 14 9 | 14 0 |
| anish (15½ lb.)               | 15 0 | 14 6 |
| JIT—                          |      |      |
| nges, Brazilian (Peras) boxes | 8 0  | 8 6  |
| S. African (Navels) boxes     | 10 3 | 12 9 |
| emons, Naples boxes           | 15 0 | 15 0 |

|                                  |      |      |
|----------------------------------|------|------|
| Italian, raw, fr. Milan          | 11 0 | 12 9 |
| Murcia, I & II cases             | 13 0 | 12 9 |
| opies, N. Zealand (var.) boxes   | 7 6  | 7 9  |
| rapetruit, S. African (M.S.) bxs | 12 0 | 10 6 |
| Brazilian (M.S.) bxs             | 5 6  | 6 6  |

|                       |      |      |
|-----------------------|------|------|
| ears, Tasmanian boxes | 15 0 | 15 6 |
| LD (per cwt.)—        |      |      |
| ish, finest bladders  | 46 0 | 46 0 |
| S.                    | 32 6 | 32 3 |

|                                |        |        |
|--------------------------------|--------|--------|
| PER (per lb.)—                 |        |        |
| ack Lampong (in Bond)          | 0 21 2 | 0 21 2 |
| ute Muntack (l.a.q.) (in Bond) | 0 3 0  | 0 3 0  |
| (Duty paid)                    | 0 31 2 | 0 31 2 |

|                               |      |      |
|-------------------------------|------|------|
| ATOES (per cwt.)—             |      |      |
| nglish, King Edward, Siltland | 65 0 | 65 0 |
| isbech                        | 75 0 | 75 0 |

|                             |         |        |
|-----------------------------|---------|--------|
| AR (per cwt.)—              |         |        |
| ntirugals, 96, prpt. shipm. | 8 3     | 7 9    |
| Yellow Crystals             | 23 10 2 | 23 7 2 |
| Cubes                       | 28 10 2 | 28 7 2 |

|                                      |  |  |
|--------------------------------------|--|--|
| weeks ended June 29th. and July 6th. |  |  |
|--------------------------------------|--|--|

July 5, 1939 July 12, 1939

## SUGAR (per cwt.)—cont.

|                                   |        |        |
|-----------------------------------|--------|--------|
| Crushed                           | 26 7 2 | 24 1 2 |
| Granulated                        | 25 4 2 | 25 1 2 |
| Home Grown                        | 24 4 2 | 24 1 2 |
| TEA* (Auction Average) (per lb.)— |        |        |
| N. India                          | 14-29  | 14-60  |
| S. India                          | 13-37  | 13-09  |
| Ceylon                            | 14-60  | 14-38  |
| Java                              | 12-06  | 12-50  |
| Sumatra                           | 11-58  | 10-68  |
| Africa                            | 11-58  | 11-74  |
| Total                             | 13-93  | 13-85  |

|                            |       |       |
|----------------------------|-------|-------|
| TOBACCO (per lb.)—         |       |       |
| Virginia, stemmed and un-  | 0 8   | 0 8   |
| stemmed, common to fine    | 0 8   | 0 8   |
| Rhodesian, stemmed and un- | 0 9   | 0 9   |
| stemmed                    | 1 10  | 1 10  |
| Nyasaland, stemmed and un- | 0 7   | 0 7   |
| stemmed                    | 1 4   | 1 4   |
| East Indian                | 0 3 2 | 0 3 2 |
| Unstemmed                  | 1 0   | 1 0   |

## TEXTILES

|                                  |      |        |
|----------------------------------|------|--------|
| COTTON (per lb.)—                |      |        |
| Raw, Mid-American                | 5-58 | 5-59   |
| Giza, F.G.F.                     | 6-56 | 6-62   |
| Yarns, 32's Twist                | 9 13 | 9 13   |
| 40's Twist                       | 10   | 10     |
| 60's Twist (Egyptian)            | 17   | 16 3 4 |
| Cloth, 32 in. Printers, 116 yds. | 16 9 | 16 9   |
| 16 x 16, 32's & 50's             | 23 4 | 23 4   |
| 36 in. Shirts, 75 yds.           | 9 10 | 9 10   |
| 19 x 19, 32's & 40's             | 8 11 | 8 11   |
| 38 in. ditto, 38 yds.            | 9 10 | 9 10   |
| 18 x 16, 10 lb.                  | 8 11 | 8 11   |
| 39 in. ditto, 37½ yds.           | 8 11 | 8 11   |
| 16 x 15, 8½ lb.                  | 8 11 | 8 11   |

|                          |      |      |
|--------------------------|------|------|
| FLAX (per ton)—          |      |      |
| Livonian ZK              | 84 0 | 84 0 |
| Pernau HD                | 85 0 | 85 0 |
| Slanetz Medium, 1st sort | 84 0 | 84 0 |

|                         |      |      |
|-------------------------|------|------|
| HEMP (per ton)—         |      |      |
| Italian PC              | 71 0 | 71 0 |
| Manilla July Sept. "12" | 17 0 | 17 0 |

|                                 |         |        |
|---------------------------------|---------|--------|
| JUTE (per ton)—                 |         |        |
| Native 1st mks. c.i.f. H.A.R.B. | 21/7/6  | 21/5/0 |
| Aug.-Sept.                      | 21/7/6  | 21/5/0 |
| Daisee 2/3 c.i.f. Dundee        | 20/15/0 | 21/0/0 |
| Oct.-Nov. (Nov.)                | 20/15/0 | 21/0/0 |

|                         |         |         |
|-------------------------|---------|---------|
| SISAL (per ton)—        |         |         |
| Africa, July-Sept.      | 14/0/0  | 13/15/0 |
| Manilla July Sept. "12" | 15/10/0 | 15/0/0  |

|                         |      |      |
|-------------------------|------|------|
| SILK (per lb.)—         |      |      |
| Canton                  | 11 6 | 11 6 |
| Japan                   | 12 0 | 11 9 |
| Italian, raw, fr. Milan | 12 0 | 11 9 |

|                               |        |        |
|-------------------------------|--------|--------|
| WOOL (per lb.)—               |        |        |
| English, Southdown, greasy    | 12     | 12 1 2 |
| Lincoln hog, washed           | 11 1 2 | 12     |
| Queensland, scd. super combg. | 22 1 2 | 22 1 2 |
| N.S.W. greasy, super combg.   | 13 1 2 | 13 1 2 |
| N.Z., greasy, half-bred 50-56 | 12 1 2 | 12 1 2 |
| Crossbred 40-44               | 11     | 11 1 2 |

|                      |        |        |
|----------------------|--------|--------|
| Merinos 70's average | 26 1 2 | 27     |
| 64's                 | 25 1 2 | 25 1 2 |
| Crossbred 48's       | 18     | 18     |
| 46's                 | 17 1 2 | 17 1 2 |

## MINERALS

|                                |      |      |
|--------------------------------|------|------|
| COAL (per ton)—                |      |      |
| Welsh, best Admiralty          | 22 6 | 19 6 |
| Durham, best gas, f.o.b. Tyne  | 19 6 | 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 |
| Tinplates                 | 20 3  | 20 3  |

|                               |         |         |
|-------------------------------|---------|---------|
| NON-FERROUS METALS (per ton)— |         |         |
| Copper—                       |         |         |
| Standard cash                 | 42/15/0 | 42/13/9 |
| Three months                  | 43/2/6  | 43/0/0  |
| Tin—                          |         |         |
| Standard cash                 | 23/3/9  | 23/1/3  |
| Three months                  | 22/10/0 | 22/10/0 |
| Lead, soft foreign            | 22/15/0 | 22/15/0 |
| Cash                          | 14/12/6 | 14/13/9 |
| English, pig                  | 14/13/9 | 14/16/3 |
| Spelter, G.O.B.               | 14/2/6  | 14/2/6  |
| Spot                          | 14/5/0  | 14/3/9  |
| Aluminium, ingots and bars    | 94/0/0  | 94/0/0  |
| rolling billets               | 102/0/0 | 102/0/0 |
| Nickel, home and export       | 180/0/0 | 180/0/0 |
| Antimony, Chinese             | 55/0/0  | 55/0/0  |
| Wolfram, Chinese              | 48 6    | 48 0    |
| Platinum, refined             | 50 6    | 50 0    |
| Quicksilver                   | 7/10/0  | 7/10/0  |
| per 76 lb.                    | 16/10/0 | 16/10/0 |

July 5, 1939 July 12, 1939

|                      |       |         |
|----------------------|-------|---------|
| GOLD, per fine ounce | s. d. | s. d.   |
| SILVER (per ounce)—  |       |         |
| Cash                 | 1 6   | 1 4 1 8 |

## MISCELLANEOUS

|                                                   |      |      |
|---------------------------------------------------|------|------|
| CEMENT, best Eng. Portland, d/d sitz, London area |      |      |
| in paper bags 20 to ton (free, non-returnable)    | 41 0 | 41 0 |
| 4-ton loads and upwards per ton                   | 41 0 | 41 0 |

|                                     |         |         |
|-------------------------------------|---------|---------|
| CHEMICALS—                          |         |         |
| Acid, citric, per lb., less 5%      | 1 0 1 4 | 1 0 1 4 |
| Nitric                              | 0 2 1 2 | 0 2 1 2 |
| Oxalic, net                         | 0 5 1 4 | 0 5 1 4 |
| Tartaric, English 1:55 5%           | 1 1 1 1 | 1 1 1 1 |
| Alcohol, Plain Ethyl, per proof gal | 20/0/0  | 20/0/0  |
| Ammonia, carb. per ton              | 21/0/0  | 21/0/0  |
| Sulphate                            | 7/14/0  | 7/14/0  |

|                               |         |         |
|-------------------------------|---------|---------|
| Borax, gran. per cwt.         | 13 6    | 13 6    |
| powder                        | 8/0/0   | 8/0/0   |
| Nitrate of soda per ton       | 37/0/0  | 37/0/0  |
| Potash, Chlorate, net per ton | 10/0/0  | 10/0/0  |
| 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    | 18/5/0  | 18/10/0 |

|                      |        |         |
|----------------------|--------|---------|
| COPRA (per ton)—     |        |         |
| S.D. Straits, c.i.f. | 10/6/3 | 10/10/0 |

|                        |         |         |
|------------------------|---------|---------|
| HIDES (per lb.)—       |         |         |
| Wet salted, Australian | 0 4 1 2 | 0 4 1 2 |
| West Indian            | 0 3 1 4 | 0 3 1 4 |
| Cape                   | 0 4 3 0 | 0 4 3 0 |
| Dry and Drysalted Cape | 0 6 1 4 | 0 6 1 4 |

|                                   |         |         |
|-----------------------------------|---------|---------|
| Market Hides, Manchester—         |         |         |
| Best heavy ox and heifer          | 0 5 5 0 | 0 5 5 0 |
| Best cow                          | 0 5 1 0 | 0 5 1 0 |
| Best calf                         | 0 5 5 0 | 0 5 5 0 |
| 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 1 2 |
| Bark-Tanned Sole                  | 2 3     | 2 4     |
| Shoulders from DS Hides           | 0 10    | 0 8     |
| Eng. or WS do.                    | 0 11    | 0 11    |
| Bellies from DS do.               | 0 6 1 2 | 0 6 1 2 |
| Eng. or WS do.                    | 0 7 1 2 | 0 7 1 2 |
| Dressing Hides                    | 1 1     | 1 1     |
| Ro. Eng. Calf, 20/35 lb. per doz. | 3 6     | 3 6     |

|                                                       |          |          |
|-------------------------------------------------------|----------|----------|
| PETROLEUM PRODUCTS (per gall.)—                       |          |          |
| Motor Spirit No. 1, London                            | 1 6      | 1 6      |
| Petroleum, Amer. rfd. brl. Lond.                      | 0 10     | 0 10     |
| Fuel oil, in bulk, for contracts, ex. instal. Thames— |          |          |
| Furnace                                               | 0 35 1 2 | 0 35 1 2 |
| Diesel                                                | 0 42 1 2 | 0 42 1 2 |

|                         |        |        |
|-------------------------|--------|--------|
| ROBIN (per ton)—        |        |        |
| American                | 15/5/0 | 15/5/0 |
| RUBBER (per lb.)—       |        |        |
| St. ribbed smoked sheet | 8 1 2  | 8 1 2  |
| Fine hard Para          | 0 7 8  | 0 7 8  |

|                     |      |      |
|---------------------|------|------|
| SHELLAC (per cwt.)— |      |      |
| TN Orange           | 35 0 | 35 6 |
| TALLOW (per cwt.)—  |      |      |
| London town         | 15 6 | 15 6 |

|                                |         |         |
|--------------------------------|---------|---------|
| TIMBER—                        |         |         |
| Swedish u/s 3 x 8 ... per std. | 21/15/0 | 21/15/0 |
| 2 1/2 x 7                      | 21/5/0  | 21/5/0  |
| 2 x 4                          | 20/5/0  | 20/5/0  |
| Canadian Spruce, Dis.          | 26/0/0  | 26/0/0  |
| Pine, per load                 | 13/10/0 | 13/10/0 |
| Rio Deals                      | 24/0/0  | 24/0/0  |
| Teak                           | 35/0/0  | 35/0/0  |
| Honduras Mahogany logs c. ft.  | 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                | 24/7/6  | 23/17/6 |
| Rape, refined                 | 32/5/0  | 32/5/0  |
| Cotton-seed, crude            | 17/10/0 | 17/10/0 |
| Coconut, crude                | 16/10/0 | 16/10/0 |
| Palm                          | 12/5/0  | 12/5/0  |
| Oil Cakes, Linseed, Eng.      | 8/7/6   | 8/7/6   |
| Oil Seeds, Linseed—           |         |         |
| La Plata                      | 11/13/9 | 11/11/3 |
| Calcutta                      | 12/11/3 | 12/11/3 |
| Turpentine                    | 33 0    | 32 6    |

## THE ECONOMIST

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JULY 22, 1939

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## COMPANY NOTES—

Chancellor of the Exchequer should discuss with Parliament each successive stage of the vast and complicated defence borrowing to which he is now committed. But it remains the right of the people's representatives, in their turn, to judge decisions of policy before they take on the unalterable character of *faits accomplis*; and, if it be said that the Government has no intention, in any quarter of the globe, of deviating from the foreign policy that has lately won the acceptance of critics as well as of friends, then no harm at all could be done by an open-handed concession by the Prime Minister to the Opposition's request to be assured of consultation *coram populo* before any die is finally cast.

An assurance that this would be done would go a great distance to meet hostile criticism, and in itself it would not necessarily shorten Members' weeks of recuperation—the holidays of Ministers, by the very nature of the case, must in any event be short and precarious. But such a step would not meet the claim that there is still work to be done at Westminster. The current session began with a large legislative programme in the ordinary way, and *The Economist's* comforting comment made at the time that the vital question of defence called for little legislation has since been appreciably falsified. There is reasonable hope that August 4th will be reached with all the immediately urgent emergency measures for active and passive defence completed, but there will be a leeway of civil enactments, such as the Criminal Justice Bill, the Official Secrets Bill, and the Poultry Industry Bill, to say nothing of safety in mines and the railways' Square Deal to be made up. The Government's decision to reduce the number of Supply Days, or days of general discussion, from 20 to 16 is only intended to ensure the passage of the Bills that must willy-nilly become law before the recess, including the War Risks Insurance Bill, the Building Societies Bill, the Overseas Airways Bill and the Members' Fund Bill. Schemes to spread the burden of debate and legislation more evenly, in time and substance, between the Lords and the Commons, like cogent arguments for the introduction of functional committees into Commons procedure to economise time (which must surely be done sooner or later), are not feasible in the short run of the next few weeks. Only a curtailed vacation could help here.

It is not only because the sands of the present session are

running out that it is desirable that arrears of work should be made up. The present Parliament is coming to an end, too. A new one must by law be elected next year at the latest, and by precedent the election should occur this autumn. Parliament can extend its term of life; but the contention that a period of emergency like the present is no time for electioneering is not convincing. There is no final proof that the nations may not proceed as they are now, neither at war nor genuinely at peace, for a stretch of years yet, and it would be needlessly defeatist to act as if war had actually come, and suspend the workings of representative government.

There is another reason why the early election that is possible is also desirable. Strict party lines have lost their meaning since 1935. The Government's policy at home and abroad since March has been adapted from Opposition models; and such general support as Mr Chamberlain can claim in the country is provisional upon that policy being worked out on lines quite different from those he and his colleagues firmly favoured only a few months ago. The real authors of the present policy are not in office. An election with a reconstructed Ministry would put the issues squarely before the people—not confused as in recent by-elections by rigid party lines. War would kill the chances of an election, but it would raise to the *nth* the need for a new Government; and to make that Government, and to clear off under its auspices the worst arrears of vital legislation, needs more than the few paltry weeks that will still remain of this session if the full recess, or anything like the full recess, is taken.

This may be a hard saying, for Members of Parliament work hard. But other men in times of pressure and uncertainty are constrained to forgo or cut short their holidays; and there can be little doubt that any firm refusal by the Government to tamper with the recess in these circumstances would be widely taken to indicate a desire to be rid of the cut-and-thrust of Parliamentary criticism. It is in no carping spirit that this is said. The Cabinet have done well in recent months and Ministers have unmistakably spoken the mind of the people in their public utterances. But none the less the issues that hang upon Government policy now are so grave that assurance should be made doubly sure.

## France in the Levant

THERE is a wide realisation in Great Britain to-day that the present grave problems in Palestine have a long history. This is equally true of the French mandate for Syria and the Lebanon, both neighbours of Palestine as well as of each other. There too, the Mandatory Power is faced with a strong current of nationalism, and on July 8th the High Commissioner was impelled to suspend the Syrian Constitution and set up a council to govern under his direct supervision.

In a general way the histories of these French and British administrative enterprises in the Levant have run parallel during the past twenty years. This was to be expected. The mandated territories of Palestine (including Transjordan), the Greater Lebanon, and Syria (including the Jesirah or Mesopotamia) are not merely contiguous to one another; they are parts of a single country, popularly known as Syria since the dawn of history. This historic Syria has well-defined natural boundaries: the Mediterranean Sea on the West, and the desert on the South and East; and on the North the mountain rims of the Anatolian and Armenian plateaux. Greater Syria has often been under alien rule. In our own generation it has passed out of Turkish into French and

British hands; and the present mandated divisions are as arbitrarily mapped out as the Ottoman provinces which they superseded. Yet, through all these vicissitudes, Syria has managed to preserve an underlying national unity and character.

The special characteristic of Syria, in this wider sense, is unity in diversity. The ethnographical and religious map of Syria was already a coat of many colours before the mass immigration of the Jews into its Palestinian parts after the Great War. Any regime which had undertaken the duty of preparing Syria, or its several sections, for self-government, would have found itself confronted with what in India is called the "communal problem": the puzzle of how to induce two or more distinct, but geographically intermingled communities, to co-operate with one another in the government of their common country.

The majority of the population of Greater Syria (including Palestine) consists of Arabic-speaking Sunni Moslems; but, even apart from the Jews in Palestine, the Syrian minorities are legion. There are Sunni Moslems who are not of Arabic speech, like the Kurds along the Northern border of Syria and the Circassian immigrants

from the Caucasus on the desert border of Transjordan. There are Arabic-speaking communities that are not Sunni Moslems, like the sects of Christians, who together are a majority in the Lebanon, and a minority in every Syrian and Palestinian town. Finally, there are a number of mysterious sects that are neither Christian nor Mohammedan—the most conspicuous being the Druses in the Lebanon. It is not a mixture easy to handle.

When the French took over their Levantine mandate they did not find a *tabula rasa*. The Lebanon had been an autonomous province of the Ottoman Empire under a Christian governor since 1860; and the Arab national feeling of the Moslem Syrians, already aroused against their former Turkish masters, was now bitterly resentful at being given a mere change of foreign rule in place of national self-government. After General Allenby's crowning victory over the Turkish Army in Syria in the autumn of 1918, the British conqueror's Arab allies, led by the then Emir Feisal of the Hejaz, entered Damascus and Aleppo before the French could get there, and even succeeded in hoisting the Arab national flag for a few hours in Beirut. The interior of Syria was won from Feisal and his Arab Nationalists by Marshal Gouraud in 1920—an inauspicious start for the French mandatory regime; and, simultaneously, the policy of partition, which has lately been mooted for Palestine, was carried out by the French as between Syria and the Lebanon—the predominantly Christian Lebanon being enlarged by the addition of non-Christian Syrian districts.

This policy of "divide and rule" has borne evil fruit in an embitterment between Syrian Christians and Moslems. It has made the French task of introducing self-government more difficult than it need have been; and some cynical observers have even suggested that the French have deliberately accentuated "communal" divisions in order to find an excuse for postponing self-government. There may be an element of truth in this. While France holds a mandate for two territories only—namely, the Lebanon and Syria—the Syrian mandate has at times been partitioned into as many as four or five statelets. Yet it cannot be denied that "communal" divisions are a hard fact. One of the major responsibilities of the mandatory Power is to ensure that in Syria the Sunnis shall not oppress the Druses, Christians and Assyrians, and that in the Greater Lebanon the Christians shall not oppress the Moslems and Druses; and the proposed constitution for Syria, written into the

Franco-Syrian Treaty, does at least make effective provision for the protection of minorities—a provision unduly neglected in the Anglo-Iraqi Treaty on which the Franco-Syrian Treaty was modelled.

Yet, complicated as it is, the "communal" problem in the French mandated territories is not, even at its worst, so intolerable as the feud between Arabs and Jews in Palestine. It is true that the French have one difficulty from which their British neighbours are free. Whereas the Palestinian Arabs belong to the more rustic and backward stratum of the Syrian Arab people, the townsmen of Damascus, Aleppo and Beirut, both Christians and Moslems, not to speak of the Christian Lebanese, are among the most up-to-date and enterprising Arabs in the world. Syrian and Lebanese men of business and men of letters range far afield. In Egypt they are prominent in the Civil Service and in the Press; in Latin-America and West Africa they are prominent as traders and shopkeepers; and for these modern-minded Syrians and Lebanese it has been galling to see themselves held in leading-strings by a European Power—at a time when self-government has been attained, not only by the Arabs of Egypt and Iraq, but even by the primitive tribesmen of the Arabian Peninsula.

For all these reasons the history of the two French mandates in the Levant has been as stormy as that of the British mandate in Palestine. In 1925 a local quarrel between the French authorities and the Druses rankled into a general insurrection in Syria, in the course of which the heart of Damascus was bombarded and laid in ruins by French artillery. Ever since 1936, when the French began to realise that an independence which had now been won by Iraq and Egypt could not for ever be withheld from Syria, progress has been slow. The Franco-Syrian Treaty which was negotiated nearly three years ago still awaits ratification.

All the same, present omens are not inauspicious. It may now be taken as reasonably sure that, sooner or later, the story of Franco-Syrian relations is going to have an ending of the kind that has brought Anglo-Egyptian and Anglo-Iraqi relations to their present relatively happy state. That time is admittedly not yet, and the French record in their administration is strewn with mistakes and hesitations. But the goal of self-government cannot realistically be set aside, and the crux of future development in Syria and the Lebanon is not the ultimate fact of autonomy but, as in India, the timing of its granting.

## Tapping Labour Reserves

AS early as the beginning of this year, in a time of general lack of enthusiasm about trade prospects, it was forecast, as a consequence of the Government's loan expenditure for re-armament, that by next spring, or even by the coming winter, all the readily available supplies of labour would be used up. The country would be face to face, it was predicted, with an acute labour shortage. It was not, of course, anticipated that registered unemployment would vanish. It was, in fact, pointed out that many of the present million and a half of unemployed persons were between jobs or unemployed for seasonal reasons, and that some of them were really by now outside the industrial system. There is a certain residuum of unemployment, estimated variously at about three-quarters of a million, which it will be hard to reduce without special and drastic measures. It is as unemployment approaches this figure that the real strain of re-armament may be expected to begin.

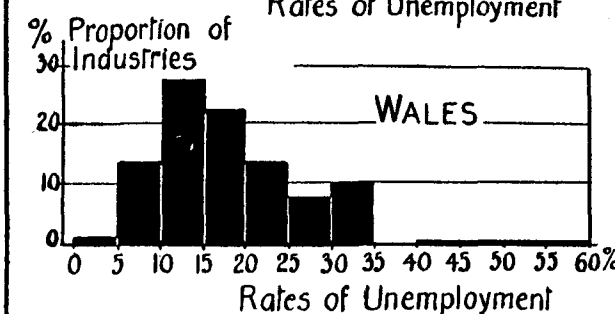
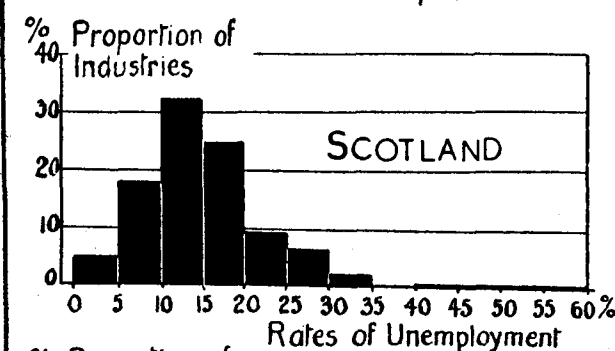
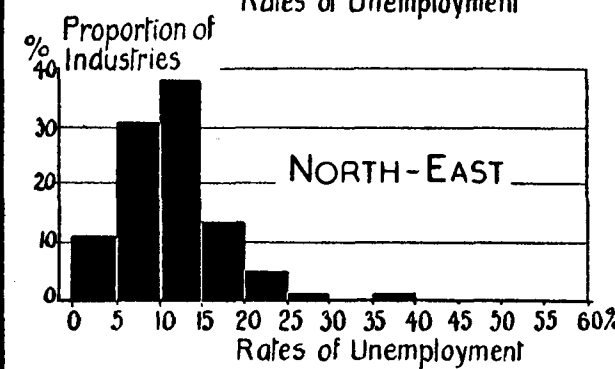
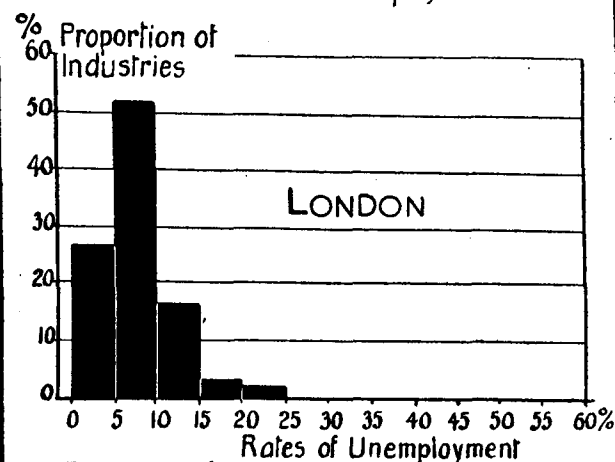
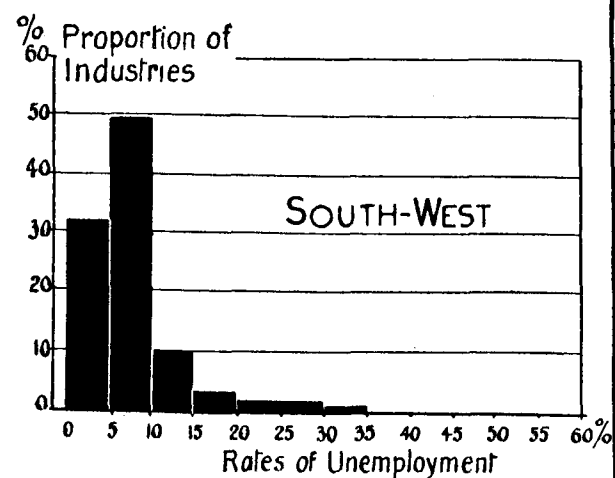
The growth of employment in the last six months has borne out such predictions, and the lately-announced in-

crease in Government spending has intensified the problem. The rise in the number of insured employed between April and May was one of the biggest there has ever been, even taking into account the fact that May is one of the two seasonal peaks of the year. The improvement was even greater in June. With the armament stimulus to trade, private investment can hardly fail to revive, and the consequent increase in the general demand will hasten the attainment of full employment. The danger is that, as labour supplies run down, bottlenecks due to labour shortage will hold up the re-armament programme, bringing with them price rises and extra costs to the taxpayer, and necessitating either State-controlled rationing or delay. It is already imperative to take careful stock of the labour position and to consider ways of utilising the existing reserves to the best advantage.

The Ministry of Labour monthly statistics cover an unequal incidence of unemployment. This point is important. For each industry the returns give a simple per-



### DISTRIBUTION OF UNEMPLOYMENT IN INSURED INDUSTRIES APRIL 1939



centage of unemployed covering the whole country. They do not show in what manner this unemployed percentage is spread over the ten employment regions of the United Kingdom. In actual fact the geographical distribution of unemployment within the separate industries is often very uneven. In a given month in any individual industry the unemployment percentage in the region with the highest unemployment rate for that industry may be eight or ten times as great as in the region with the lowest rate. (In the analysis which follows cases where an industry in a district is very small are omitted.) Recently available regional figures, which are based on unpublished material provided through the courtesy of the Ministry of Labour, show, for example, that in one particular industry there are roughly equal numbers insured—seven or eight thousand in each case—in contiguous areas, the South-East and the North-East. Yet unemployment in the South-East in this industry was 0.6 per cent. of the insured, and in the North-East it was 13.2 per cent. In one prosperous armament industry the best area had 2 per cent. unemployment, whereas the worst had 22.7 per cent. In one depressed industry, again, the discrepancy between the best and the worst region was between 12.7 per cent. and 66.7 per cent. For the country as a whole, the average difference, industry by industry, between the region with the highest unemployment percentage and that with the lowest was 20 points.

The tables below illustrate this general position. They pick out the number of industries in which the difference in percentage between areas where the rate of unemployment was lowest and where it was highest was under five points, between five and ten, between ten and fifteen, and so on. It can be seen that only in under 2 per cent. of the industries was the difference in the rate of unemployment between best and worst regions five points or less. The figures show that, in nearly 26 per cent. of the industries, the difference was between 10 and 15 points; just over 20 per cent. of the industries had differences between the rate of unemployment in the best and worst areas of between 15 and 20 points; and over 40 per cent. had differences between worst and best of over 20 points. The number of industries where the difference between best and worst was ten points or under was small—only about 14 per cent. of all industries.

TABLE A.—ALL INDUSTRIES IN UNEMPLOYMENT INSURANCE SCHEME

| Regional Spread of Unemployment Rates* Per cent. | Percentage of all Industries |
|--------------------------------------------------|------------------------------|
| 0-5                                              | 1.9                          |
| 5-10                                             | 12.0                         |
| 10-15                                            | 25.9                         |
| 15-20                                            | 20.4                         |
| 20-25                                            | 16.7                         |
| 25-30                                            | 11.1                         |
| 30-35                                            | 6.5                          |
| 35-40                                            | 1.9                          |
| Over 40                                          | 3.7                          |

TABLE B.—INDUSTRIES WITH NATIONAL UNEMPLOYMENT OF 8 PER CENT. OR LESS†

| Regional Spread of Unemployment Rates* Per cent. | Percentage of these Industries |
|--------------------------------------------------|--------------------------------|
| 0-5                                              | 2.9                            |
| 5-10                                             | 20.6                           |
| 10-15                                            | 41.2                           |
| 15-20                                            | 17.6                           |
| 20-25                                            | 8.8                            |
| 25-30                                            | 5.9                            |
| 30-35                                            | 2.9                            |
| 35-40                                            | ...                            |
| Over 40                                          | ...                            |

\* Difference within industries between percentage of unemployment in region where unemployment is lowest and percentage of unemployment in region where unemployment is highest.  
† About one-third of all British industries.

This analysis shows that the range of unemployment rates between different regions in the same industries is enormous. The fact is that somewhere in the different regions for practically every type of industry we have hidden reserves of labour; and often these reserves occur in those industries which are feeling the pinch of labour shortage in some of the districts in which they operate. Take the case of the busiest third of our industries, i.e. those having a rate of unemployment up to and including 8 per cent. In these industries the spread between the highest regional rate of unemployment and the lowest is not so great as in industry as a whole; but, even so, over 75 per cent. of them show a difference of over 10

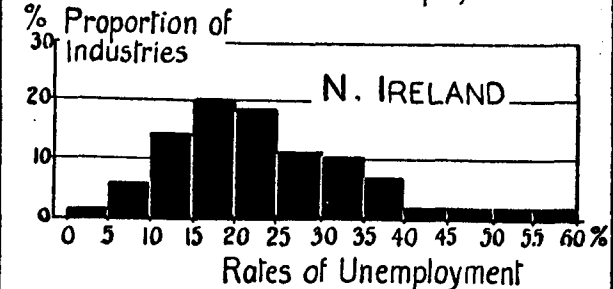
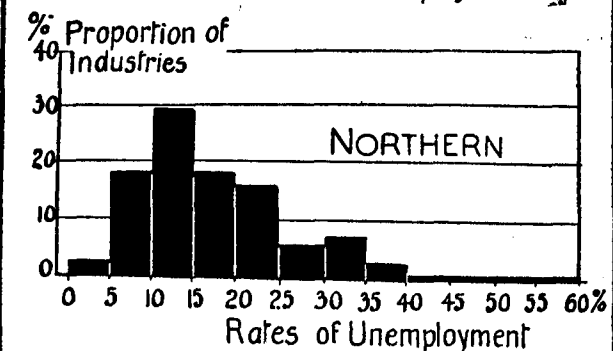
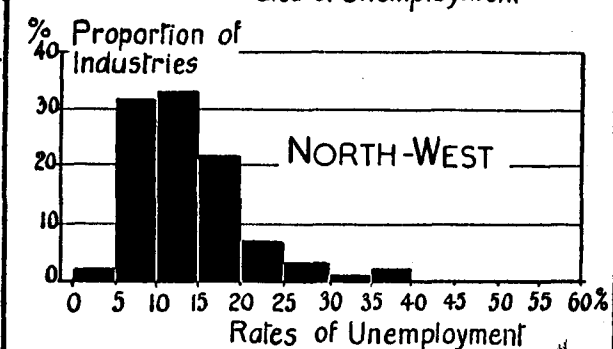
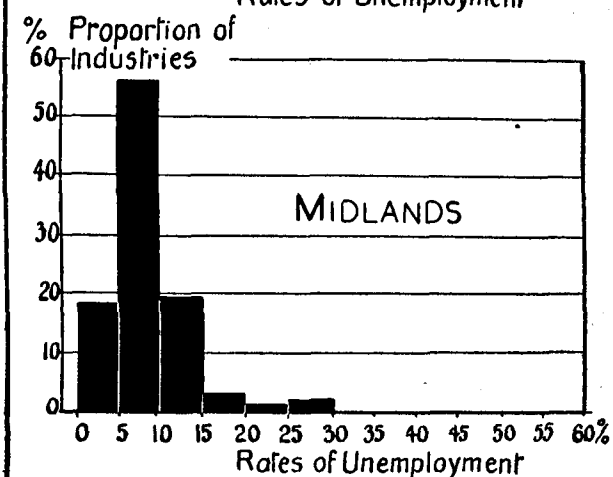
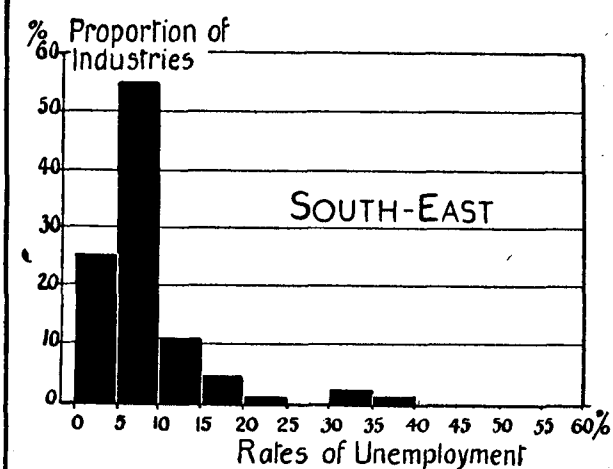
points between the unemployment percentages in their best regions and the rate in their worst, and nearly 35 per cent. have a difference of over 15 points. Even the busiest of our industries have some hidden regional reserve.

These facts provide at least a *prima facie* case for a full investigation of the best utilisation of available labour reserves. As least, it is useful to consider in what regions the reserves of labour are. The accompanying ten block diagrams represent the position in each of the ten employment regions into which the Ministry of Labour divides the United Kingdom. Each diagram represents, first, the percentage of all the industries in that area in which the rate of unemployment is 5 per cent. or less, then the proportion of industries in the area where it is between 5 and 10 per cent., then the proportion where it is between 10 and 15 per cent., and so on. It is very noticeable, though scarcely surprising, that in the South the majority of industries are concentrated among the low unemployment percentages; in the North the proportion of industries falling within the higher unemployment percentage groups grows. In the South-West, the South-East and in London the bulk of the industries are in the two groups with less than 10 per cent. unemployment. In the Midlands, the North-East and the North-West, the two largest groups of industries are those where unemployment is between 5 and 15 per cent. In the Northern region, in Scotland and in Wales the largest groups of industries are those with 10 to 20 per cent. unemployment; and in Northern Ireland, the most depressed area of all, most industries have from 15 to 25 per cent. unemployment.

The problem of the optimum use of our labour force emerges clearly from the stages of this analysis. Labour stringency is already noticeable in the South. In almost every industry there are reserves of labour, but the reserves are mainly in the North. It therefore appears that wherever possible the Northern districts should be given a priority in Government contracts in order to avoid labour stringency. Always remembering that when the performance of those contracts requires specialised skilled labour, it must first be ascertained that supplies of the right type of labour are available on the spot. Unemployed miners cannot build battleships. A judicious allocation of contracts will be made all the more necessary as the growth of private activity follows the Government-generated boom. This is an opportunity that may not occur again to tackle the problem of the depressed areas. It is important to realise that the high percentage unemployment in the Special Areas and the North is by no means entirely due to certain depressed industries such as cotton and coal. When an area ceases to be prosperous all local trades largely dependent on it for a market develop high unemployment. These areas contain, awaiting employment, reserves of all sorts of labour, in consumers' trades, building and services.

It is impossible in a short survey to work out the principles and technique of distributing work regionally so as to absorb the local reserves of labour. Clearly the alternative to taking work to the idle labour is to transfer the labour to the places where there is already a shortage; and, in the case of areas where local shortages are already acute, or likely soon to become so, assisted and planned transference is probably the best remedy. But there are strong general grounds for taking the contracts to the labour reserves; the problem is urgent and almost upon us; in most of the districts where labour is available there already exist accommodation and services for the workers and their trades; and very many of the areas are reasonably immune from air attack. Against labour transference as a policy there is the hardship and dislocation involved. Against the alternative of placing contracts in areas of high unemployment there is the risk of creating new and even more distressed areas in the future when arms demand falls off. It needs nice calculation to make the wisest use of these reserves. But they do exist, and they must be used.

### DISTRIBUTION OF UNEMPLOYMENT IN INSURED INDUSTRIES APRIL 1939



## Juvenile Needs

IT was Mr J. B. Priestley who once said "there is something about Youth with a capital Y which leaves me cold and suspicious." He was justified. We may complain sometimes in England about the rule of the unduly aged, but it is the exaltation of hot and empty heads at the expense of experience that has been largely characteristic of the degeneration of Europe since the war.

Yet, rightly regarded, young people are immensely important on any reckoning to any country. For one thing they are the citizens of to-morrow. For another—and this has just become the case in this country—they are usually destined to be the conscript soldiers of to-morrow, too. More important, they are the workers of to-morrow as well.

Equally, they are the school-children of yesterday. This is important in England. The evolution of a national system of education has meant that the State has assumed all sorts of responsibilities, for all children up to 14 or 15 years of age, but for only a few afterwards. Young people between 14 and 18 years of age live in a partial gap in the social services, and it is only very lately that this has been seen seriously.

The importance of the problem can be measured. There are 3½ million boys and girls between 14 and 18 in Britain, and just over 2,900,000 in England and Wales alone. There may never be so many young people in the country again. If present population trends continue, there will be only half as many boys and girls between these ages in 1968.

These are three reasons why an outstanding feature of recent new trends in social policy has been a growing concern for young people. They are the raw material of democracy; they have been allowed to fall too far outside the structure of social provision; and although depression and the peak their numbers reached two years ago have combined to make an idle worklessness their frequent lot in many places, they are likely to have a scarcity value in the near future. There is a fourth reason. Written deep into the social history of the last hundred years are the successive steps taken to abolish the evils arising from the exploitation of cheap juvenile labour. They began with the emancipation of child sweeps and with the freeing of boy and girl workers in mines and factories; they went on with the taking of children from workplaces into schools; they proceed still in the campaigns to raise the school-leaving age, to furnish part-time education for young workers and to better the lot of errand boys, messengers and pages.

The list of recent measures to carry on this good work is impressive. Within the last five years a Shops Act, a Factories Act and a Young Persons (Employment) Act have cut down the hours of work for young people over practically the whole of business and industry to no more than 48 a week; and it has further been arranged that those under 16 shall work no more than 44. Set against the 50, 60, 70, 80 or even 90 hours worked by many juveniles within the last decade—and in some cases outside the legal network even now—this is genuine progress. But it is only the obverse side of the picture of reform; it is the negative aspect. The story of reforms in juvenile employment in the past has been told in two ways: on the one hand, work has been cut down or forbidden altogether; on the other, education has been provided in place of premature labour. It is on the positive side that the latest progress has been most sketchy.

This is the burden of a notable review of the whole problem just made for King George's Jubilee Trust by the ex-Vice Chancellor of McGill University, Montreal.\* It reaches two conclusions: first, that the time has come for

the voluntary system, which cares at present for young people through a host of clubs and associations, to be stoutly strengthened by public services and from public funds; and, secondly, that, because it is wasteful and mischievous for boys and girls to be thrown into the world of work at 14 or 15, the educational process should continue on a compulsory part-time basis until the age of 18.

This is no mere sentimental appeal. The chief feature of the work done by juveniles is their misemployment. "The heart of the question of juvenile welfare is the amount of unprogressive work into which boys and girls drift." They run up against dead ends, and finish at 18 less fitted to serve society than when they left school four years before. It is the community that is the loser. In the past it was the industry itself that trained the apprentice to be a craftsman. Mechanical industry has all but destroyed apprenticeship, and there is only technical education to bring out the skill that industry needs.

There are organised efforts to defeat misemployment and the loss of training. The Ministry of Labour and local authorities assist in the placing of school-leavers at work; the Board of Education and local education committees control and plan a system of technical education—and in trades like printing, engineering and building there is the closest co-operation between employers and trade unions in training schemes. But the background is hostile. It is to the advantage of individual employers in the short-term to employ young people at low wages and to sack them when they require more. Some sections of the catering and distributive trades, over a fifth of whose workers are under 18, depend for their profitable operation on the employment of boys and girls at wages too low to keep them. They are built around blind alleys. Even in highly organised and most reputable retail trading organisations, juvenile recruitment is often completely haphazard and juvenile training scarcely more than nominal. Wastage is sadly and needlessly high. On the side of the young people's families, too, there is economic pressure. The children's wages in dead-end jobs are needed as much as the factory children's few pence were a century ago. Without them the malnutrition that goes with widespread poverty and hits the youngest hardest is worsened. It is for these reasons of pounds, shillings and pence that juvenile employment is a sad and haphazard "clutching at the first chance."

This is also why technical education has still so small a rôle. Of the 2,917,000 boys and girls in England and Wales between 14 and 18 years of age, only 879,000, or less than a third, participate in any form of education—386,000 full time and 493,000 part time. Of the 1,508,000 who fall between 16 and 18 just over a fifth are being educated in any way. To stay at school costs money; it is also to lose possible earnings. To go to part-time classes in spare hours means working late and often travelling far in the very uncertain hope that it will be worth while in terms of a better job. Juvenile education like juvenile employment is a process of trial and error and hit and miss.

The economic lion in the path of reform has full recognition from the Government itself. On September 1st next, under a statute of three years ago, the school-leaving age will go up to 15—some local authorities have raised it already. But there will be exceptions. The boys and girls who can get "beneficial employment" before they are 15 will leave. It would not be fair, the reasoning runs, to deprive them and their families of the economic gain involved.

The point is that practically no juvenile employment is really "beneficial." It is no more so, in the light of contemporary standards, than the child labour that Shaftes-

bury and Oastler condemned. Coupled with technical education for all in shortened working hours it might more nearly fit the phrase. Rounded off by an extension of the recent Insurance Act that aimed to give medical benefits to young people before 18; reinforced by the already begun provision of State-subsidised and nationally-organised facilities for games, physical recreation, hobbies and pastimes for all young people; and humanised by the clauses of the pending Criminal Justice Bill which, by its scheme of probation, remand homes, attendance centres and hostels, in place of prison and the birch, recognises that "the essence of the successful handling of the young delinquent is to realise that it is an educational process";

## NOTES OF THE WEEK

**The Nation's Burden.**—In a leading article on page 169 the transformation that has come over the national accounts as a consequence of the Supplementary Estimates issued in the past two weeks is discussed in detail. The dangers and difficulties of borrowing more than £500 millions in a single fiscal year, and the unpleasing prospect that, mismanaged, this gigantic effort may engender a process of inflation capable of upsetting the country's social and industrial stability seriously, are especially underlined. As long ago as February 25th last it was argued in these columns that to borrow only £350 millions in the coming twelvemonth was "borrowing up to the hilt," and the admission that so much might be done by loans rested mainly upon the existence then of large reserves of unemployed labour and materials. Now, when prospective borrowing has been increased by 43 per cent., unemployment has fallen by a third (largely, it is true, as a result of Government defence spending) and the public-works-in-recession argument for large-scale borrowing has lost something of its cogency. It cannot be gainsaid at all that the major part of the burden of defence must be borne by borrowing, but no attempt has been made by the Chancellor, either in April or this month, to provide a precise justification for the actual sums he has proposed to borrow. It was difficult to escape the view as early as three months ago that more of the cost might have been drawn from taxation, for social and political as well as soundly economic reasons. The size of the latest Supplementary measures the added strength that this view has now acquired.

\* \* \*

**The Chancellor's Responsibility.**—By education and cajoling, by propaganda and subtle fore-handed planning it will probably be possible to raise the £500 millions now needed from bills and loans. But the risks involved are not inconsiderable, and it is pertinent to ask whether, now the scale of the financial problem has been so widely extended, the shape of economic and fiscal policy might not be somewhat altered. Sir John Simon has shown no realisation at all in his Parliamentary pronouncements of the wide economic aspects of his financial programme; and this seeming indifference to the heavy impact of massive borrowing upon the whole economy has aided and abetted the widespread popular fallacy that loans represent a painless means of making posterity pay for our present security. It was this hiatus in Sir John's Budget speech which caused *The Economist* to claim that "we have not yet had a Budget Day in 1939." Logically there is a case for having one even now, and it is indisputable that, by any normal standards of wise finance, more than £245 out of £747 millions of defence expenditure should have come from taxes. If it is not possible, for political and other reasons, to go back on our tracks in this matter, as may well be the case, then it is all-important that the controls of trade and industry which may be needed to avert inflation should be sharpened ready for use.

given a proper context in these ways, juvenile employment might become less of a social blot than it now is. At present, like the child labour of past generations, it is exploitation. In essence it may remain so. But at least the young workers might be made capable of serving the community and kept reasonably healthy and happy. Too often at present they are on the scrap-heap at 20. From the classroom and the courthouse to the playing field and the glass of milk this will cost money. But it is the logical end of the system of education and social services that has already grown up. It is the tripartite planning of wage work, wide choices of leisure and continued education that is called for. We cannot afford not to do it.

**President, Senate and Neutrality.**—In the United States the policy of the President and the State Department in the matter of the Neutrality Act is to safeguard the United States from the danger of being drawn into a general war by doing their utmost to ensure that the dictators shall not break the peace. On July 14th, at Washington, the Administration's case was impressively argued by Mr Cordell Hull. He began by recalling that it was a neutral's traditional right to sell arms to any belligerent that was able to take delivery of them, subject only to an effective blockade and to the rights of belligerents to treat any such commodities as contraband. He went on to point out that, in departing from traditional practice by imposing an arms embargo, the United States was encouraging a general state of war in both Europe and Asia. This was given out to the Press; it was also read to both Houses of Congress as part of a message from the President himself. During the early days of this week there were moments when the omens looked almost favourable; but on Wednesday it was announced that, after a three-hour conference with Republican as well as Democratic leaders of the Senate, the President and the Secretary of State had given up hope of getting the present Neutrality Act reconsidered by Congress during the present session. It is admittedly disappointing that a mainly partisan opposition should have succeeded in an anti-Administration manoeuvre, the success of which may give heart to the aggressor in Europe. But there is no reason at all for despair. Herr Hitler will be vastly mistaken if he assumes that the latest United States decision ensures the aloofness of that nation in a war which he may precipitate in Europe. It is as true now as it has been for many months that the lately-awakened public opinion in the United States will not in the event allow the European democracies to be damaged or destroyed unaided.



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\* "The Needs of Youth." By A. E. Morgan. Oxford University Press. 434 pages. 10s.



**The Tokyo Talks.**—Down to the eve of the discussions at Tokyo between the Japanese Foreign Minister and the British Ambassador, an atmosphere of menace was maintained in the Japanese Press and in public meetings, which, both in Japan and occupied China, was translated into violent anti-British demonstration. The Japanese Navy has announced its intention to attack three more Chinese ports—this time, on the coast of the province of Fukien—and, as usual, has warned foreigners to leave. Mr Arita invited Sir Robert Craigie to meet him last Saturday morning to have a preliminary talk. The agreed *communiqué* at this meeting stated that the discussion was concerned with "certain general questions forming the background of the situation that has arisen at Tientsin." In the House of Commons on Monday the Prime Minister made a statement. Referring to Japanese and British Press reports that Japan would require a fundamental reversal of Great Britain's Far Eastern policy as a condition of the opening of the negotiations, Mr Chamberlain declared once again that this country would not and could not so act at the demand of another Power, and he added that the Government had not received any such demand from the Japanese Government. But, when Mr Eden asked him whether they were to understand that the Japanese Government had not asked that the conversations should be extended beyond the local issue at Tientsin, the Prime Minister replied, in effect, that the discussions had ranged over the general background against which the Japanese Government considered that the Tientsin issue should be set, but that they had not suggested that discussion or settlement of the general question should actually be a condition for the opening of the formal negotiations. Upon receipt of further instructions from London, Sir Robert Craigie had an all-day conversation with Mr Arita on Wednesday. It looks as though the Japanese Foreign Office had persuaded the Army, at any rate for the moment, to refrain from forcing a head-on collision, but if the general issues which Japan wants to raise and settle can be inserted into the preliminary talks grain by grain, the British negotiator may find himself in the end with a peck of trouble.

**Guarantees and Trade.**—The introduction of the Overseas Trade Guarantees Bill has been greeted in Germany and Italy with the accusation that the £60 millions made available by Britain to friendly countries to establish or encourage overseas trade have really been provided for political purposes. Actually, the political purpose of these guarantees has never at any time been concealed or denied. The Bill has been promoted, and supported by all parties, as a means of strengthening the bonds between Britain and those countries on whose behalf she has undertaken obligations; and it can hardly be expected that the transactions guaranteed will necessarily be of equal soundness with ordinary trade transactions. Indeed, this is implicitly admitted in the provision that sanction for the guarantees is to be placed outside the purview of the independent body of business men whose function it is to assess commercial risk in the case of grants made by the Export Credits Guarantee Department. It is plainly anticipated that the bulk of the guaranteed amounts will be spent on the essentially unproductive purchase of armaments; and the Secretary of the Overseas Trade Department stated in the course of last week's debate on the second reading of the Bill that the allocation of the new loans between countries would be made on the advice of the Imperial Defence Committee. The present emphasis is certainly not on any permanent gains to British trade. On the other hand, it would be a mistake to assume that such gains are quite out of the question. An increase of trade with Eastern Europe need not be regarded merely as, say, a temporary windfall for armament manufacturers. If it is supplemented by more and better organised buying of the products of the countries who will principally benefit by the guarantees, it may in fact lay the foundation of a not unimportant new trade. It is, in fact, wise buying by Britain that can prevent these guarantees of sales from becoming millstones round the necks of Poles, Roumanians and Turks in the future. The fact

is that guarantees with primarily political ends are not welcome as permanent features of international trade. But if lasting economic gains as well as temporary political advantages can in fact be secured by their agency, then every effort should be made to secure them.

**Credits for Poland.**—It appears that the financial agreement between the British and Polish Governments, so nearly signed on Friday of last week, allows for credits to the value of £8,000,000 for war and raw materials, and for a further credit of £5,000,000 to support Polish currency—and it is understood that the French Government will contribute to this support a further credit of £3,500,000. The reason why the agreement was not signed would seem to have been the vehement desire of the Polish mission to obtain a credit which would be in cash—that is, in terms of "free" and not of "blocked" sterling. The Polish need for raw materials outside the scope of the British export and re-export trade has been commented on in *The Economist* during the past two months; the need becomes all the more apparent now that the total credit is to be so much less than the Poles have hoped. There can be in principle no objection to cash credits, other than due consideration for the strength of sterling, for the principle of our help to Poland is that she shall be made strong to face an emergency: if cash credits are needed to this end, then they cannot be considered as standing on a different footing from goods credits. In stating to the House on Wednesday that "the negotiations now proceeding with the Polish financial mission might result in an agreement which would require statutory authority," Mr Chamberlain may have, in fact, had in mind the provision of facilities not hitherto available to any other Government under the Peace Front policy. The delay in decision is no doubt largely caused by the Treasury's retarding effect on expenditure, especially the disbursement to a foreign Government of actual cash; in part it may also be caused by the Government's wish to see General Ironside's report on the Polish military position before the measure of our help is finally determined. But the delay is becoming oppressive. In its tendency to create the impression that the British Government is half-hearted, and that the Treasury's attitude is one of ill-will rather than, as it probably is, of caution, this delay may lose us valuable reserves of enthusiasm among those who are our friends and allies.

**Buildings and War Risks.**—In introducing the new War Risks Bill last Monday the President of the Board of Trade and those who followed him devoted a great part of their time to the insurance of buildings for which the Bill does not provide. There is a wide and very natural demand for such cover and the Government believes the danger and the potential damage to be too great for a scheme of insurance which carries a promise of full indemnity. The Chancellor of the Exchequer said so months ago, and Mr Stanley repeated the point on Monday. Some of his arguments ring strange to insurance ears, notably the argument that because buildings in this country are worth £10,000 millions and commodities only £2,000 millions a higher rate of premium would necessarily be chargeable on the buildings. The main part of his argument, however, is strategic rather than commercial and turns on the inability of anybody to estimate the amount of damage that would be done to buildings in wartime and the possibility that it might exceed the power of any Government to meet in full. What he does propose is that four men of recognised ability shall be asked to examine the possibility of a mutual scheme which might pay for part or (if losses are light) for the whole of the damage with some assistance from the Government. After many months of agitation, discussion and consideration, a decision to appoint a committee of inquiry to consider the possibility of protection from the consequences of an emergency which might descend

upon us at any time is no advertisement for the Government's leadership. Plainly, there is no need for further examination. If any scheme worth having is to be produced it must be compulsory; it must cover the whole country; and it must work on a uniform rate. The provision of indemnity cannot be unconditional, because the Government believes that to be impossible. Let it then be conditional, but let the liability for premiums be universal. And produce the scheme at once.

**Aid for Shipping and Shipbuilding.**—On Wednesday the British Shipping (Assistance) Bill came up for second reading in the House of Commons. The Bill gives formal shape to the proposals outlined by Mr Oliver Stanley on March 28th and summarised in *The Economist* on April 1st (on page 10). The tramp shipping industry is to receive a subsidy not exceeding £2,750,000 per annum for five years from January 1, 1940. As under a previous scheme, actual payments will vary according to the movements of an index of freight rates; but, whereas the full subsidy was formerly payable when the index stood at 92 (1929=100) or below and ceased to be payable when it reached 100, the maximum subsidy will now be paid with the index at 95 or below and payments will only be discontinued when it reaches 105. The terms have been thus unified to allow for the recent increase in the cost of running tramps. The liner defence fund, intended to assist liner services suffering from subsidised foreign competition, has been fixed at £10 millions. The Advisory Committee is to investigate applications for assistance, but the final decision will rest with the Board of Trade. Further, in order to provide an incentive for the construction of new ships the Board of Trade is empowered to make loans up to £10 millions, repayable within a period not exceeding twenty years. Provision is also made for grants totalling £2,500,000 towards the cost of cargo vessels ordered after March 28, 1939. Finally, the Bill empowers the Board of Trade to spend £2 millions in the purchase of old ships for the purpose of creating a reserve against an emergency. Mr Oliver Stanley pointed out that, whereas the diminution or disappearance of other industries might be a catastrophe which we could survive, the disappearance of the United Kingdom's shipping would be fatal. The case for some assistance to shipping is beyond question, especially in present near-war circumstances. But the shipping and shipbuilding industries cannot be absolved from doing everything in their power to reduce their costs. They must make themselves worthy of public aid on so strikingly generous a scale.

**The Prevention of Violence.**—Harsh punishments have failed to deter members of the Irish Republican Army in England from the pursuit of their futile and outrageous campaign of bomb-throwing. The Government is now seeking to stop this terrorism at the source by means of extraordinary powers to deport or forbid the entry of suspected persons. The Bill to give this power was put before Parliament this week, and it is a startling document. Suspects may be arrested without warrant, and in some circumstances search warrants may be issued by police officers without resort to magistrates. The effect of the Bill, which is to last for only two years, is to classify persons suspected of "acts of violence designed to influence Government policy with respect to Irish affairs," as undesirable aliens. It is implicit in its title and explicit in official explanations that its drastic provisions will be confined to the I.R.A.; and it would be dangerous and quite unjustified if any loophole were left for its extension, say, in an emergency, to other people. As it is, it will call for more restraint on the part of officials than has commonly been shown in such dealings between the English and the Irish if these powers are not to be used as an instrument of persecution. The I.R.A. have asked for it—but only they should suffer.

**The State of Trade.**—Commenting on the general business situation the Bulletin of the London and Cambridge Economic Service for June states "government expenditure has been at a rate which more than accounts for the increase in employment, so that there is evidence of reduction in new private enterprise and private consumption." It is a pity that the evidence on which this is based is not elaborated. If it is correct, then the frequent prediction that we shall have something like full employment in the winter may require serious modification; for if the trend of private activity is downwards, full pressure on the labour supply may never materialise. On the surface, the assertion that there is no increase in private consumption or in new private enterprise when employment and, therefore, wage incomes are increasing as rapidly as at any time for which we possess information runs contrary to all reasonable expectation. And there is no evidence of such a rise in prices or in the cost of living as would restrict the demand for consumption goods. In fact, all available information suggests that consumption has in fact been expanding. Total retail sales have risen noticeably since the beginning of the year (if seasonal movements are allowed for); so have retail sales of food and apparel. Sales of all merchandise other than food, although erratic, are on an upward trend, and even sales of household goods which have been falling since early 1937 have ceased to fall. As an indication of consumption of durable goods we have new registrations of private cars: when corrected for seasonal movements, these, too, have shown a remarkable increase since Christmas, and are now back to the levels of the 1937 boom.

Although the Board of Trade Index of Production and *The Economist* Index of Business Activity do not directly include Government contracts, they do in part include the materials from which these are executed at lower stages of production; but both are rising sharply. The latest figures of the volume of British exports (seasonally adjusted) showed increases both in the last quarter of 1938 and the first of 1939. As regards private investment activity, where present conditions may in fact have engendered hesitations, merchant shipbuilding under construction, excluding naval shipbuilding, shows an increase of about 25 per cent. in the second quarter of this year over the first, and new merchant tonnage commenced has quadrupled—under the stimulus of State assistance, it is true. It is admittedly impossible to distinguish between factories to be erected on private account for arms contracts from other factories, but it must be noted that plans for buildings other than dwellings are at boom levels. It seems therefore that when private activity can be separately distinguished in the statistics it is increasing, except in the case of house building. As might be expected consumption is going rapidly ahead, and even in investment goods there is small sign of a falling-away likely to ease the anticipated strain on the nation's resources appreciably.

**The First Thirty Thousand.**—The arrival at training depôts and camps throughout the country of the first contingent of militiamen called up for duty has been made the occasion of a remarkable demonstration of confidence in their enthusiasm to serve and satisfaction with the conditions in which they will live. Some have been welcomed by a member of the Royal Family; others by the

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Secretary of State for War; and most by highly-placed Army officials. The young men have been reminded, not only of the many special privileges which have been granted them, but also of the honour conferred upon them by the fact that they are the first members of a new British Army. Several pinches of salt are clearly indicated. The best judges of conditions, privileges, honour and so on will be the militiamen themselves—and that only after they have completed their training. The best judges of the morale and effectiveness of the militia will be the military strategists who have their eyes on a bloody and heart-breaking business. The laudable efforts of the War Office to please militiamen and to reassure the public, and the campaign of the Press to prove that everyone is happy, cannot disguise certain hard and (if it dare be said) distasteful facts. A conscript army is no more and no less than an unwelcome necessity; military life and discipline are essentially arduous and exacting; and, for these very reasons, the much-maligned sergeant not only cannot, but must not, change his spots. The need to give the new recruits pleasant and healthy working conditions, and to insure them against the economic and other losses likely to arise from their ruthless plucking from civil life, is inescapable. But it is just silly to pretend that the first need is not to make them efficient fighters.

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**The Railways' War Preparations.**—The unobtrusively efficient manner in which the British railways dealt with the exceptional demands made upon them in the last war supports a presumption that they will not be found wanting in a future emergency. An announcement made this week about plans already in existence provides concrete evidence of this. In the event of war the railways would be placed under the direct control of the Minister of Transport, working through a Railway Executive Committee. Detailed preparations have been made for the protection of railway staff in air raids, the modification of station and signal lights, the provision of alternative railway telephone circuits, the all-important accumulation of stocks of essential materials and the equipment of emergency breakdown trains. Arrangements have been made for the conversion of vehicles for use as ambulance trains, the diversion of traffic from certain routes, the transport, de-training and subsequent provisioning of 4,000,000 persons evacuated from vulnerable areas, the transfer of headquarters to points outside London, and the movement of troops; and the necessary timetables have been printed and stored. If the railways can meet an emergency with flexible working as well as with intelligent anticipation, and if they can play their part in the modification of the West coast ports between Southampton and Liverpool, which will undoubtedly be called upon to deal with a vastly augmented traffic in wartime, the public will have the assurance that in at least one vital department preparedness has been almost fully achieved.

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**Britain's Backward Roads.**—The plainest condemnation of the defects of British roads and road policy is provided by the figures. The ably-arranged, though scarcely disinterested, annual publication, *Basic Road Statistics*, put out by the British Road Federation, shows that Great Britain has more motor vehicles per mile of road than any other country—14.6 per mile, against 10.5 in Belgium, the country with the next greatest density. Moreover, an increase in the use made of each vehicle is reflected in a 36.6 per cent. rise in the number of vehicles passing census points in 1931 and 1935, compared with an increase of only 16.8 per cent. in the number of vehicles registered. These facts are reflected in the road accident figures for 1938—6,648 killed, and 226,711 injured, giving a combined casualty figure that has not been exceeded in any previous year. The lesson is driven

home by comparison with other countries. In 1938 deaths in motor accidents in the U.S.A. amounted to 13.4 per 10,000 vehicles (excluding motor cycles), and 2.2 per million gallons of fuel used. For Great Britain the corresponding figures were 27.2 and 4.4. In themselves, these facts establish at least a *prima facie* case for more and better roads. The probable wartime needs of the country strengthen it. The taxation figures make it unanswerable: motor taxation produced £79,049,000 in 1937-8 and £87,223,000 or over 9 per cent. of the national revenue in 1938-9. Total road expenditure in the former year amounted to £64,700,000—and about two-thirds of this came, not from taxes, but from local rates. The balance of revenue from motor taxation diverted to the National Exchequer is therefore enormous; in the current year it will be in the neighbourhood of £60 millions. The fact that very good and vital uses for the money can be found elsewhere does not justify the Government's failure to make appreciable progress with road improvements.

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**Italy and the Hatay.**—The Italian Government's protest against the cession to Turkey of the Hatay (formerly known as the Sanjak of Alexandretta) is an interesting footnote to the Franco-Turkish *rapprochement*. The Fascist Government has always been jealous of French influence in the Mediterranean; and now that France and Turkey are to be allies it cannot contain its displeasure. In registering its protest to Paris, it stated that

Italy, as a mandatory Power (of the decision of April 25, 1920, of the Supreme Council of the Allied and Associated Powers, in conference at San Remo) must make every reservation

to any agreement concluded without its knowledge and in obvious contrast with the aims of the mandate and the wishes of the affected population. The French Government has not yet replied, but the French and Turkish Press have pointed out that the decisions of San Remo were rendered invalid by the Treaty of Lausanne, signed in 1923 after Turkey had won her war of independence against the Allied Powers. There is, in fact, no one in the Near East, except a small number of Syrians (and some of those after contact with Axis propaganda) who questions the wisdom of France's action. On any realistic principle peace in the Near East is best assured through the agency of a Turkish Government which holds no grievance against the mandatory Powers. It is not without significance that a Turkish newspaper, last week-end, should have entered afresh the Turkish claim on the Italian Dodecanese, for those who support a policy of "dynamism" must sooner or later expect to be answered in the same coin.

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**Holland without a Government.**—The Dutch have now been without a Minister of Finance for nearly nine weeks and without a Government for over three. This is a striking parallel with the Belgian Government crisis of last March, for in both cases the deadlock was caused by differences over financial policy. Here are two small peoples, each bound to a policy of neutrality in a violently partisan world—each, therefore, bound to re-armament—facing the unpalatable fact that the drain on their funds for defence has meant shortage in other directions. The Government of Dr Colijn resigned because Dr Colijn would not consent to the plans of the four Ministers, members of the Catholic Party, who wished to spend more money on unemployment relief. The actual sum in question was finally reduced to less than £2,000,000, but for Dr Colijn the sum is of less importance than the principle it represents. The Minister of Finance, a member of the same party as Dr Colijn, had resigned for the same reason, yet the Catholic Ministers, undaunted by this sign of disapproval, continued to probe at the Prime Minister's staunch financial conservatism until he, too, was forced to resign. Dr Koolen, an elderly Catholic politician, then tried

to form a Government. He failed, and the duty fell back upon Dr Colijn, who enjoys a higher reputation in Holland than any other politician. He is now trying to find a compromise that will offend neither his own principle of rigid financial orthodoxy (he is wholeheartedly against all "pump-priming" experiments, and holds that they have been proved a failure in the United States) nor the social zeal of the Catholic Party. Although they are not indispensable to a Government, the Catholics are the strongest single party and could make a formidable opposition, and Dr Colijn, thinking of national unity in times of international unrest, would scarcely try to form a Government without them.

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**The Princes and Federation.**—The tide seems to be setting towards Federation in India. In British India, the dissensions within the Congress, though not yet fatal to its outward unity, have destroyed for the time being the conditions under which it could have organised a frontal attack on the Federal Constitution by means of civil disobedience. In the Indian States, there have been signs that those observers were right who attributed the rejection of the Instruments of Accession by the Bombay Conference of Princes early this year to an attempt merely to get better terms, not to throw Federation overboard. It soon became apparent that, so far from the terms of Federation being amended in favour of the Princes' privileges, further delay could only mean an increase of power of the British Indian democracy over the affairs of India as a whole, including the princely States. Lord Zetland's speech at Liverpool last March, followed by the Viceroy's address to the Chamber of Princes on the duties of rulers to their subjects, showed all but the most obtuse of the Princes that Paramountcy was not likely to be interpreted to mean indefinite defence of hereditary autocracy against the rising forces of democracy. Once the Princes recognise that their only permanent future is as constitutional monarchies within a self-governing member-nation of the British Commonwealth, they will accede to Federation, though they may be expected to bargain about terms up to the last minute. Indeed, a number of Princes have very recently expressed their dissent from the Bombay resolution; and of equal importance is the promulgation of a new constitution in the largest of the States, Hyderabad. Though it is not a liberal constitution by the standards of British India, it gives the people of the State far more say in its government than they ever had before. The example of the Nizam—one of the most conservative of the Princes—is likely to be followed by other rulers, and the road to greater internal democracy is also the road towards Federation.

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**Solicitors and Clients.**—In July last year Sir Francis Smith, president of the Law Society, reminded members that during the previous decade more than two hundred solicitors had been struck off the roll. In the majority of cases the reason was misappropriation of clients' moneys, and while the average number of defaulting solicitors each year is a small proportion of the seventeen thousand solicitors who are in practice, the Council of the Society has rightly decided that further efforts must be made to check the evil. Since the new rules came into force in January, 1935, requiring the separation of clients' money from solicitors' capital and for inspection of solicitors' accounts to ascertain whether the rules were being observed, there have been one hundred and thirty-three instances of inspection of accounts; in a number of these—though it is not publicly known whether any specific charges of misappropriation were subsequently brought—the solicitors concerned were ordered to produce, within a specified time, properly audited accounts. By such action it is possible that future defalcations may have been avoided. It is now proposed to introduce new and far more drastic regulations—which, incidentally, were regarded by the Council in July last year

as likely to be ineffective. As now recommended by the Council, they provide, first, for the compulsory audit of solicitors' accounts and the periodical delivery to the Law Society of a certificate by a qualified accountant that the Accounts Rules are being observed; and, secondly, the establishment of an indemnity fund out of the stamp duties annually paid by practising solicitors and articulated clerks. These stamp duties must amount to something more than £150,000 annually, and it seems fair that the profession should be helped to form the fund in this way. It is known that this feature of the proposals is warmly welcomed in the profession, at least in London, and it would doubtless go a long way towards correcting public misgivings. Possibly a recent and particularly flagrant case in which a City firm bearing a respected name was found to have been in default for many thousands of pounds extending over a number of years, has encouraged the Council to take these steps. It may also have felt that publicity given to defaults might cause more business to be diverted from solicitors into the trustee departments of the banks and insurance companies. Whatever the reasons, the changes are necessary and desirable. The production of a satisfactory accountant's report to the Society will apparently be a condition precedent to the issue of the annual practising certificate, and should go far to avoid incipient default. For the good standing of the profession it must be hoped that the objections raised to similar proposals in former years by the Provincial Law Societies will not be maintained, and that the new rules will be put into effect with all speed.

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**Civil Defence Expenditure.**—A week ago, Sir John Simon explained that, as a result of heavy Supplementary estimates, defence expenditure in 1939-40 would be raised from £580 millions, originally contemplated in February's White Paper, to £730 millions. But the arms bill is being presented in instalments and no figure is final. This week, a further civil Supplementary estimate has been issued, for £19,401,000 from votes together with £11,680,000 from loans. A formal vote of £2,500,000 to the Czecho-Slovak Refugee Trust Fund (ultimately recoverable out of the £4 millions gift in 1938-39) is included, but otherwise the increased provisions are almost entirely for civil defence. The A.R.P. total of £17½ millions gross includes £7 millions each for public utility protection and shelters in factories, etc., £2 millions for obscuring glare and camouflage, and £1½ millions for fire-fighting equipment and emergency water supplies. No less than £10,330,000 is required for hospital and evacuation services. The different services are allocated according to departments and votes rather than according to purpose, but it seems that roughly £34 millions gross out of £46 millions of civil Supplementaries so far presented could (in the absence of official indications) properly be classed as civil defence. Of this total, say £28 millions is probably already included in Sir John Simon's figure of £730 millions, and it is hoped to achieve savings in unemployment and other genuine civil votes. The hard fact is that out of all Budget and supplementary estimates for all purposes requiring a gross expenditure of £1,454 millions in 1939-40, some £512 millions will have to be met by defence borrowing and deficit financing, without taking into account Supplementary estimates still to come, or temporary liabilities on export credits to our allies.

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# THE WORLD OVERSEAS

## South America: The Political Scene

SOUTH AMERICA was colonised by Spain and Portugal, and the view that South Americans, or those who count there, are simply colonial Spaniards or Portuguese, is a European legend which takes a very long time to die. It is only now that Europeans generally are coming to realise that the population of South America represents one of mankind's most interesting experiments. The efforts of this people, racially united despite its many and varied elements, to find South American answers to South American problems, are now entering on a phase of perceptible development. They should therefore command attention.

The early days of revolt and independence, more than a century ago, were filled with hope of a great and enlightened future. The principles of '89 had flooded over the South Atlantic and spread rapidly across the Continent along tenuous lines of communication from community to community, breeding a host of political idealists. Their thought was wildly impractical; and the instruments of democracy were forged from human metal that was not so much unwilling as uncomprehending. It need surprise no one that those instruments turned in the hands of the men who sought to use them. By temperament the South American is wont to conceive of government in terms of leadership and obedience (though his ideas on this are quite distinct from the hierarchical principles of *Fuehrer und Gefolgschaft*); by force of circumstances he has always been a rebel. It is certain, for instance, that the idea of *personalismo*, so deep-rooted in South America, by which one man becomes representative of a type and therefore fit to lead, cannot be reconciled with European democracy any more than it can be reconciled with European dictatorship. *Personalismo* is acutely South American.

The geography of a vast continent (Brazil alone is larger than the United States) and the lack of communications have helped to emphasise regional characteristics. While the inhabitant of the Atlantic Coast or of Chile has been open to transoceanic influences, the Northern Republics, more nearly Indian, have retained much from the pre-conquest period; and lately this, which was formerly a badge of inferiority, has become rather a warrant of virility, of long tradition, which is a matter for pride. *Indonesmo* has taken its place alongside Spanish-Americanism and Ibero-Americanism. It is a valuable sign of approaching maturity.

There are other signs, too, of that maturity. With their growing sense of solidarity since the war the ten Republics have each shown a wish to free themselves from foreign influence. This has come out in attempts to reach industrial self-sufficiency, in social legislation aimed to counter the advantages of European management, in a wide criticism of European affairs, in a new Pan-Americanism. The formal links with Europe were finally snapped in 1889, when Dom Pedro the Second at last resigned his weary splendour; in fact, the cultural links had given way many years before. From the early days of independence a suspicion and an impatience of Spain and her fumbling Monarchy had impelled young South Americans to seek their education in France

and Germany. The United States of Brazil had long since laughed away Portugal's voice in their affairs. And from the union of the North American States came a new tide of influences, more brilliantly impressive for being American, challenging competition, urging imitation. The rich Carioca from Rio may go to Savile Row for his clothes and to Montmartre for his culture: for his idea of everyday life he takes a lesson from New York. And with him to New York, in spirit, go the multitude of his fellow-countrymen who cannot afford to travel.

Yet it would be a mistake to see in this superficial modernity of outlook a final approach to political maturity. Someone has well said that

the revolutions which occurred in many (South American) countries between 1930 and 1932 showed that the social structure and the political methods of the republics had been little altered by the prosperity of the twentieth century.

Those who would question this statement might remember the case of Venezuela. In that State there have been but three years of comparative freedom since before the days of Cipriano Castro, who began his dictatorship in 1899 and was followed in a career of graft and violent crime by Gomez—and Gomez died only in 1935—three years in which to suck the sweets of twentieth century civilisation.

Venezuela is an unlucky example. Yet parallels can be found elsewhere among the smaller Republics. Bolivia and Paraguay are still recovering from the murderous effects of the Chaco War. Colombia and Ecuador are only now beginning to emerge from long struggles with the Church.

In Peru, alongside and dominating the new ideas of the *Aprista* movement, runs a strong current of reaction. But here again is the sign of maturity. For Aprismo provides a most apt example

of a South American application of European ideas; founded by Haya de la Torre as a means of bringing about working-class solidarity in all South America, the *Apra* (*Alianza Popular Revolucionaria Americana*) took its mainspring from Marx, but, what was new and remarkable, self-consciously went beyond Marx to formulate a specifically American doctrine of what a Workers' International might be. Its leaders are now in exile or concealment, but its ideas have taken root and are alive.

The ABC States (as Argentina, Brazil and Chile are commonly known) stand on a rather different footing. They are further developed and number among their problems those of federalism. But in each case the cardinal problem is one of more evenly balancing the power of the Executive with the popular will, of more justly expressing that will, of educating it and of encouraging its growth. In Brazil the domination of the three leading provinces, Rio de Janeiro, San Paulo and Minas Geraes (with Rio Grande do Sul slowly catching them up), the only areas to any extent populated, has meant a long story of internecine feud not yet ended.

The growth of a responsible political sense may also be seen in the conduct of foreign policy. Here the ten Republics have felt the pull of a common defence against encroachment from the North. The Monroe Doctrine was proclaimed in



1823 at a moment when the Southern colonists were more than glad to have it; but the emergence of separate States after independence coincided with a gradually increasing pressure from the North. The early years of the twentieth century saw the carving out of Panama under the shadow of Theodore Roosevelt's big stick; President Coolidge and the Caribbean policy caused vehement alarm throughout Latin America and led directly to the conciliatory policy introduced by Mr Hoover and most ably pursued by Franklin Roosevelt.

In broad view, it remains true that the political development of South America is still in the stage of adolescence. The changing nature of economic and social life, the hard times since the war, successive failures to find a political formula more nearly fitting to the South American temperament, have each hampered progress towards a less conscious political discipline.

Signs are not wanting, however, that the people of South America are about to make a forward "leap." They are waiting for a lead. Meanwhile they rest uneasy; and their uneasiness comes out in occasional violence and in chronic dissatisfaction with insufficient systems of government. Their next decisions, when they come, will not be disregarded by the rest of the world.

## Germany Comes to Trieste

[FROM A CORRESPONDENT]

ONCE the chief port of the Austrian Empire, busy with the traffic of a vast hinterland and helped by the famous "Adriatic Tariff," Trieste has lately fallen on bad days. Although it is true that the maritime traffic of Trieste amounted to 3,380,000 tons in 1938 compared with 3,444,000 in 1913, an analysis of these figures shows that in 1938 only about 40 per cent. of this trade was represented by goods which would yield a profit to local entrepreneurs. In 1913 practically every ton of merchandise passing through the port was bought and sold by Triestine traders or handled by Triestine brokers, and warehousing in bond further increased their profits. In recent years it is estimated that only 10 per cent. of the transit traffic (or about 3.5 per cent. of the total turnover) was handled with profit by local firms.

The German *Anschluss* with Austria and the later annexation of Bohemia-Moravia have made Trieste more than ever dependent on the Third Reich. Seventy per cent. of the port's trade is now under German control, not counting a further 8 per cent. from Slovakia. The table below shows how the incidence of traffic over frontier stations connected with Trieste, has changed in recent years. Little of the traffic passing over the Brenner Pass comes to and from Trieste.

For some time after March, 1938, the effect of the *Anschluss* on Trieste was catastrophic. In the first weeks Austrian traffic was cut off almost entirely, and from the Italian point of view the future looked black indeed. The final figures for 1938 show that Austrian overseas exports via Trieste fell by 55 per cent compared with the previous year, i.e. from 355,742 tons in 1937 to 160,146 tons in 1938. The Germans made it clear that this fall would be permanent, for it was caused by their absorption of Austrian exports of timber, cellulose, iron, magnesite, and paper goods. At the same time, the whole trading mechanism was disorganised by the forcible removal of Viennese Jews (and later of Triestine Jews) from their command of the entrepôt trade. Overnight the tradition of decades was destroyed.

The position of Trieste's trade with Czecho-Slovak imports and exports is equally uncertain. In a normal post-War year the port has handled over half-a-million tons of Czecho-Slovak exports. It remains to be seen whether Germany's needs will allow Czech merchants to continue shipping to the Near East their annual orders of machinery, wrought iron, tools, beer, and so forth.

This week's news, that the Italian Government has arranged for the German Government to operate a "free zone" in the port of Trieste, is therefore of urgent interest to Triestines. If it is true that the Germans have promised in return that Trieste shall be guaranteed a transit trade of 1,500,000 tons, or about 40 per cent. of Trieste's total trade in 1938, then there will be no particular cause for rejoicing. For, as has been pointed out above, Germany actually controlled seventy per cent. of Trieste's trade in 1938. But, if this guaranteed amount is in fact to be a minimum and not an average, then Trieste may still breathe a sigh of relief.

RAILWAY TRAFFIC OVER ITALIAN FRONTIERS CONNECTING WITH TRIESTE

Figures in '000 metric tons

|                      | Tarvisio | Piedicolle | Postumia | Total of preceding | Brenner |
|----------------------|----------|------------|----------|--------------------|---------|
| Traffic out of Italy |          |            |          |                    |         |
| 1928-29 .....        | 304      | 240        | 872      | 1,416              | 414     |
| 1936-37 .....        | 308      | 159        | 408      | 875                | 403     |
| 1937-38 .....        | 382      | 155        | 617      | 1,154              | 416     |
| Traffic into Italy   |          |            |          |                    |         |
| 1928-29 .....        | 814      | 275        | 1,533    | 2,622              | 185     |
| 1936-37 .....        | 1,190    | 187        | 661      | 2,038              | 74      |
| 1937-38 .....        | 1,470    | 183        | 699      | 2,352              | 73      |

For it will mean that the German Government does not intend that Bremen and Hamburg shall have the whole cake: a reasonably large slice will remain for Trieste.

Fear of the North Sea ports' competition has been a real one. Only a few weeks after the *Anschluss* the Schuldt-Orient Line of Hamburg announced its intention as soon as it could get the necessary convention from Rome, of starting a fortnightly cargo service between Trieste and the Levant. Agents were appointed and it was even said that the Hamburg-America Line had plans to connect Trieste with the Far East.

It may be assumed that more will be heard of these plans now that the Germans are to have a "free zone" on the Adriatic. Without precise details it is unwise to speculate on the future of this zone, for to a very great extent Trieste is already a free port for transit trade: it does appear, however, as though freight rates and harbour tariffs were being further revised in Germany's favour.

This revision marks one further step in the Italian Government's oft-repeated efforts to help the port. During the last twenty years over 200 million lire (about £2 millions) have been spent on harbour improvement works. Continuous attempts have been made to render Trieste less dependent on its maritime trade. The city's engineering works, shipyards, and chemical factories, employ 40,000 workers. One quarter of Italy's total output of cast iron is produced in Trieste, and half of Italy's linseed comes from Triestine crushers. Large oil refineries have been built, and at least one of Italy's new

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35,000 ton battleships will be launched from a Trieste shipyard. But it remains true that the prosperity of Trieste rests mainly on the sea.

July 19th.

## The American Railroad Deadlock

[FROM OUR NEW YORK CORRESPONDENT]

THE recently growing belief that another Congressional session was to pass without any remedial action for America's railroads had substantial confirmation this week. Senator Wheeler, who dominates the field of railroad legislation, announced doubt whether any action of consequence would be taken this year; and, while it is still too early to forecast, the prospect for action next year is not very promising, since in Presidential campaign years Congress tends to adjourn early and to avoid, if possible, controversial issues.

The passage of some relatively minor railroad legislation, however, is not ruled out. The so-called Chandler Bill, which authorises the voluntary reduction of interest charges without recourse to bankruptcy, under certain limited conditions, may yet emerge; and pressure will be exerted to secure that part of the President's new spending programme which would authorise outlay on rail equipment. The House of Representatives may even pass its version of a Bill to overhaul railroad regulations. But, since the Senate has already passed a substantially different Bill with the same object, this would only mean that the two measures would lie before the Conference Committee of the two Houses until next year.

This absence of significant legislation does not indicate any real improvement in the railroad situation. Informed estimates suggest that the Class I railroads will earn this year an aggregate amount approximately equal to their fixed charges, compared with a deficit of \$125 millions in 1938, very modest earnings in 1937 and 1936, a break-even in 1935 and deficits in 1934, 1933 and 1932. A third of the country's railroad mileage remains in bankruptcy. Another third is operated by companies in a financial condition that is weak to precarious. There is no sign of a change in the trend of diversion of traffic to road competitors, which now carry about 25 per cent. of the country's total volume of traffic. And various moratorium arrangements still exist whereby various types of financial institutions do not recognise in their accounting the depreciation in their railroad investments.

Nor, again, does the lack of legislation denote any paucity of ideas for action or absence of study. Extensively documented plans are abundant, providing for a wide variety of measures, including consolidations, subsidies, loans, guarantees, mileage abandonment, the pooling of facilities, rate changes, wage cuts, the revision of union rules, the regulation of competitors, and the revision of the already twice-revised Bankruptcy Act, among others.

### Obstructive Interests

What the likely legislative inactivity does show is the existence of an *impasse*. Every interest involved wants a "free ride" solution, one that would not entail the painful disadvantage of making some concrete contribution to setting the railroads on their feet. Labour wants continued employment without reduced pay. Executives want no diminution in the number of executive posts. Security holders want their contracts met to the full. Bankers want their positions unimpaired. Shippers and local communities want services available at every possible point without regard to cost or profit. Suppliers want a high volume of orders with present prices maintained. All want a most elaborate national transportation system—but without subsidy; and competitors want relaxed, not enhanced restrictions.

The problem is to determine the proper place and function of the railroads in the American economy. First, are the railroads so tied up with the public interest that wages, employment and service must be maintained undiminished regardless of the financial results of operations? Secondly, have the technology and economics of transport so changed that the railroads are in a completely different position to that occupied in the past? And if so, how are their financial structure and regulatory devices to be reoriented?

This *impasse* is, of course, not new. It has existed ever since the deterioration in the railroad position (which actually began in about 1920) came to be sensed during the

last decade. The fact is that, despite really marked increases in efficiency, railroad plant has been steadily deteriorating for some years. Total serviceable equipment has been greatly reduced, and capital outlays do not come up to reasonable estimates of depreciation.

A business boom would keep the basic problems of the railroads in abeyance during its duration. In a period of prolonged prosperity, traffic diversion and the other ravages of recent years could be temporarily faced with equanimity. But a serious depression, especially if prolonged, would probably complete the financial wreck of the railroad system. In a sense, such a depression would solve the railroad problem: definite decisions of a far-reaching character would have to be taken. A continuation of the erratic trend of business which has prevailed in recent years would probably continue the *impasse*—and the deterioration. Whatever the course of business, one probability is distinct. Prices of railroad securities will continue to fluctuate violently. So long as so many of the railroad companies hover between damnation and salvation, even tiny zephyrs of hope or despair in the market place can turn quotations sharply.

July 12th.

## Increased Production and Rising Prices in France

[FROM OUR PARIS CORRESPONDENT]

THE index of industrial production of the *Statistique Générale de la France* has now been revised throughout for 1928 and subsequent years. The results for May, 1938, are as follows:—

|                            | May, 1938 | March, 1939 | April, 1939 | May, 1939 |
|----------------------------|-----------|-------------|-------------|-----------|
| <b>General index</b> ..... | <b>82</b> | <b>95</b>   | <b>95</b>   | <b>97</b> |
| Mines .....                | 91        | 98          | 98          | 101       |
| Chemical industries .....  | 98        | 111         | 113         | 115       |
| Paper .....                | 153       | 175         | 173         | 175       |
| Textiles .....             | 83        | 100         | 97          | 101       |
| Leather .....              | 71        | 77          | 77          | 77        |
| Iron and steel .....       | 65        | 81          | 82          | 87        |
| Engineering .....          | 76        | 90          | 92          | 93        |
| Automobile .....           | 88        | 110         | 104         | 101       |
| Building .....             | 61        | 73          | 77          | 78        |
| Gas and electricity .....  | 131       | 144         | 141         | 141       |
| Miscellaneous .....        | 112       | 110         | 109         | 110       |

These figures indicate a revival of production after the partial setback in April resulting from the international tension. Progress since October last, when M. Reynaud took office as Finance Minister, is measured by a 17 per cent. rise in production. The index now stands at 97 for the first time since April, 1931, and this figure has only been exceeded in the prosperous period from April, 1928, to April, 1931.

The report of the Comité des Forges for the year 1938 emphasises, nevertheless, that re-armament is only a modest palliative to the stagnation of the internal market, particularly in building and automobile production, and the difficulties of export abroad. Re-armament, the recent rise in prices of metallurgical products and the Reynaud decrees favouring new investment for improvements to plant, are likely to produce in the near future important schemes for reorganisation in the industry and a reduction of production costs. Recent figures of private issues indicate that the capital market is ready to second this effort.

The return of France to order, social peace and work, coupled with the effects of the military public works programme, is thus bringing about a restoration of essential equilibrium both in currency and the ordinary budget, and, given stable prices, a revival of private initiative is highly probable. Experts are agreed that even if the present rhythm of rising prices is maintained, French prices will not catch up with the world level for two or three years.

The principal unknown factors are the forthcoming Government decisions about agricultural prices and public expenditure. The prices of wheat for 1939 will soon have to be fixed, and the interests concerned will inevitably claim some allowance for the rise of all the indices normally taken into account at the fixing—cost of living, wages, selling prices of agricultural produce, etc. But the present wheat production is already too high and first estimates of the 1939 crop show that it will at least cover consumption needs, while a large surplus from 1938 is still on hand.

In the matter of public spending it appears that the salaries of many civil servants are now inadequate, while

the Minister of Finance is being urged to introduce measures to encourage an increase in the birth rate and to institute old age pensions. The realisation of such a programme would undoubtedly help to maintain national unity by an extension of social services at a time when a strong effort is being required of the working classes for the promotion of re-armament. Moreover, success would become highly probable if the new social measures could be coupled with a large-scale plan of administrative reorganisation aimed at checking the prodigality of civil and military expenditure.

The results achieved by M. Reynaud's famous Economy Committee have not, however, been very encouraging, and there is also a widespread feeling that the people of France have already suffered too much in the cause of re-armament—particularly since it has been paid for by an increase in short-term debt. Moreover, the popular argument that the totalitarian States are now nonplussed is not favourable to further sacrifices.

All of which helps to explain why no decisions were taken after the last Council of Ministers, when a new programme of reforms sponsored by the Minister of Finance seems to have met with a cold reception by his colleagues. It explains also the conclusion reached by many observers that the Prime Minister will be constrained to decide on the postponement of the general election due in the autumn.

July 20th.

## Finland's Government Returned

[FROM OUR HELSINKI CORRESPONDENT]

THE general election to the Finnish Diet was held on July 1st and 3rd, three years after the previous general election. The total electorate numbered about two millions, of whom slightly over 1,300,000 voted, the polling thus being rather livelier than at the election in 1936. The votes were divided among the different parties, according to unofficial figures, as follows (in order of electoral importance):—

|                                         | 1939    | Increase (+) or decrease (−) since 1936 |       |
|-----------------------------------------|---------|-----------------------------------------|-------|
|                                         | Votes   | Votes                                   | %     |
| Social-Democratic party .....           | 515,528 | + 62,777                                | +13.9 |
| Agrarian party .....                    | 296,340 | + 33,423                                | +12.7 |
| Unionist party .....                    | 176,039 | + 54,420                                | +44.7 |
| Swedish party .....                     | 117,555 |                                         |       |
| Swedish Left party .....                | 5,474   |                                         |       |
| Aland electoral union .....             | 7,707   |                                         |       |
| Patriotic National Movement party ..... | 86,168  | − 11,723                                | −12.0 |
| Progressive party .....                 | 62,092  | − 11,562                                | −15.7 |
| Small Farmers' party .....              | 27,804  | − 2,804                                 | − 9.2 |

There is no great difference over the results of 1936, for the distribution of the parties in the country has remained on the whole unchanged. The principal parties of the present Coalition Government, the Socialists and Agrarians, obtained a fairly considerable increase in votes, while the third group in the Coalition, the Progressive Party, lost a number of votes. Altogether the Coalition Government secured 873,960 votes, or 67.5 per cent. of the approved votes. This represents an increase of 84,638 votes. The other parties secured 420,747 votes, representing an increase of 39,189 over the 1936 election.

As the country is divided into 15 electoral districts with a varying number of seats, the number of representatives of the different parties finally elected to the Diet does not exactly correspond to the votes recorded in their favour. The division into electoral districts constitutes in practice an advantage to the large parties at the expense of the small ones. To avoid this drawback the two centre parties, the Agrarians and Progressives, had established a joint electoral union in most of the electoral districts, while the other parties had their own separate electoral unions.

The seats in the new Diet are divided among the parties as follows:—

|                                                       | 1939 | Gain (+) or loss (−) |  |
|-------------------------------------------------------|------|----------------------|--|
| Social-Democratic party .....                         | 85   | + 2                  |  |
| Agrarian party .....                                  | 56   | + 3                  |  |
| Progressive party .....                               | 6    | − 1                  |  |
| Unionist party .....                                  | 25   | + 5                  |  |
| Swedish party (including Aland electoral union) ..... | 18   | − 3                  |  |
| Patriotic National Movement party ...                 | 8    | − 6                  |  |
| Small Farmers' party .....                            | 2    | ...                  |  |
| Total .....                                           | 200  | ...                  |  |

According to this the Left, i.e. the Social-Democrats, gained two seats. Seeing that a strong leftward swing had been feared in some quarters, this moderate success has been accepted with calm. The Centre parties also gained two seats in all. In this way the Coalition Government has 147 supporters in the new Diet, against 143 in the old. No change in policy need therefore be expected.

The Patriotic National Movement Party suffered a particularly heavy loss. This party is inclined towards National-Socialism, and in spite of its patriotic platform its methods of propaganda and other activities have aroused bad blood, so that the Minister of the Interior has felt bound to institute proceedings against it. Its losses must be regarded as implying a more settled political situation.

The platforms of the Finnish parties differ widely on questions of domestic policy. But in the attitude of the parties towards the foreign policy no differences exist. From the extreme left to the extreme right the Finnish nation has unanimously espoused the cause of Northern collaboration, and has decided firmly to maintain an attitude of strict neutrality towards Great Power groupings. If necessary, the Finnish people is determined to maintain this attitude even by force of arms. The energetic measures that have lately been adopted to hasten the strengthening of national defences must be viewed against the background of this determination. The fortification of the Aland Islands forms an important link in this work of maintaining a neutral North against a possible conflict between the Great Powers.

This strictly neutral policy also explains why the Finnish Government has declined the various proposals submitted to it by those Powers. Guarantees given to Finland without Finland's co-operation and approval are not in accordance with her independence and sovereignty. Mr Erkkö, the Foreign Minister, has made it clear in the Diet that such guarantees cannot be accepted, and that any State which means to assist Finland on the strength of such a self-imposed guarantee, must be regarded as an aggressor and be treated accordingly. This view is supported in unanimity by the whole Finnish nation.

July 10th.

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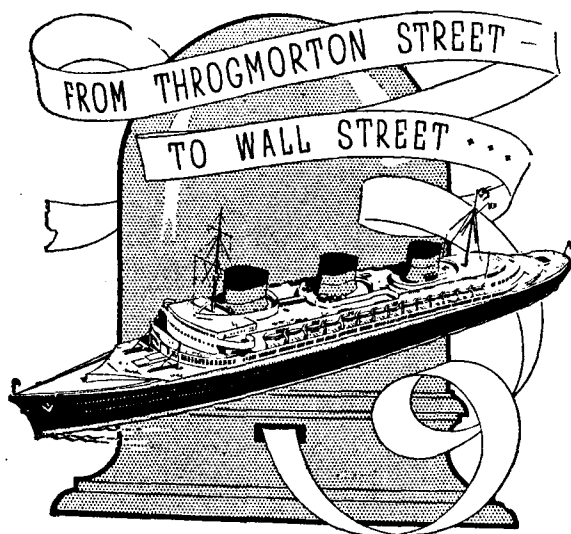
## Books and Publications

### Poland: To-day and To-morrow

THE visitor to Warsaw, driving in his cramped and complaining Fiat taxi and observing that his neighbour's is no better if not worse—in fact, that all Warsaw's taxis are cramped and complaining—may be forgiven for pondering on the Slavonic aberration that gives Warsaw such new and splendid horse-carriages. It might even seem to him, in that bitter moment, that all Poland's troubles were symbolised in this appearance of new droshkies alongside of super-annuated taxi-cabs. Let him seek comfort with Dr Buell.\* For it is typical of this author's well-contrived record of Poland's development that the details of this small but dis-comforting phenomenon are statistically explained as one of the steps in the story of industrial development. The aberration has an economic motive.

The post-1920 Poland of 35 million people, the fifth largest State in Europe, with its natural increase of population the highest and therefore its people the youngest, is full of these economic growing pains. They mark the capital malnutrition from which young countries suffer: and this country, if old in history, is very young in development. It may be true that Poland has a large economic potential but the fact remains, as Dr Buell says, that "the productivity of the country is not increasing as rapidly as the population." Those who wish to estimate how far this lag in development is inevitable, and how far it is the fault of Polish administration, will find much useful guidance in this book, although it is a pity that in some directions, such as that of financial policy, the author

\* "Poland: Key to Europe." By R. L. Buell. Jonathan Cape. 358 pages, with map. Price 10s. 6d.



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could not find more space for discussion. He has some interesting remarks to make on the trend towards cartels and monopolies; his judgments on their efficiency are temperate and interesting; and few will question his conclusion that

until the European situation becomes stabilised, the State will have to maintain a predominant authority over economic life, doing little more than combat the pressure of a rapidly increasing population on an already extremely low standard of living.

There may be small objection to this on economic grounds; but, at the same time, now that the British Government is about to make a loan to Poland, thought might profitably be directed towards improving the efficiency of Polish State management and of Polish financial policy.

When the immediate issues have been set aside, however, Poland's needs are more and more seen to demand a satisfaction far fuller than can be given by short-term palliatives. There is a danger, exemplified in the financial situation, that Western opinion will continue to underestimate, not only Poland's needs, but also the Poles' determination that these needs, in some way or other seldom clearly seen, shall be satisfied. The danger is the more apparent for the reason that Poland to-day, in the news for the first time for many years, is under a political obligation to make as little of her troubles as she publicly can. Guaranteed by Britain and France, and menaced by Germany, Poland is in no position to put forward claims for overseas living-space, for colonies in which her surplus peasants may live a little further from the starvation line than they can at home. Poland is in no condition to claim the right to deport Jews wholesale in the manner of Nazi Germany. Even if she judges herself to be of their number, she cannot now join the ranks of the Have-not Powers. But that is for the present: it is virtually certain, defeat in a future war aside, that her claims will come later.

Not least important in the factors which may decide our sympathy with Poland in a more normal and less tense situation is the composition of the Polish Government. Poland to-day is united under a system which differs from the military dictatorships of Germany and Italy only in that it has—the difference is fundamental—the voluntary consent of the Opposition parties. But this is not normal or lasting. Until lately the parties which form the mass of public opinion were critical and dissatisfied just as now they are silent because the Government's policy in this emergency is positive and unequivocal. The Opposition parties none the less exist for all their acquiescence, as the municipal elections of last December showed beyond any doubt; with a return to peaceful conditions their claims, too, will become vocal. It will be Poland's test of political maturity that the Government of to-day has the wisdom to pave the way for the Government which the people will ask for to-morrow. In the meantime, every effort at mutual understanding between Britain and Poland is to be welcomed—on our side of both the national effort which the Poles are making and the difficulties in the face of which they are making it. Dr Buell has contributed notably to the literature by which that understanding may be had.

### Books Received

- World Economy in Transition.* By E. Staley. (London) Royal Institute of International Affairs. 340 pages. 12s. 6d. net.  
*The I.L.O. Year-Book, 1938-39.* (London and Geneva) International Labour Office. 440 pages. 10s. 6d. net.  
*The 18th-Century Industrialist: Peter Stubbs of Warrington, 1756-1806.* By T. S. Ashton. (Manchester) University Press. 156 pages. 8s. 6d. net.  
*Victoria of England.* By E. Sitwell. (London) Right Book Club. 391 pages. 2s. 6d. net to Members.  
*League of Nations Statistical Year Book, 1938-39.* (London) Allen and Unwin. 330 pages. Paper 10s. net. Cloth 12s. 6d. net.  
*Rubber Producing Companies, 1939.* Issued by Mincing Lane Tea and Rubber Share Brokers' Association, Ltd. (London) "The Financial Times." 583 pages. 7s. 6d. net.

## THE BUSINESS WORLD

### Defence Loans Policy

AFTER Sir John Simon's statement last week, no investor can harbour any illusion about the magnitude of the defence burden. Our energies towards preparedness come daily nearer fruition; it is now time for a financial effort as serious and determined as the industrial and administrative efforts of recent months. The scope of the problem is indeed enormous. Within three months of the Budget speech, the estimated cost of defence has been increased from £590.3 millions to £747.1 millions, a figure which is more than half the revised total of national expenditure, including loans, of £1,454 millions. In addition, a Supplementary Estimate for the Navy has still to be presented, and other Supplementaries will doubtless be required next spring.

In fact, Sir John Simon's statement last week is itself already old history, for with this week's Civil Supplementary, the amount to be borrowed for defence purposes will exceed £500 millions—the precise figure, on information so far published, is £502.4 millions—compared with a contemplated expenditure from loans of £342½ millions, when the Budget was framed. A financial task of such dimensions may stagger the market, or dumbfound it; and the response of the gilt-edged market during the past week suggests that investors have yet to come to grips with the problem of raising the money. War Loan, it is true, has fallen from 93½ at the time of the Chancellor's announcement last Thursday week to 92½, but 2½ per cent. National Defence Bonds, typical among the "shorts," have declined by only three-eighths of a point to 97½. The market is sensitive, but it is not dismayed.

How can these prodigious defence requirements be raised? Sir John Simon last week suggested that possibly £150 millions may be raised by the issue of Treasury Bills. This is a somewhat lower figure than certain private estimates, including that of *The Economist*, which on April 8th, this year, suggested the possibility of Treasury Bill borrowing up to £175 millions. But at that time, the tender bill issue was £136 millions lower than a year ago; to-day, the difference has been reduced to £74 millions. Nor is there any arbitrary standard by which borrowing by Bills may be regulated. But there is already scope, as we show on page 172, for an expansion of the bank's holdings of bills practically equivalent to the Chancellor's suggested total, and with suitable central bank policy, a greater volume of bills could, if necessary, be accommodated.

This point, and the ancillary point that borrowing by bills should precede any operation in the long-term market, have been plain for several months. The new problem, which the surprisingly high Supplementary Estimates of the past fortnight present to the market, is the scope of long-term borrowing. A total of £350 millions is plainly outside the ambit of any single operation. Indeed, the Chancellor's reference to support from "investors, large and small," shows that a widely-based appeal will be made to all sections of the public. Apart from securities specially designed to meet the needs of the small investor, suggested by the Chancellor's reference, there is scope for considerable ingenuity in tapping the various segments of the investment market itself. The presumption is that the Treasury will borrow "short," but there are degrees of shortness, each with an appeal to different financial needs. They may, perhaps, be typified by 2½ per cent. National Defence Bonds, with an average life of seven years, and a

gross redemption yield of £2 19s. 3d. per cent.; 2½ per cent. Conversion, which must, at present, be regarded as a ten-year stock, with a yield of £3 1s. per cent. to redemption; and 3 per cent. National Defence, with a minimum life of 15 and a maximum life of 19 years, which yields £3 10s. per cent. to redemption.

These are the broad classifications of choice, but the method of filling them raises a new set of problems. Will the loans be made for fixed amounts or marketed through a "tap"? There are certain objections to the latter course, though its advantages may be secured by using the public departments to assist the subscription of new loans. This was the principal means by which the Treasury obtained success for issues on stiff terms from 1932 onwards, until it revised its technique with the second Defence Loan in June last year. In this connection, it is fortunate that the Unemployment Assistance Fund, to quote only one example, is now obtaining income from a larger volume of employed persons than in 1937, while its liabilities are

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IN ALL PARTS OF THE WORLD

rapidly declining each month. Yet the rôle which the public departments could play to-day is more restricted than it was, and the success of the process by which the Government acted, in effect, as its own underwriter, was really associated with falling interest rates. To-day the Treasury is in no condition to wait, once it has decided to raise defence money; and this fact suggests that nice calculations of the terms of defence borrowing are likely to be subordinate to the need for the successful raising of funds, even if, in the process, some tendency towards higher interest rates becomes evident.

The next problem concerns the timing of the defence issues. The controversy whether the Treasury must pay traditional respect to the holiday season is hardly worth pursuing, though there is no valid reason why the authorities, if they decide that the moment is propitious, should not undertake the first part of their task before the end of this month, particularly if they were to spread the calls on any new loan well over the holiday season. But, clearly, the major part of the borrowing must, and should, wait until the early autumn. A rough calculation of financial needs for defence suggests that the second quarter of the fiscal year may call for about £165 millions, the third quarter for £200 millions and the fourth quarter for £258 millions. The current quarter is normally a low revenue quarter, and it is conceivable that an additional sum of the order of £130 millions may need to be borrowed on Treasury bills for this reason. This figure makes allowance for a normal movement of revenue and of consolidated fund and civil expenditure during the quarter. But it would leave a very small margin in hand for the authorities if they were to adhere to the suggested maximum of £150 millions for increased bill borrowing.

The conclusion, therefore, is that, even if the authorities hold their hand before August, they will have to act promptly immediately after the holiday month. And it would be idle to pretend that success will depend wholly on the normal calculus of interest rates. Persuasion, propaganda and informal control are the only available democratic equivalents of authoritarian methods of forced saving and capital market regulation. So far, official opinion has been curiously slow to grasp the broader economic im-

plications of our defence programme. Regard for the susceptibilities of industrial confidence, which provided a keynote in the Budget, only three months ago, seems almost irrelevant in the present armaments boom. The general level of investment activity is already determined by arms expenditure, and its effects are rapidly spreading through the entire range of consumption goods trades.

"Inflation" is a word which means all things to all men. But there are clear symptoms of an inflationary process now at work. Taking maximum employment as a measure, the critical point is probably less than six months away. Using the alternative criterion of national savings—which, even allowing for the effects of the "multiplier," can hardly exceed £500 millions, and may be £25 millions below that figure—defence borrowing will absorb the whole total, without any allowance for the needs of industry, net building society repayments and other items which do not flow back, more or less directly, to the gilt-edged market. Including capital outlay on civil defence not undertaken by the Government, and for credits exceeding £60 millions to our allies, it becomes evident that the normal equation between savings and investment will have to be assisted by some expansionist tendency, in the absence of thorough-going capital market control.

The authorities thus have a task which will need all their finesse in maintaining comfortable credit conditions for the banking system and at the same time obtaining their long-term needs. The former task will certainly assist the latter, but over-hasty long-term borrowing would almost certainly reduce the part which the banks can play in supporting the necessary volume of bills. This point has been so frequently emphasised that it may be taken as self-evident to the authorities. On the other hand, if the traditional holiday gap is conceded, the actual financial requirements of the Treasury will compel action immediately afterwards. It is on this argument that the possibility of a special short-dated issue this month, designed primarily for the money market, seems plausible. Its success would have a useful psychological effect for the later stages of public borrowing. And steps to build up a favourable atmosphere for defence loans have become an essential factor in financial preparedness.

## Stocks for War

THE Government, assisted by a willing public, is now busily marshalling our resources in preparation for an emergency. The aim underlying all these efforts is to bring both our striking and staying powers to the highest possible pitch. As we pointed out in *The Economist* of July 15th (pages 101-102), much has already been done; but a good deal remains undone. For example, the accumulation of substantial reserves of commodities which we must normally import should be high up on the agenda for preparedness. A substantial reserve of goods and raw materials, besides saving shipping space, would appreciably reduce the risk of a breakdown during the early months of an emergency; they can be acquired fairly quickly now and much more cheaply than in war. Both Germany and Italy have been importing and stocking raw materials to the limit of their financial capacity. What have we done?

The machinery for accumulating stocks has been set up. The Essential Commodities Reserves Act of June, 1938, gave to the Board of Trade powers to buy reserves of food, fodder for animals, fertilisers and petroleum, and these powers were considerably extended by the Ministry of Supply Act. In addition, the Service Departments have powers to acquire stores for their own requirements. At present the Food (Defence Plans) Department under Mr W. S. Morrison can buy food and fodder; the Mines Department of the Board of Trade can buy petroleum; the Ministry of Supply can buy fertilisers and any other commodities which would be vital to the nation's war effort.

Our total imports of food, drink and tobacco, raw materials, and non-ferrous metals and oils classified as manufactures were £849 millions in 1937 and £764

millions in 1938. Against this the Government has spent £7½ millions on wheat, sugar and whale oil and about £1 million on petroleum and fertilisers during the year ended March, 1939, and it has budgeted for a further outlay of £5 millions in the current financial year. In addition, the Service Departments have bought stores for their own requirements, while manufacturers and consumers have been exhorted to increase their stocks. Clearly, the accumulation of reserves against an emergency has not yet been taken very seriously, despite the fact that Sir Arthur Salter and other authorities have repeatedly drawn the Government's attention to their importance.

While complete information concerning the size of the stocks of individual commodities is not available, such data as are at our disposal show that the state of Britain's larder is far from reassuring. In the tables at the foot of page 171 are assembled such data as are available on some of the more important commodities which we have to import in large quantities. They show the consumption of individual commodities in 1934-36 as well as in the past two years, together with imports in recent years and changes in stocks. In the case of the majority of commodities, consumption had to be calculated on the basis of home production plus imports, without taking into account changes in stocks. Again, the figures for stocks are not claimed to be complete; they exclude supplies in the hands of consumers and relate, in most cases, to stocks in public warehouses, at ports or in bond. But on the probably reasonable assumption that the proportion of stocks held in public warehouses and by consumers has not undergone any significant change in the past year, the figures should

give a fair indication of the trend. The stock figures, moreover, should be read in conjunction with changes in imports, which provide an additional, if rough, guide to variations in our reserves.

The results of such a survey do not show an encouraging position. In the case of most commodities, stocks are very small compared with annual consumption, though it must be remembered that they exclude supplies in the hands of consumers. The stocks of many commodities, moreover, have shown a decline in the past year, and there

### TOTAL IMPORTS INTO U.K.

(in thousands of tons)

|                                     | 1936   | 1937   | 1938   | Jan.-June, 1938 | 1939  |
|-------------------------------------|--------|--------|--------|-----------------|-------|
| Wheat .....                         | 5,039  | 4,843  | 5,082  | 2,369           | 2,838 |
| Maize .....                         | 3,665  | 3,584  | 2,881  | 1,457           | 1,364 |
| Barley .....                        | 915    | 909    | 993    | 399             | 347   |
| Oil-seed cake and meal .....        | 545    | 636    | 663    | 344             | 364   |
| Molasses .....                      | 386    | 493    | 608    | 300             | 473   |
| Raw sugar .....                     | 2,212  | 2,216  | 2,377  | 1,070           | 1,160 |
| Meat .....                          | 1,458  | 1,541  | 1,549  | 776             | 803   |
| Butter .....                        | 487    | 471    | 475    | 247             | 243   |
| Tea .....                           | 215    | 218    | 235    | 92              | 81    |
| Wool .....                          | 408    | 350    | 393    | 244             | 289   |
| Cotton .....                        | 690    | 742    | 540    | 298             | 234   |
| Iron ore .....                      | 5,961  | 7,039  | 5,167  | 3,432           | 2,684 |
| Petroleum and products .....        | 10,800 | 11,380 | 11,830 | 6,230           | 6,200 |
| Rubber .....                        | 65     | 142    | 173    | 107             | 58    |
| Tin ores .....                      | 52     | 51     | 56     | 31              | 24    |
| Tin blocks, ingots, etc. ....       | 12     | 21     | 12     | 8               | 2     |
| Copper ore .....                    | 31     | 28     | 30     | 15              | 18    |
| Copper, unwrought .....             | 288    | 391    | 355    | 185             | 153   |
| Zinc ores .....                     | 129    | 151    | 158    | 56              | 87    |
| Zinc or spelter, unwrought ...      | 171    | 177    | 165    | 89              | 96    |
| Lead, unwrought .....               | 355    | 373    | 407    | 202             | 193   |
| Soft wood, sawn, planed or dressed* | 5,930  | 5,980  | 4,440  | 1,390           | 1,620 |

\* Imports of all wood and timber in 1937 were 10,067,000 tons.

is no evidence that those reductions have been offset by a corresponding increase of supplies in the hands of consumers.

Port stocks of wheat have been substantially increased since 1937, for this cereal is one of the commodities of which the Government has purchased substantial quantities. Further purchases were announced by Mr W. S. Morrison in the House of Commons on July 19th. Nevertheless, as the import figures show, the intake of wheat in 1938 was no greater than in 1936 and, in the first half of the current year, was only slightly bigger than in the corresponding period in 1938. For maize we are entirely dependent on supplies from abroad; yet imports were sharply reduced between 1937 and 1938 and again in the first half of this year, while present port stocks are actually smaller than two years ago. On the other hand, our imports of oilseeds and

molasses have been increased, and as consumption has probably not risen proportionately our reserves of these commodities must be bigger than a year ago. Stocks of bonded sugar are substantially smaller than two years ago, though imports have shown a rising trend. The intake of butter, as the stocks in cold storage show, on the other hand, has remained stationary, but reserves of tea appear to be ample.

Both imports and stocks of wool have shown an increase; those of cotton are appreciably smaller. Imports of iron ore have been reduced, and, in view of the expansion of activity in the iron and steel industry, stocks cannot be very substantial. Imports of petroleum and products rose between 1937 and 1938, but there was no further increase in the first half of this year, though consumption has probably tended to expand owing to the increase in business activity and the number of motor vehicles in use. The official import figures, it should be noted, do not, however, include the oil brought to this country in the Admiralty's own tankers. Rubber stocks are substantially down compared with a year ago, and imports in the first six months of this year were not much more than one-half of what they were in the corresponding period in 1938. So far as non-ferrous metals are concerned, stocks of tin and lead are heavier than a year ago, but those of copper and spelter are slightly smaller. In timber, imports were reduced sharply between 1937 and 1938, but the intake in January-June this year showed an increase, and stocks of soft wood are estimated at 2½ to 3 million tons, or about six months' consumption.

The impression left by an examination of available statistics confirms the suspicion that the task of accumulating reserves of foodstuffs and raw materials has not yet been completed. While it is impossible, in the absence of complete data, to calculate how many months' consumption existing stocks represent, the evidence suggests that in many cases reserves have actually dwindled. Mr W. S. Morrison's statement in the House of Commons on July 12th that trade stocks and Government reserves of nearly all essential raw materials are more than adequate for three months' consumption on the basis of estimated war requirements, shows that the Government is still not fully alive to the importance of large reserves as a deterrent against attack and as a source of strength in war. It is impossible to say certainly whether the wastage of shipping in war would be greater or smaller than in 1914-18. It would be the height of folly to assume that it will be smaller or even the same. It is to be hoped that the Government will lose no time in filling what appears to be a wide gap in our defences. Moreover, in contrast to armaments, raw materials can serve civil as well as military needs, and, as present prices are comparatively low, the Government would do well to consider investing a considerable sum—Sir Arthur Salter's figure is £100-£150 millions—on strengthening our resources.

### CONSUMPTION AND STOCKS IN U.K. (In thousands of tons.)

|                                  |   | Consumption     |            |         |        | Stocks                                 |           |                       |      |      |
|----------------------------------|---|-----------------|------------|---------|--------|----------------------------------------|-----------|-----------------------|------|------|
|                                  |   | Average 1934-36 |            | 1937    | 1938   | Description                            | Date      | 1937                  | 1938 | 1939 |
|                                  |   | Amount          | % imported | Amounts |        |                                        |           | Amounts at given date |      |      |
| Wheat .....                      | S | 6,713           | 76         | 6,263   | 6,986  | Port                                   | Beg. July | 287                   | 320  | 460  |
| Maize .....                      | S | 3,147           | 100        | 3,465   | 2,754  | "                                      | "         | 117                   | 95   | 97   |
| Barley .....                     | S | 1,610           | 53         | 1,517   | 1,897  | "                                      | "         | 41                    | 33   | 36   |
| Oilseeds .....                   | S | 1,452           | 100        | 1,622   | 1,630  | "                                      | "         | "                     | "    | "    |
| Sugar (1) .....                  | C | 2,246           | 74         | 2,314   | 2,302  | In bond                                | End June  | 425                   | 348  | 348  |
| Molasses .....                   | C | 623             | 82         | ...     | ...    | "                                      | "         | "                     | "    | "    |
| Meat .....                       | S | 3,086           | 50         | 524     | 511    | Cold storage                           | Beg. July | 25                    | 28   | 28   |
| Butter .....                     | S | 526             | 90         | 193     | 193    | In bond                                | End May   | 67                    | 72   | 75   |
| Tea .....                        | S | 195             | 100        | 311     | 343    | Warehouses, rlyw. and canal depots     | End May   | 47                    | 53   | 77   |
| Wool .....                       | S | 312             | 84         | ...     | ...    | Warehouses                             | Mid July  | 193                   | 243  | 148  |
| Cotton (2) .....                 | C | 563             | 100        | 617     | 474    | "                                      | "         | ...                   | ...  | ...  |
| Iron ore .....                   | S | 15,884          | 29         | 20,136  | 16,347 | "                                      | "         | ...                   | ...  | ...  |
| Petroleum and products (3) ..... | S | 10,080          | 97         | 11,020  | 11,730 | Public warehouses and manufacturers    | End May   | 66                    | 111  | 85   |
| Rubber .....                     | S | 95              | 100        | 115     | 107    | Stocks and landing Official warehouses | End June  | 19                    | 36   | 30   |
| Tin (4) .....                    | C | 21              | 91         | 26      | 18     | "                                      | "         | 3                     | 6    | 12   |
| Copper (4) .....                 | C | 270             | 100        | 335     | ...    | "                                      | "         | 20                    | 23   | 22   |
| Spelter (4) .....                | C | 200             | 99         | 225     | ...    | "                                      | "         | 6                     | 9    | 12   |
| Lead (4) .....                   | C | 333             | 87         | 340     | ...    | "                                      | "         | "                     | "    | "    |

Notes.—S—Available supplies, i.e. home production plus net imports. C—Consumption, i.e. available supplies and changes in stocks. (1) In terms of raw materials. (2) Converted into tons at rate of 1 bale = 3½ tons. (3) Including also oil from coal. (4) Metal content.



# Finance and Banking

**Re-armament and Treasury Bills.**—The prospect of having to find a home for some £150,000,000 of additional Treasury bills is causing no qualms in discount market and banking circles. On the contrary, the reaction to the Chancellor's announcement has been one of disappointment at the "modest" proportion of the total borrowing which is to be found by increasing the floating debt. The best indication of this reception of the news was provided by the fall in the Treasury bill rate from 16s. 8d. to 15s. 8d. per cent. on the morrow of the Chancellor's statement and by the weak undertone of discount rates over the past week. The losses of gold by the Exchange Equalisation Account, and the corresponding reduction in the available volume of Treasury Bills, had created a deficiency of liquid assets which must be made good by further short-term borrowing before the banking system can be expected to take the active part required of it in making the issue of longer-term stock a success. In the twelve months to March, 1939, the Exchange Account lost 39,430,000 ounces of gold or, say, £285,000,000. Over the same period clearing bank deposits fell by £113,100,000 and their bills discounted and short loans by £69,100,000. To complete the statistical picture for this period of twelve months it should be added that the issue of Treasury bills issued by tender had fallen by £125,000,000, while the tap bills had risen by £205,900,000. By April of this year, therefore, the banking system, owing to this exodus of foreign funds and the corresponding contraction of Treasury bills, was suffering from a genuine dearth of liquid assets, and the clearing banks' ratio of such assets to deposits had fallen to under 29 per cent. That position has, however, been largely corrected—not by a return of gold into the Exchange Account, but by financing the much increased current deficit by Treasury bill borrowing. Since April the clearing bank deposits have risen by £64,000,000 and their combined holding of bills and short loans by £68,900,000, while their liquidity ratio has now recovered to 31.7 per cent. Over the same period tender Treasury bills have risen by £107,000,000 and tap bills by £52,000,000.

**Scope for Expansion.**—On this evidence it is clear that the liquidity position of the clearing banks has already returned to normal. But this does not mean that the scope for absorption of additional bills by the banking system has been exhausted. The June clearing bank returns showed a cash ratio of 10.6 per cent. Assuming the banks to be prepared to let this ratio fall to 10 per cent.—and given the increase in other liquid assets they might well be ready to see it fall even below this conventional figure—there should on the basis of the volume of bank cash of £235,213,000 be room for a further expansion of £133 millions in Treasury bills and/or short loans and a corresponding increase in deposits. As the Exchequer returns show that £25½ millions of expenditure for the current financial year has already been allocated to loan account, this leaves the balance of approximately £125 millions of Treasury bill borrowing within the scope of the present credit structure. One should, however, beware of these direct calculations. It is evident that loan expenditure on the proposed scale cannot be isolated in its effect on the banking structure to the item of bills discounted or the related total of short loans. Even without the "multiplier" bank advances would feel some impact from the defence expenditure. Even if the net expansion in the Treasury bill indebtedness—after the funding has been completed—is to be limited this year to £150 millions, it looks as though some expansion in bank cash and in the total of bank deposits will have to occur. And it is more than questionable whether the expansion in the floating debt can be limited to this figure. The Supplementaries introduced after the Chancellor's statement have already carried the

projected loan expenditure to well over the £500 million mark, and in addition there are the credits for £60 millions, excluding interest, to our allies to be financed ultimately by further expansion of the floating debt in this country. The prospect, therefore, favours some general expansion of the credit structure. In judging the size of this expansion and its inflationary potential we must beware of making unconditional comparisons with the totals of twelve or eighteen months ago. Since then we have lost the best part of £300 millions of foreign funds. If the deflationary effect of that efflux on bank deposits and banking assets is countered, as at present, by uncovered Government expenditure the process can hardly be regarded as one of normal reflation.

**June Clearing Bank Averages.**—Special interest attaches to the clearing bank figures this month in view of the prospect of an expansion in the tender issue of Treasury bills. The rise in discounts has already been referred to. Of the other items, the small fall in advances is disappointing, for the industrial recovery ought by this time

(In £ millions)

| Ten English Clearing Banks (excluding National Bank) | June, 1938 | Feb., 1939 | March, 1939 | April, 1939 | May, 1939 | June, 1939 |
|------------------------------------------------------|------------|------------|-------------|-------------|-----------|------------|
| Capital and reserves                                 | 136.0      | 136.1      | 136.1       | 136.1       | 136.1     | 136.1      |
| Acceptances, etc.                                    | 115.8      | 126.4      | 123.4       | 125.6       | 126.6     | 123.9      |
| Deposits (including undivided profits, etc.)         | 2,262.2    | 2,140.8    | 2,116.7     | 2,118.5     | 2,130.9   | 2,183.1    |
| Total liabilities                                    | 2,514.0    | 2,403.3    | 2,376.2     | 2,380.2     | 2,393.6   | 2,443.1    |
| Cash                                                 | 243.2      | 239.5      | 229.2       | 225.7       | 232.9     | 231.8      |
| Cheques, balances, and items in transit              | 71.3       | 61.6       | 60.1        | 64.7        | 65.5      | 69.1       |
| Money at call                                        | 149.6      | 134.4      | 138.3       | 141.2       | 139.7     | 146.2      |
| Discounts                                            | 287.9      | 210.6      | 188.9       | 182.9       | 199.3     | 247.2      |
| Investments                                          | 615.3      | 602.5      | 596.7       | 596.2       | 590.3     | 586.0      |
| Loans and advances                                   | 963.3      | 960.5      | 971.6       | 976.0       | 971.3     | 970.6      |
| Investments in affiliated banks                      | 23.9       | 24.1       | 24.1        | 24.1        | 24.1      | 24.2       |
| Cover for acceptances, premises, etc.                | 159.5      | 170.1      | 167.3       | 169.4       | 170.5     | 167.9      |
| Total assets                                         | 2,514.0    | 2,403.3    | 2,376.2     | 2,380.2     | 2,393.6   | 2,443.1    |

to be making itself felt in the demand for bank credit; advances, however, are only £7.3 millions higher than a year ago.

**Chinese Dollar in Retreat.**—Within the space of little more than a month the Anglo-Chinese Stabilisation Fund has, for the second time, been obliged to unpeg the Chinese dollar rate and let the exchange find a lower level. After its break from 8½d. in the first week of June the dollar remained stable at 6½d. until Tuesday this week, when the authorities in charge of the Fund were again forced to let it slide to around 5d., followed by a further setback to 4½d. on Thursday. This sudden withdrawal of the Fund from the market followed immediately and significantly on the application of the new exchange regulations in Northern China, by which the whole of the foreign exchange proceeds of export trade from this area now flows into Japanese-controlled channels. Shanghai's trade balance has been going from bad to worse this year owing largely to this diversion of the proceeds of export trade into the accounts of one or other of the puppet central banks, and for the first five months of the year the deficit had reached the equivalent of over £11 millions. The move in Northern China promises an accentuation of this tendency. Moreover, the export of capital from China has been proceeding on a moderate but persistent scale, despite the "wei-wah" currency regulations which severely restricted withdrawals of funds from Chinese banks. The exodus of funds may well have derived some stimulus from the opening of the Tokyo talks and the fears among many Chinese that they may lead to British concessions on

issues far beyond those immediately raised by the Tientsin blockade. Whatever the explanation, it is evident that pressure on the Stabilisation Fund compelled another downward adjustment of the exchange rate. It is interesting to note that the "H.H." dollar circulated by the Japanese-controlled authorities in the Yangtse basin, and which on its recent introduction was pegged to the National dollar, has now abandoned that link and is being pegged—rather nominally it is true—at 6d. Whether the Chinese dollar is to depreciate further must largely depend on the willingness of the United States and Great Britain to reinforce the Stabilisation Fund or other reserves of the Chinese Government by the grant of further credits. The dislocation of Chinese export trade is likely to increase and not diminish in the immediate future, while China's needs of imported materials must increase. Under such circumstances, the careful control of the local paper currency and the confidence and purchasing power which that currency continues to command have ceased to be fundamental determinants of the Chinese dollar's exchange value.

**Silver's Precarious Balance.**—After its recent tribulations, the silver market has found temporary equilibrium at about 16½d., which was the spot price every day until Thursday of this week. This balance, however, has every appearance of extreme precariousness. The American export price admittedly remains steady at 35 cents, and well-informed advices from the United States suggest that the quotation will probably remain at this level unless the United States Treasury is provoked into making a further downward change by the behaviour of the sterling price for the metal. At 16½d., the sterling price is at a premium not only on the shipping parity to the United States but on the straight dollar parity. This is due to the persistence of Indian buying, which has been stimulated to an extraordinary degree by the recent fall in the price of the metal. The Indian ryot judges the value of silver not in terms of American silver policy, of which he has never heard and which in any case he would fail to understand, but by an instinctive appreciation which comes to him as part of India's long traditional use of silver. At the present price, silver seems cheap to him and consequently the up-country offtake from Bombay which should be dwindling to negligible proportions with the advent of the monsoon season has been running during the past week at the unusually high average of 250 to 300 bars a day. That offtake cannot last much longer, and when it disappears the main prop sustaining the sterling silver price over the dollar parity will have been withdrawn. Another factor, which is acting in the same direction, but from the supply side, is the attraction to London of some Mexican silver which is being sold here rather than in New York, owing to the premium included in the sterling price. The prospects, therefore, seem to favour some downward reaction in the sterling quotation,

following its recent recovery. The steadiness of the American price and the existence of a substantial bear account in silver on this side are, however, two factors which should prevent this reaction from developing into another rout.

**Credits for New Zealand.**—The unexpectedly protracted negotiations for the grant of additional credits to New Zealand have this week reached partial success. The United Kingdom Government has agreed in principle that the facilities of the Exports Credits Guarantee Department will be made available to finance imports of U.K. goods into New Zealand. Credits up to £5,000,000 will be available for purchase by the New Zealand Government for defence purposes, and a further £4,000,000 of short term credit facilities will be available for approved exports from this country to New Zealand importers other than the Government. It will be very important for the New Zealand exchange position to know whether the £4,000,000 of private credits will be available for the financing of goods already ordered or whether they will only apply to transactions still to be initiated. If the latter is the case, the next few weeks may see the development of an uncomfortably tight situation in the New Zealand exchange position. The negotiations connected with the maturity of £17,000,000 New Zealand stock on January 1st next are proceeding satisfactorily and may be said to have virtually reached a successful conclusion.

**New York Bank Statements.**—The intensification of the flow of refugee money to the United States since last summer is well illustrated in the June 30th statements of the Chase National Bank and the National City Bank. As may be seen from the table, which gives the chief items of the statements, the deposits of both banks show a further big increase; and since their advances have fallen

| As at June 30          | Chase National 1938 | National City 1938 | Chase National 1939 | National City 1939 |
|------------------------|---------------------|--------------------|---------------------|--------------------|
|                        | (\$ millions)       |                    |                     |                    |
| Cash, etc.             | 801                 | 1,208              | 610                 | 825                |
| Government securities  | 627                 | 835                | 529                 | 626                |
| Loans, discounts, etc. | 654                 | 575                | 525                 | 488                |
| Deposits               | 2,152               | 2,696              | 1,761               | 2,063              |

off, they have been hard put to it to find any outlet for their funds. As a result, their holdings of Government securities, which last year were approximately equal to loans and discounts, have now well outstripped them. The banks' cash, too, shows a big increase; the cash items of the Chase National are equal to about 44 per cent. of the deposits, while for the National City the percentage is 40. Both banks remain, therefore, in an abnormally liquid position.

## MONEY MARKET NOTES

### The Money Market

LAST week's fall in the average rate at which the £35 millions of Treasury Bills were allotted to 15s. 8.99d. was not unexpected in spite of the prospect of a big increase in the tender issue to

|                          | July 21, 1938 | July 13, 1939 | July 20, 1939 |
|--------------------------|---------------|---------------|---------------|
| Bank Rate                | 2             | 2             | 2             |
| London Deposit Rate      | 1½            | 1½            | 1½            |
| Short Loan Rates:        |               |               |               |
| Clearing Banks           | 12-1*         | 12-1*         | 12-1*         |
| Others                   | 5½-5½         | 5½-5½         | 5½-5½         |
| Discount Rates:          |               |               |               |
| Treasury bills           | 12            | 13½           | 25½-13½       |
| Three months' bank bills | 17½           | 13½-7½        | 25½-13½       |

\* 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.

finance re-armament. Total applications were again smaller at £63.3 millions, and the market syndicate, which raised its bid by 3d. to £99 16s., secured an allotment quota of 51 per cent. against 44 per cent. There was no immediate fall in other discount rates, but a somewhat easier tendency set in when the result of the tenders for the four months' Northern Ireland Treasury Bills became known. The amount on offer was £600,000 and the applications totalled £4.5 millions. The minimum price accepted was £99 15s. 2d., equivalent to a discount rate of 14s. 8.42d., which, all things considered, is held to be a very fine rate. Special purchases of bills to relieve any possible stringency resulting from the fall in bankers' deposits last week have pro-

vided the main feature of the discount market. As a consequence, although bond money has been in good demand, it is still available at ¾-¾ per cent.

### Foreign Exchanges

APART from the Chinese dollar, which is discussed in a Finance Note, chief interest this week has been centred in the guilder. The improvement noted at the end of last week has been maintained, and, except for a reaction on Wednesday, when at one time selling from Amsterdam raised the rate to 8.78½ fl., the quotation has moved in favour of the guilder. On Thursday afternoon the

# Investment

**Markets and Defence Borrowing.**—The time-table for defence borrowing has formed the staple of market discussion this week. As we show in a leading article on page 169, the reaction of the gilt-edged market to the disclosure that defence borrowing will absorb more than £500 millions this year has been relatively moderate. In fact, the market's preoccupation seems mainly to be whether a loan is imminent, rather than the global burden of the borrowing programme upon the capital market and its repercussions on Britain's economic position. The Sudan Government issue this week has at least suggested that, since the authorities are still prepared to admit outside trustee borrowers, the probabilities are rather against a public issue before the holiday season. Yet it would be premature to dismiss the possibility (discussed on page 170) that a special issue designed to appeal to the money market might be offered within the next fortnight. For a brief space this week it seemed that the equity markets, at long last, had drawn the obvious moral from the prodigious level of loan expenditure. Wall Street, admittedly, had pointed the way for London with a startling five-point rise on Monday, accompanied by a turnover of 1½ million shares. But London's response was not merely automatic, although it made due provision for the factor which had so greatly impressed Wall Street—the prospect for a negotiated settlement of the Danzig question. Yet the rise, which was not assisted by any cordial expansion in business, lost its impetus in mid-week, partly on President Roosevelt's inability to carry Congress with him on the revision of neutrality legislation. Basically, however, the instinct of the market this week has been sound; it has reduced quotations for gilt-edged stocks more nearly to fit the magnitude of defence borrowing; and it has been more inclined than for many weeks past to consider the claims of equities. Even granted the present relaxation of political tension, that is a risk-laden enterprise; but it is one which finds reasonable economic justification at present.

**Czech Assets and Bond Movements.**—It was announced in the House of Commons last week that after the Parliamentary recess a scheme would be drawn up for the disposal of Czecho-Slovakian assets in this country which

are estopped under the Czecho-Slovakia (Restriction on Banking Accounts) Act of last autumn. In addition to claims of British holders, the scheme is apparently to provide for repayment to the Treasury of the £6 millions advanced to the former Czech government, and for assistance to refugees from the unexpended part of this country's £4 millions gift. The important question whether the Government's claims will rank *pari passu* with other creditors, or in priority, has not been explicitly answered, despite a further request for information in the House. If the British Government makes a first claim for £6 millions and for further sums paid to refugees (of which £2½ millions is covered in a Supplementary estimate this week) out of £10 millions which were originally believed to comprise a free gift, the outlook for other creditors is considerably affected. The net total of Czech assets in London published early in June was about £16 millions, from which claims on bank balances totalled £3½ millions, and on bonds (face value) £2½ millions. Czech 8 per cent. bonds rose by 13 points to 64 at the end of last week, on the somewhat premature assumption that repayment might be effected under the scheme. Second thoughts, however, have been more cautious, and in mid-week the bonds lost 9 points at 58. Prague 7½ per cent. bonds, which also enjoyed an initial jump of 9 points to 48, have advanced further to 50, on the payment of the May coupon. These movements, however, flatter the volume of business passing in either direction.

**Roumanian and Brazilian Bonds.**—The coming into force last Monday of the new Anglo-Roumanian payments agreement raises again the question of service on Roumanian bonds. The allocation of part of the clearing funds to the service of the bonds is to be determined "in accordance with detailed arrangements made or to be made between the Roumanian Government and the Council of Foreign Bondholders." While the agreement does not itself deal with coupon payments, it re-defines the class of holders which the detailed scheme will affect. Hitherto, bond service through the clearing has been made available only on holdings in British hands as at May 4, 1936. The new agreement, however, brings within this definition, and thus within the scope of the clearing, not only U.K.

rate was quoted at 8.74½ fl., compared with 8.79½ fl. last Saturday. The forward guilder has also improved. The discount on the three months' rate has given way to a small premium of ½ c. The sterling-dollar rate moved strongly in favour of the pound on Tuesday, on rumours of a settlement of the Danzig question, and closed at 4.68½, a rise of ½ c. on the day. There was a reaction the following day, however, and on Thursday afternoon the rate was back to 4.68½. The forward premiums were then quoted at ½-¾ c. for one month and 1½-2 c. for three months.

## The Bullion Market

THERE has been a revival of gold hoarding this week, orders from the Continent accounting for the greater part of the turnover each day. As the Exchange Account has been an unwilling seller, and very little other gold has been offered, buyers have been fairly severely rationed. The Customs returns

| 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.                            | d.        |
| July 14 ... | 148 5½             | par              | 196             | 167½                          | 163½      |
| " 15 ...    | 148 5½             | par              | 128             | 167½                          | 163½      |
| " 17 ...    | 148 6              | ½ pm             | 93              | 165¼                          | 163½      |
| " 18 ...    | 148 5½             | ½ pm             | 344             | 165¼                          | 163½      |
| " 19 ...    | 148 6              | 1 pm             | 270             | 165¼                          | 163½      |
| " 20 ...    | 148 6½             | 1 pm             | 359             | 165½                          | 165½      |

\* 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.

show the export of nearly £8½ millions of gold to the U.S.A. this week, but by far the greater part of this is official gold as arbitrage business has been very small.

## The Bank Return

THE note circulation shows an expected small contraction this week, but again

funds are immobilised in public deposits. Government arms expenditure at the moment seems to be proceeding slowly, while tax moneys are coming in.

| Issue Dept.:          | July 20, July 5, July 12, July 19 |        |        |          |
|-----------------------|-----------------------------------|--------|--------|----------|
|                       | 1938                              | 1939   | 1939   | 1939     |
| Gold                  | £ mil.                            | £ mil. | £ mil. | £ mil.   |
| Value per oz. fine... | 326.4                             | 226.4  | 246.4  | 246.4    |
| Notes in circulation  | 85.1                              | 148.6  | 148.6  | 61.148.6 |
| Banking Dept.:        | 487.1                             | 505.7  | 507.9  | 507.6    |
| Reserve               | 40.3                              | 21.4   | 39.1   | 39.4     |
| Public Deps.          | 22.5                              | 19.3   | 29.5   | 28.4     |
| Bankers' Deps.        | 107.3                             | 96.5   | 87.1   | 95.5     |
| Other Deps.           | 34.7                              | 37.6   | 36.8   | 36.4     |
| Govt. Secs.           | 109.8                             | 118.7  | 100.4  | 105.1    |
| Discounts & Advances  | 9.3                               | 8.8    | 9.2    | 9.1      |
| Other Secs.           | 23.1                              | 22.5   | 22.6   | 24.7     |
| Proportion            | 24.5%                             | 13.9%  | 25.5%  | 24.5%    |

fast. It is expected, however, that the position will be rectified in a week or so. In the meantime, the special purchases of September and October bills, which have provided the main feature of the money market this week, have relieved the situation; and bankers' deposits, though still low, are £8.4 millions higher on the week, the counterpart of the special bill purchases being reflected in the increases in Government and other securities.

residents, but any holder of the following sterling issues: 4½ per cent. Consolidation (Funding) Loan 1934 issued in London by the Council of Foreign Bondholders; 4 per cent. External Loan, 1922; 7 per cent. Monopolies Loan, 1929 (sterling issue); and sterling bonds of the 4½ per cent. Loan of 1913. It is to be presumed that a statement will be made regarding the possible effect of the new agreement on the Roumanian debt service. Steps towards a Brazilian debt arrangement are indicated in the announcement that the Brazilian Government would welcome a representative of British bondholders to discuss the position with the Minister of Finance. Similar invitations, it is believed, were extended to American and French holders, and the Council of Foreign Bondholders have announced their acceptance of the Brazilian Government's invitation.

**Unit Trust Escrow Funds.**—The question of the adequacy of the escrow funds which was raised by *The Economist* (though not answered publicly) in connection with the transfer of certain trusts of the British General group to new management, has been raised in the House of Commons this week. Sir Joseph Leech asked whether, in view of recent disclosures concerning the affairs of British General Fixed Trust, regulations under the Prevention of Fraud (Investments) Act would be framed so that a unit trust would not be recognised unless the escrow fund was adequate for the future service of the trust and was retained in the hands of the trustees. Mr Oliver Stanley's reply makes it clear that under Section 16 of the Act the Board will have to be satisfied, before authorising any unit trust scheme, that the trust deed provides for the establishment of a fund to meet administration expenses and for regulating the application of that fund. Consequently the Board would need to be satisfied that the service of the trust was safeguarded in the manner suggested by Sir Joseph Leech. The minimum limits of safe provision are now fully established in unit trust practice; hence the warning implicit in Mr Stanley's answer should be heeded by any unit trust to which it might apply, and it will be welcomed by unit holders at large.

## Company Notes

**Stewarts and Lloyds-Stanton Merger Proposals.**—The announcement of a provisional offer from Stewarts and Lloyds to Stanton Ironworks stockholders on Wednesday this week was completely unexpected. Without doubt, it heralds one of the most far-reaching changes in the British iron and steel industry for many years. Briefly, the terms provide, first, for the exchange of £1 6 per cent. first preference stock of Stewarts and Lloyds for £1 of 6 per cent. preference stock of Stanton Ironworks. To this there can be no possible exception. Secondly, ordinary stockholders will be offered £1 deferred stock of Stewarts and Lloyds, together with 12s. 6d. to be satisfied partly in 5 per cent. third preference stock, taken at 22s. per £1 unit, compared with a market price of 22s. 6d., and partly in cash. These terms were naturally regarded as distinctly generous for Stanton Ironworks ordinary stock, which, after having advanced significantly before the announcement, jumped by 5s. 9d. to 52s. 6d. on Wednesday. Stewarts and Lloyds deferred, on the other hand, declined by 2s. 3d. to 42s. 3d., leaving a margin of 10s. 3d. between current prices, compared with a maximum differential of slightly less than 12s. 6d., allowing for expenses of exchange. On the eve of the offer, Stanton ordinary stock provided a yield of £4 5s. 7d. per cent., compared with £5 12s. 5d. per cent. for Stewarts and Lloyds deferred. That difference in return is attributable to the manifest earnings and dividend stability of Stanton Ironworks through good years and bad (coupled, perhaps, with a reasonable expectation of some further capital bonus in future years) and to the view that Stewarts and Lloyds profit record in recent years suggests greater liability of earnings

to cyclical fluctuations. The latter is, to some extent, a valid point, but it should not be overstressed in view of the power of Corby to put the company on an unprecedented earnings plane during the past two years. Stanton Ironworks ordinary stockholders will, therefore, be exchanging a stable holding, which has paid 10 per cent. for some years (with a margin of 16.6 per cent. for 1938-39) for a progressive equity which paid 12½ per cent. for 1937 and 1938, covered with earnings margins of 15.1 per cent. and 13.5 per cent. respectively. In addition, they may count on a yield of approximately 4½ per cent. from the Stewarts and Lloyds third preference stock, and, say, a similar return upon the cash portion of the consideration. Compared with their dividend yield before the offer, of 4.28 per cent. for Stanton, the terms are equivalent roughly to a return of 6.55 per cent.

**The Basis of the Merger.**—Such a relatively favourable offer suggests that Stewarts and Lloyds are anxious to encourage acceptance of their proposals. It is readily to be understood that the directors of Stanton Ironworks should have insisted on satisfactory payment; but the essential fact is that such insistence has been satisfied by a board whose financial acumen is widely appreciated. It would seem that competition between the two groups has been growing. Stanton are the leading producers of spun iron pipes, which compete at many points with the steel tube products of Stewarts and Lloyds. If the merger is approved, therefore, the home market in tubes and pipes will be almost completely integrated, apart from non-competitive concrete pipes. It is, perhaps, doubtful if collaboration between the two groups will proceed to the point of Stanton's supplying pig-iron to the Corby plants, owing to technical difficulties which are involved. But substantial fruits would result from the merger without such technical integration. Stanton Ironworks stockholders may perhaps feel that some advance indication of the negotiations might reasonably have been given, and the sharp rise in the ordinary stock from 43s. 9d. to 46s. 9d. during the week before the announcement was made has attracted some comment. But, in general, the scheme should commend itself without reservation.

**Commonwealth Group Inquiries.**—One of the principal points in the circular to Commonwealth Mining and Finance shareholders, issued at the end of last week, was the decision of the directors of eight companies in the group (Commonwealth Mining and Finance, Anglo-Australian Gold Development, Beryl Gold, Great Boulder Mining and Finance, Meekatharra Gold Mines, Murchison, North Kalgurl United and Southern Cross) to apply to the Board of Trade for an investigation of the companies' affairs under Section 135 of the Companies Act. Certain applications have already been filed this week, and it is understood, in addition, that the board of Great Boulder Proprietary has decided not to oppose the application of the "Grundt Committee" for the appointment of a Board of Trade inspector. Whether this procedure is ideally suited to the circumstances of the controversy—which is technically limited to the withdrawal of facilities for dealing in these shares on the Stock Exchange—is open to argument. For if the anxiety of the directors of the companies concerned is to satisfy shareholders regarding rumours and incorrect statements, the majestic progress of a Board of Trade investigation is hardly the most expeditious method, even granted the assurances of Mr de Bernales that all information which is required will be provided regarding any transaction in which the companies in London or Australia, in which Mr de Bernales or any of his family have been, or are, shareholders, have been interested. The difficulty, however, is that any shareholders' or private investigation might come to grief on personal issues, which an official investigation would at least avoid.



**The "Family" Companies.**—The fact that the memorandum circulated to Commonwealth Mining and Finance shareholders last week included copies of correspondence between the Stock Exchange Committee and the company's brokers, which raised questions regarding the interests of Mr de Bernales and his family in Australian Machinery and Investment Company (the principal vendor company for the majority of the issues) and referred to other companies, has directed attention to the cluster of "family" companies associated with the group. Australian Machinery and Investment was formed on December 19, 1924, with an issued share capital of £194,780. The latest list of shareholdings, as at June 22, 1939, shows that Mr de Bernales holds 500 shares of £1, Mrs D. I. Faye 38,947 shares, Mrs B. M. Trethowan 23,890 shares, while four companies, London Arcade, Ltd., Ascot Estates, Ltd., Kook-a-Burra Investments and Austmac Investments, together hold 131,436 shares. These holdings apparently correspond to transfers of shares from members of Mr de Bernales' family. The shares of Kook-a-Burra Investments are now held by Australian Machinery and Investment. Austmac Investments has an issued capital of £837,717, largely held by Mrs Helen F. de Bernales and Mrs E. M. Trethowan. According to inquiries made by *The Financial News* in Perth, London Arcade has an issued capital of £A165,070, of which Australian Machinery and Investment holds £A165,066, while the latter concern also holds £A490,196 of a total issued capital of £A490,200 of Ascot Estates. The memorandum issued last week included a statement by Mr de Bernales regarding the formation of Australian Machinery and Investment as a family investment company, declaring that, while he was entitled to two-thirds of any dividend declared, no payments had been made in the history of the company. Moreover, Mr de Bernales' directors' remuneration had always been waived. The statement indicated that neither Mr de Bernales nor Australian Machinery and Investment had ever been a shareholder in Mercer's Trust. Control, in fact, appears to reside in Austmac Investments.

**Bristol Aeroplane Activity.**—Capacity production in the aircraft industry has not brought massive increases in earnings and dividends for shareholders. Mr W. G. Verdon Smith's speech at the Bristol Aeroplane meeting this week explained some of the reasons, which have, in fact, been apparent to long-sighted investors for some months. The authorities' control over contract prices is close—witness the new agreement for fixing the prices of aircraft and engines which has replaced the McIntock agreement, and takes account of the enormous expansion in orders, the extension of sub-contracting, and provision of capital by the Government. In addition, depreciation is necessarily heavy; N.D.C. and A.P.D. have increased the incidence of taxation; and the aircraft companies must necessarily anticipate the day when the present scale of demand subsides. Perhaps this latter anticipation puts less than due stress on the replacement demand for military aircraft, for reasons of obsolescence alone. But the combination of all the factors together does not suggest a rapidly increasing return for aircraft shareholders. The present yield basis of Bristol Aeroplane, assuming a 15 per cent. dividend, is £7 17s. per cent. It is a satisfactory return, in view of the chairman's expectation that the current year's profits should not be less than in 1938, but it does not suggest great scope for any considerable appreciation in the shares.

**Furness, Withy and Shipping Prospects.**—In the past twelve months, shipping companies have experienced

a severe fall in profits. The trend of freight rates has varied considerably between different routes, but they have fluctuated, generally, around a low level. The reduction of over £115,000 from £620,681 to £505,121 in the total profits of Furness, Withy and Co.—whose functions combine those of a holding and an operating company—is not surprising, though some disappointment may be felt that the latest total is lower than that of 1936-37. In spite of a reduction of £50,000 in depreciation provision to £300,000, the lower dividend of 4 per cent., against 5 per cent., is short-earned by one-half per cent., equivalent to nearly £25,000, which is met by a draft on the carry-forward. Shareholders, who are already acquainted with the difficulties of the shipping industry last year, will find no extended comment in the Furness, Withy report, beyond a reference to political unrest and unsettled conditions of international trade. The information that can be obtained from the profit and loss accounts of the past three years is set out below:—

|                            | Years ended April 30, |          |          |
|----------------------------|-----------------------|----------|----------|
|                            | 1937                  | 1938     | 1939     |
| Profit .....               | £544,744              | £620,681 | £505,121 |
| Depreciation .....         | 350,000               | 350,000  | 300,000  |
| Preference dividends ..... | 56,719                | 55,312   | 54,375   |
| Ordinary stock—            |                       |          |          |
| Earned .....               | 138,025               | 215,369  | 150,746  |
| Paid .....                 | 135,000               | 217,500  | 174,000  |
| Earned % .....             | 3.1                   | 5.0      | 3.5      |
| Paid % .....               | 3                     | 5        | 4        |
| Carry forward .....        | 213,812               | 211,682  | 188,428  |

The balance sheet shows few substantial changes, apart from an apparent transfer of £500,000 from general to investment reserve. Investments in shipping and other subsidiaries are little changed at £5,637,671, and comprise nearly half the balance sheet total. Freight rates and cargoes are still sub-normal, but the company should derive some benefit from the Government's shipping assistance measures. At the current price of 16s. 7½d., however, Furness, Withy £1 ordinary shares must be reckoned well priced, in view of their yield of £4 16s. 2d. per cent.

**W. and T. Avery Progress.**—This company's profits record over the last cycle amply illustrates the virtues of steady expansion of a well-established trade. Profits, after taxation, for the year ended March 31st show an increase from £212,745 to £221,367, equivalent to 4.1 per cent. Depreciation absorbs £46,019 against £41,392, but other allocations for fees, pension fund and reserve are unchanged on the year. The dividend on the ordinary shares is maintained at the traditional rate of 15 per cent., and £70,891 is carried forward compared with £65,149 brought in. An analysis of the accounts for the last three years is given below:—

|                             | Years to March 31, |          |          |
|-----------------------------|--------------------|----------|----------|
|                             | 1937               | 1938     | 1939     |
| Profits and dividends ..... | £209,195           | £212,745 | £221,367 |
| Depreciation .....          | 32,550             | 41,392   | 46,019   |
| Directors' fees, etc. ....  | 10,000             | 10,000   | 10,000   |
| Pensions fund .....         | 10,000             | 10,000   | 10,000   |
| Preference dividends .....  | 11,349             | 11,257   | 10,825   |
| Ordinary shares:—           |                    |          |          |
| Earned .....                | 145,296            | 140,096  | 144,523  |
| Paid .....                  | 97,608             | 95,027   | 93,782   |
| Earned % .....              | 22.3               | 22.1     | 23.1     |
| Paid % .....                | 15                 | 15       | 15       |
| To reserve .....            | 45,000             | 45,000   | 45,000   |
| Carry forward .....         | 65,080             | 65,149   | 70,891   |

The balance sheet reveals an entirely satisfactory position. Reserves for taxation and liability for creditors have increased from £521,496 to £575,102 while the general reserve will become £320,000. Freehold and leasehold properties now stand at £151,513 as compared with

£142,868. Shares in subsidiary and associate companies are virtually unchanged at £308,974, but advances have increased from £404,816 to £437,431. Cash holdings (excluding funds earmarked in the pensions fund) have increased from £65,617 to £149,533 while investments now stand at £392,604 due to a further £15,000 invested in municipal mortgages redeemable at par. The interests of the company and its subsidiaries in the capital equipment and general engineering industries are widely varied. While the company is probably not excluded from the indirect benefits of re-armament, it is one of the few in its class regarding which the defence aspect has not been stressed. Anticipations of continued progress on a solid civil basis are reflected in the yield of £4 5s. 9d. for the £1 ordinary shares, which now stand at 70s.

**Canadian Eagle Oil.**—Carrying the burden of a full year's payment under its guarantees to Mexican Eagle, Canadian Eagle has yet been able to maintain the 1938 rate of ordinary dividend at 6d. per share. The margin of earnings over distribution has been reduced, however, to under 1d. per ordinary share, but the main factor which has reduced the available balance (after paying 23.88 Canadian cents on each participating preference share) from £574,639 to £338,923 is general trading difficulties and not the Mexican Eagle guarantees. Eagle Oil and Shipping Company, the shipping and marketing subsidiary, suffered a reduction in trading profits to £782,655 against £1,050,307 (since prices of motor spirit fell more than costs), and distributed only 10 per cent. against 14 per cent. But sales volume was apparently slightly lower, for although purchases of oil

products rose from 24,586,010 barrels to 25,310,400 barrels in 1938, stocks increased by 1,500,000 barrels and the company borrowed some £750,000 from the parent company to finance higher refined stocks. The course of Canadian Eagle profits in the past three years is shown below:—

|                                 | Years ended December 31, |            |            |
|---------------------------------|--------------------------|------------|------------|
|                                 | 1936                     | 1937       | 1938       |
| Dividends, etc., received ..... | 933,126                  | 895,752    | 679,392    |
| Less Aruba oil operation .....  | Dr. 86,090               | Dr. 95,934 | Dr. 65,106 |
| Total income .....              | 847,036                  | 799,818    | 614,286    |
| Expenses .....                  | 28,001                   | 28,869     | 31,629     |
| Company's pref. dividends ..... | 193,371                  | 179,886    | 164,533    |
| Paid under guarantee .....      | ...                      | 16,424     | 69,201     |
| Balance .....                   | 625,664                  | 574,639    | 348,923    |
| Ordinary shares:—               |                          |            |            |
| Earned (d. per share) .....     | 11.4                     | 11.3       | 6.9        |
| Paid (d. per share) .....       | 11                       | 6          | 6          |
| Carry forward .....             | 108,062                  | 379,494    | 425,210    |

Losses on oil trading are smaller than in 1937, but the Mexican Eagle guarantees absorbed £10,800, as before, for the participating preference shares and £58,401 for the first preference shares, against £5,624 in respect of two months in the preceding year. But for these Mexican Eagle payments, Canadian Eagle ordinary shares would have shown earnings of 11.7d. in 1937 and 8.3d. last year. In the balance sheet, the main change is a reduction from £3,679,913 to £676,088 in net floating assets which is offset by a rise from £8,356,229 to £10,258,782 in subsidiary interests and from £570,622 to £1,446,547 in exploration



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Trustee Co. Ltd.  
11 Waterloo Place,  
S.W. 1

## The National City Bank of New York

(Incorporated with limited liability under the National Bank Act of the United States of America)

### Condensed Statement of Condition as of June 30, 1939

INCLUDING DOMESTIC AND FOREIGN BRANCHES

| ASSETS                                                                        |                           |
|-------------------------------------------------------------------------------|---------------------------|
| Cash and Due from Banks and Bankers .....                                     | \$ 824,543,860.39         |
| Gold Abroad or in Transit .....                                               | 1,732,922.74              |
| United States Government Obligations (Direct or Fully Guaranteed) ..          | 626,450,839.47            |
| Obligations of Other Federal Agencies .....                                   | 56,106,026.61             |
| State and Municipal Securities .....                                          | 80,524,734.46             |
| Other Securities .....                                                        | 76,084,944.00             |
| Loans, Discounts and Bankers' Acceptances .....                               | 488,144,877.68            |
| Real Estate Loans and Securities .....                                        | 8,798,219.46              |
| Customers' Liability for Acceptances .....                                    | 12,472,688.93             |
| Stock in Federal Reserve Bank .....                                           | 3,735,000.00              |
| Ownership of International Banking Corporation (Including Paris Office) ..... | 8,000,000.00              |
| Bank Premises .....                                                           | 44,705,142.35             |
| Other Real Estate .....                                                       | 656,100.68                |
| Other Assets .....                                                            | 818,434.39                |
| <b>Total .....</b>                                                            | <b>\$2,232,773,791.16</b> |
| LIABILITIES                                                                   |                           |
| Deposits .....                                                                | \$2,062,823,358.98        |
| Liability on Acceptances and Bills .....                                      | \$32,822,478.75           |
| Less: Own Acceptances in Portfolio .....                                      | 15,796,830.94             |
|                                                                               | 17,025,647.81             |
| Items in Transit with Branches .....                                          | 1,856,785.92              |
| Reserves for:                                                                 |                           |
| Unearned Discount and Other Unearned Income .....                             | 4,000,616.11              |
| Interest, Taxes, Other Accrued Expenses, etc. ....                            | 5,797,196.00              |
| Dividend .....                                                                | 3,100,000.00              |
| Capital .....                                                                 | \$77,500,000.00           |
| Surplus .....                                                                 | 47,000,000.00             |
| Undivided Profits .....                                                       | 13,670,186.34             |
| <b>Total .....</b>                                                            | <b>\$2,232,773,791.16</b> |

Figures of Foreign Branches are as of June 24, 1939.

\$57,860,537.72 of United States Government Obligations and \$25,611,710.69 of other securities are deposited to secure \$58,647,977.05 of Public and Trust Deposits and for other purposes required by law.

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

outlays. The company suffers the dual disadvantage of a diversion of its trading activities from Mexico, and of guarantee payments to Mexican Eagle. But it has been relatively successful in finding a temporary solution of its trading problems, and prospects for 1939 appear somewhat brighter. At the current price of 7s. 7½d., Canadian Eagle yield £6 11s. per cent.

\* \* \*

**Scribbans Setback.**—The 6½ per cent. reduction in Scribbans and Company's profits for 1938-39 is not in itself an unsatisfactory result in view of the effect of the crisis last September upon the company's Christmas trade. Up to that point sales had been well maintained. Thus for the second year in succession, ordinary and deferred shareholders receive no dividends, for in 1937-38 increased production and selling costs were responsible for a substantial reduction in profits. The following table shows the company's results in the past three years:—

|                                      | Years ended April 30, |          |           |
|--------------------------------------|-----------------------|----------|-----------|
|                                      | 1937                  | 1938     | 1939      |
| Profit .....                         | £150,085              | £107,274 | £100,057  |
| Taxation .....                       | 47,919                | 32,806   | 35,033    |
| Deprecn. and other exp. ....         | 26,156                | 31,699   | 36,656    |
| Earned for dividends* .....          | 76,010                | 42,769   | 15,868†   |
| Ordinary shares—                     |                       |          |           |
| Earned % .....                       | 4.4                   | 2.6      | 1.0       |
| Paid % .....                         | 5                     | Nil      | Nil       |
| Paid £ .....                         | 64,281                | Nil      | Nil       |
| Deferred shares—                     |                       |          |           |
| Earned % .....                       | 12.6                  | 7.4      | 2.7       |
| Paid % .....                         | 14½                   | Nil      | Nil       |
| Paid £ .....                         | 21,427                | Nil      | Nil       |
| To Development Reserve .....         | 30,000                | 30,000   | 10,000    |
| From Development Reserve...Cr.10,000 | —                     | —        | Cr.10,000 |
| Other credits .....                  | Cr.30,697             | —        | —         |
| Carry forward .....                  | 31,713                | 74,482   | 90,350    |

\* Of which 75% for ordinary and 25% for deferred shares.  
† After £12,500 for Special Reserve (Civil Defence).

An increase of £7,184 is recorded in depreciation, interest, and taxation charges, but the directors have decided to transfer to a special reserve £12,500 to cover the estimated cost of civil defence work. Without this extra burden, earnings for the equity would represent £28,368, or 1.7 per cent. for the ordinary and 4.9 per cent. for the deferred shares. In recent years, substantial allocations were made from revenue to special development reserve (which will remain at £150,000), but for the past year no net addition is made, though the balance carried forward is further increased from £74,482 to £90,350. The balance sheet illustrates further the somewhat static position of the company's finances, and, out of total assets of

£2,340,614, goodwill still accounts for £1,117,549. The company's difficulties hardly appear to be of a purely cyclical character and it is difficult to define its prospects for the current year. It is equally difficult, therefore, to assess the comparative merits of the £1 ordinary shares, at 6s. 1½d., and of the 5s. deferred shares at 3s. 6d.

\* \* \*

**The Week's Company Profits.**—Rubber companies account for 20 out of the 62 concerns whose profits are totalled in our usual table on page 195. Net profits of these 62 companies amount to £3,073,000, compared with £3,546,000 for their preceding years—a fall of 13½ per cent. Aggregate net profits of 1,611 companies reporting in 1939 to date amount to £208,515,000, and show a reduction of 8 per cent., compared with earnings of £227,238,000 for the same companies a year earlier. The week's results are discussed in preceding Notes and on page 180 under the heading "Shorter Comments."

\* \* \*

**Company Meetings of the Week.**—Reports of company meetings will be found from page 185 of this issue. The chairman's speech at the *Bristol Aeroplane* meeting is discussed in a note on page 176. At the meeting of *United Dominions Trust*, Mr J. Gibson Jarvie declared there was no reason why progress should not be maintained. The company's position had been proved liquid and its organisation elastic over a year of political tension. Mr P. E. Hill informed shareholders of *Philip Hill and Partners* that the increased earning capacity (£363,215) of the company's holdings provided over half the total revenue. In the latest financial period, £20,000,000 was raised in the new issue market, and benefit should be reaped in due course from recent preparatory work. At the meeting of *Amalgamated Dental Company*, the chairman declared that the company's fundamental policy was to supply materials for the dental profession of the highest possible quality. The Rt. Hon. L. S. Amery, at the *Gold Exploration and Finance* meeting, dealt with the position of the Central Norseman Gold Corporation. Recent technical difficulties have been overcome and operations at greater depth, it is hoped, will justify the company's financial assistance. In his address to *Allied Bakeries* members, Mr W. Garfield Weston pointed out that the figure for goodwill represented less than three years' earnings. At the *McDougalls Trust* meeting, Mr Kenneth A. E. Moore reported that profit margins had been reduced, but that the quantity of flour sold had increased substantially.

## THE STOCK EXCHANGES

### London

#### SETTLING DAYS

TICKET      ACCOUNT  
AUGUST 1      AUGUST 3

AGAIN this week the behaviour of gilt-edged and industrial stocks have been in contrast. Gilt-edged are perhaps unduly sensitive to day-to-day sentiment, while industrials are inclined to harden. Changes, however, remain on a small scale, and the slow downward drift of fixed-interest securities has not been accompanied by selling pressure.

In the *gilt-edged market*, prices were subdued as the week started by further consideration of additional defence expenditure and the extent of borrowing as suggested by Sir John Simon. Perpetual stocks lost most, War Loan declining by ½, while dated stocks

were more resistant and did not in general shed more than ¼. On Tuesday better sentiment was apparent at first. News of the Sudan loan checked the improvement but in late dealings there was a rally, so that net changes on the day were small. Towards mid-week quotations were depressed afresh by the abandonment for the time being of neutrality legislation in the U.S.A., and by the further supplementary estimate for civil defence. One of the heaviest losers was Defence 3 per cent. Home corporations were dull and slightly lower to start with, but were better in mid-week. In the *Dominions group*, New Zealand stocks lost ground on Monday, and then rallied on the better progress of the loan discussions. Australian issues were weaker. Among European bonds, Czech bonds continued to be supported after the sharp rise at the end of the previous week, but

reacted sharply on profit-taking and on some switching into Prague 7½ per cent. bonds. The new payments agreement helped Roumanian issues. Brazilian stocks were irregular, while Chilean bonds rose on sinking fund purchases.

\*

In anticipation of the half-yearly dividend announcements *home rails* improved at first, with preference stocks in the lead. But there was a general reaction in mid-week on profit-taking, and the satisfactory increase in traffics was ignored. Argentine rails were firmer after an unpromising start.

The trend among *industrials* was rather similar to that of the previous week, with a tendency to better prices, but occasional irregularity and a certain amount of divergence as between different issues. The best day both for prices and the volume of business was

Tuesday, under the stimulus of Wall Street. Conditions otherwise were quiet. Moderate gains were general in the iron and steel section, despite a less confident tone in mid-week. Stanton Iron were well supported on the merger proposals and ended as much as 5s. 9d. up on Wednesday, but Stewarts and Lloyds receded. Earlier in the week, Stanton had advanced on provincial support, and then reacted on profit-taking. Coal shares gained on Tuesday. Electrical equipment issues remained firm but uninteresting. Motor shares were representative of the markets as a whole, and aircraft issues tended to harden.

Breweries went ahead on Tuesday under provincial support, while Guinness was particularly favoured on Wednesday in anticipation of the final dividend. Tobacco shares responded to the improved sentiment on Tuesday, but could not hold their gains later in the week. Rayon issues were in demand, Courtaulds being particularly strong on Tuesday and Thursday. Stores showed scattered modest gains on Tuesday, but later ruled dull with some selling by short-term operators in mid-week. Scribbans were well favoured in the provisions group. Among shipping shares, Clan Line led a rally on Tuesday, but quotations were scarcely tested later in the week. The miscellaneous group made a mixed showing on Monday but later responded to the improved sentiment elsewhere. Lever and Unilever, Dunlop, and Turner and Newall were well placed in the upward movement, though they lost ground on Wednesday.

\*

Oil shares, after marking time on Monday, went ahead on Wall Street's advance. Anglo-Iranian and "Shell" were in demand in a market short of supplies, while Trinidad issues were firmer, and interest developed in the speculative counters. The improvement was not held, however, for in mid-week the tone became uncertain and small losses resulted on balance. Rubber shares were also affected by the generally improved sentiment on Tuesday, but despite maintained interest in outside issues, leading shares came on offer in mid-week. Tea shares were quietly steady all the week, though current difficulties in Mincing Lane and the uncertain future of tea prices was a restraining influence.

In the *mining market*, Kaffirs opened with small movements on Monday, but on Tuesday Crowns, East Geduld and Sub Nigel led a general advance which was assisted by a shortage of shares and bear covering. Turnover dwindled on Wednesday and Thursday and prices became easier for choice. Developing mines were early adversely affected by the latest news from Klerksdorp Consolidated. Later, however, restraint was discarded and West Wits and Western Holdings led a general advance. In mid-week some of the gains were reduced, though East Daggafonteins went ahead against the general trend. Finance issues moved in sympathy with producing mines. Among West Africans, Ariston was a firm feature all the week, but other issues showed little changes. Under the lead of Rhodesian coppers, base metals showed some buoyancy on Monday and Tuesday, but failed to hold their gains in mid-week. Tin shares, however, maintained a firm appearance.

### "FINANCIAL NEWS" INDICATORS

| 1939    | Total Bargains† | Corres. Day 1938 | Security Indices |                |
|---------|-----------------|------------------|------------------|----------------|
|         |                 |                  | 30 ord. shares*  | 20 fixed int.† |
| July 14 | 4,490           | 6,480            | 78.5             | 118.1          |
| " 17    | 4,755           | 5,920            | 78.2             | 117.7          |
| " 18    | 4,950           | 5,800            | 79.0             | 117.7          |
| " 19    | 4,745           | 5,490            | 79.1             | 117.6          |
| " 20    | 4,490           | 5,840            | 79.2             | 117.7          |
| 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. † 1938 = 100.

### ACTUARIES' INVESTMENT INDEX

Another moderate rise is shown by the Actuaries' index of 160 industrial equity prices, which stood at 61.1 on Tuesday, July 18, 1939, against 60.7 a week ago and 62.2 a month ago. The corresponding average yields are 5.66, 5.74 and 5.58 per cent. We give below a selection of the component indices:—

| Group (and No. of Securities) | Prices (Dec. 31, 1928 = 100) |               |               | Prices 1939 High |
|-------------------------------|------------------------------|---------------|---------------|------------------|
|                               | June 20, 1939                | July 11, 1939 | July 18, 1939 |                  |
| Banks, etc. (10)              | 106.4                        | 105.0         | 102.9         | 109.0            |
| Aircraft mfg. (5)†            | 77.3                         | 73.1          | 74.5          | 96.7             |
| Coal (8)                      | 80.9                         | 77.9          | 79.1          | 83.6             |
| Iron and st. (19)             | 55.6                         | 53.6          | 54.7          | 58.4             |
| Oil (4)                       | 76.6                         | 74.1          | 75.6          | 85.6             |
| Home rails (4)                | 43.0                         | 41.7          | 43.5          | 49.2             |
| Miscell. (20)                 | 60.9                         | 59.3          | 59.9          | 63.1             |

† December 30, 1928 = 100.

| Group                 | Yield (%)     |               |               | Prices 1939 Low |
|-----------------------|---------------|---------------|---------------|-----------------|
|                       | June 20, 1939 | July 11, 1939 | July 18, 1939 |                 |
| Banks, etc. ....      | 4.31          | 4.36          | 4.47          | 100.2           |
| Aircraft manufg. .... | 10.19         | 10.75         | 9.46          | 71.9            |
| Coal .....            | 6.41          | 6.39          | 6.30          | 74.0            |
| Iron and steel....    | 6.49          | 6.84          | 6.70          | 49.5            |
| Oil .....             | 6.19          | 6.39          | 6.28          | 72.9            |
| Home rails .....      | 0.38          | 0.38          | 0.37          | 29.5            |
| Miscellaneous....     | 4.81          | 4.96          | 4.94          | 55.7            |

### New York

ON Monday, Wall Street experienced its first boomlet for many a day. The Dow Jones industrial average rose almost five points to 142.58. Higher steel mill activity, higher company earnings in the June quarter, and rumours of improved business, especially in textiles,

generated the upswing which quickly became general under the lead of U.S. Steel, General Motors and Du Pont. Bonds were firm and active with speculative issues among the rails in demand. On Tuesday, the advance continued for a time, steel shares being particularly firm, but other issues were affected by mild profit-taking. In mid-week, the Administration's pronouncements on the international situation had an early depressing effect, but further good domestic news provided support for steel and aircraft shares. The rally spread to other sections of the market, and prices finished within a point of Tuesday's close. *Iron Age* estimates steel mill activity this week at 56.5 per cent. of capacity, compared with 50 per cent. last week.

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

#### WEEKLY AVERAGES

|                  | 1939             |                 | July 5, 1939 | July 12, 1939 | July 19, 1939 |
|------------------|------------------|-----------------|--------------|---------------|---------------|
|                  | Low Apr. 12      | High Jan. 4     |              |               |               |
| 347 Ind'ls. ...  | 92.8             | 114.5           | 97.3         | 100.0         | 104.1         |
| 32 Rails ...     | 23.6             | 32.5            | 24.7         | 25.4          | 26.8          |
| 40 Utilities ... | 77.8             | 88.3†           | 82.9         | 85.3          | 86.1          |
| 419 Stocks ...   | 79.3             | 95.6            | 83.3         | 85.7          | 88.8          |
| Av. yield* ...   | 4.34% 3.31% High | 4.29% 4.16% Low |              |               | 4.00%         |

\* 50 Common Stocks.

† March 8th.

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

| July 13 | July 14 | July 15 | July 17 | July 18 | July 19 |
|---------|---------|---------|---------|---------|---------|
| 112.7   | 111.9   | 112.3   | 117.0   | 117.9   | 116.3   |

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 |             |
| July 13 | 950            | 5,440       | 132         |
| " 14    | 540            | 4,950       | 82          |
| " 15*   | 210            | 1,420       | 43          |
| " 17    | 1,750          | 7,830       | 201         |
| " 18    | 1,890          | 8,240       | 213         |
| " 19    | 1,020          | 5,690       | 134         |

\* Two-Hour Session

## 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 |
|------------------------------------------------|----------------------------------------------|---------------------------------------------------|
| A General Portfolio                            |                                              |                                                   |
| HUNDRED SECURITIES TRUST                       | 102                                          | 6½%                                               |
| Unique Savings Facilities                      |                                              |                                                   |
| SAVINGS UNIT TRUST                             | 28                                           | 5%                                                |
| Protection against possible Currency Inflation |                                              |                                                   |
| INVESTORS' GOLD SHARE TRUST                    | 15                                           | 8½%                                               |
| Household Goods and Services                   |                                              |                                                   |
| PROVIDENT INVESTORS' TRUST                     | 30                                           | 6½%                                               |
| Completely Flexible Management Powers          |                                              |                                                   |
| INVESTORS' FLEXIBLE TRUST                      | 124                                          | 6½%                                               |

Sub-units in the following closed '15 Moorgate' Trusts can now only be purchased as and when offered for sale by existing sub-unit holders. Investors' General Trust. Investors' Govt & Electric Trust. Security First Trust. Investors' Second General 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.

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## New York Prices

|                                        | Close         | Latest        | Close         | Latest        |
|----------------------------------------|---------------|---------------|---------------|---------------|
|                                        | July 13, 1939 | July 20, 1939 | July 13, 1939 | July 20, 1939 |
| <b>1. Rails and Transport</b>          |               |               |               |               |
| Atchafalaya.....                       | 28 3/4        | 29 1/2        | 10 5/8        | 11            |
| Balt. & Ohio.....                      | 4 3/4         | 4 3/4         | 11 1/8        | 11 7/8        |
| Ches. & Ohio.....                      | 34 1/2        | 35 1/8        | 26            | 26 1/4        |
| G.N. Ry. Pk.....                       | 23 1/8        | 26 1/4        | 42 7/8        | 42 3/4        |
| Illinois Cent.....                     | 12 1/4        | 13            | 36 3/8        | 37 1/8        |
| N.Y. Central.....                      | 14 3/4        | 15 1/8        |               |               |
| Norfolk Pac.....                       | 8 3/4         | 9 1/8         |               |               |
| Pennsylv. Ry.....                      | 17 1/8        | 18 1/8        |               |               |
| Southern Pac.....                      | 13 1/8        | 14 1/8        |               |               |
| Southern Ry.....                       | 15 1/8        | 17 1/8        |               |               |
| Union Pac.....                         | 9 1/4         | 9 1/8         |               |               |
| Greyhound.....                         | 18 3/4        | 19 1/2        |               |               |
| <b>2. Utilities and Communications</b> |               |               |               |               |
| Am. W. Works.....                      | 10            | 10            |               |               |
| Con. Edison.....                       | 32            | 32 1/4        |               |               |
| Col. Gas & El.....                     | 6 1/8         | 6 1/2         |               |               |
| El Bond & Sh.....                      | 8 1/8         | 8 5/8         |               |               |
| Nat. Pwr. & Lt.....                    | 8 1/8         | 8 1/8         |               |               |
| N. American.....                       | 23            | 23 3/4        |               |               |
| Pac. Gas & El.....                     | 31 1/8        | 32 1/8        |               |               |
| Pub. Serv. N.J.....                    | 42 1/8        | 43 1/8        |               |               |
| United Corp.....                       | 2 3/8         | 2 3/4         |               |               |
| Un. Gas. Imp.....                      | 13            | 13            |               |               |
| Amer. Tel.....                         | 166 1/4       | 165 1/2       |               |               |
| Inter. Tel. For.....                   | 6 1/4         | 6 1/2         |               |               |
| West. Union.....                       | 23            | 25 3/4        |               |               |
| Radio.....                             | 6             | 6 1/8         |               |               |
| <b>3. Extractive and Metal</b>         |               |               |               |               |
| Am. Rol. Mill.....                     | 13 3/4        | 15 1/4        |               |               |
| Beth. Steel.....                       | 57 1/8        | 60 7/8        |               |               |
| Republic St.....                       | 16 1/4        | 17 5/8        |               |               |
| U.S. Steel.....                        | 48 1/4        | 50 3/8        |               |               |
| U.S. Steel Pk.....                     | 107           | 109           |               |               |
| Am. Metal.....                         | 30 3/8        | 30            |               |               |
| Am. Smelting.....                      | 44 3/8        | 46 1/4        |               |               |
| Anacosta.....                          | 25 1/8        | 26 1/4        |               |               |
| Cerro de Pas.....                      | 38 1/2        | 37 5/8        |               |               |
| Int. Nickel.....                       | 48 1/2        | 49 3/8        |               |               |
| Kennecott.....                         | 35 1/8        | 36 1/8        |               |               |
| U.S. Smelt.....                        | 51            | 51 3/4        |               |               |
| Phillips Petr.....                     | 34            | 36 1/2        |               |               |
| <b>4. Manufacturing</b>                |               |               |               |               |
| Shell Union.....                       | 10 5/8        | 11            |               |               |
| Socony Vac.....                        | 11 1/8        | 11 7/8        |               |               |
| Stan. Oil Cal.....                     | 26            | 26 1/4        |               |               |
| Stan. Oil N.J.....                     | 42 7/8        | 42 3/4        |               |               |
| Texas.....                             | 36 3/8        | 37 1/8        |               |               |
| <b>5. Retail Trade, etc.</b>           |               |               |               |               |
| Mont. Ward.....                        | 52 3/4        | 54 1/2        |               |               |
| Sears Roebck.....                      | 77 3/8        | 79            |               |               |
| Woolworth.....                         | 47 1/8        | 48 1/4        |               |               |
| Nat. Biscuit.....                      | 27 3/4        | 27 1/2        |               |               |
| Nat. Dairy.....                        | 16 3/8        | 17 3/8        |               |               |
| Am. Tob. B.....                        | 85            | 84 3/4        |               |               |
| Nat. Distillers.....                   | 26            | 26 3/8        |               |               |
| <b>6. Finance</b>                      |               |               |               |               |
| Comcl. Credit.....                     | 45 1/2        | 48 1/2        |               |               |
| Com. Inv. Tr.....                      | 51 3/4        | 54            |               |               |

\*ad

## Capital Issues

THE relevance of this week's only issue—of £2,000,000 Sudan Government 3½ per cent. stock, 1954-59 at 97—to the defence borrowing time-table is examined on page 174. The stock offers a redemption yield (based on an average life of approximately 11 years allowing for the operation of the sinking fund) of £3 11s. 8d. per cent. against £3 6s. per cent. for Conversion 3 per cent. 1948-53. The differential, however, is not unreasonable, since the stock carries a Treasury guarantee and is not a full British Government obligation. It will be noted, incidentally, that the guarantee refers only to interest, and does not cover capital. The Sudan Government may be complimented on its achievement in repaying all but £2,000,000 of the £5,220,900 of 5½ per cent. guaranteed bonds, due on November 1st, from its accumulated funds.

## CAPITAL ISSUE TOTALS

| Week ending                        | Nominal Capital | Conversions | New Money   |
|------------------------------------|-----------------|-------------|-------------|
| July 22, 1939                      |                 |             |             |
| To the Public .....                | 2,000,000       | 1,940,000   | Nil         |
| To Shareholders .....              | 211,250         | ...         | 221,812     |
| By S.E. Introduce .....            | 500,000         | ...         | 554,687     |
| By Permis. to Deal .....           | 30,000          | ...         | 15,000      |
| Sav. Certs., week to July 15, 1939 | Dr. 100,000     | ...         | Dr. 100,000 |
| Including Excluding                |                 |             |             |
| Conversions Conversions            |                 |             |             |
| Year to date                       |                 |             |             |
| 1939 (New Basis) .....             | 84,638,587      | 78,028,506  |             |
| 1938 (New Basis) .....             | 224,309,952     | 205,803,989 |             |
| 1939 (Old Basis) .....             | 53,212,679      | 47,622,600  |             |
| 1938 (Old Basis) .....             | 165,896,609     | 148,340,741 |             |

Destination  
(Excluding Conversions)

|                        | U.K.        | Brit. Emp. ex U.K. | Foreign Countries |
|------------------------|-------------|--------------------|-------------------|
| Year to date           |             |                    |                   |
| 1939 (New Basis) ..... | 50,978,354  | 24,869,148         | 2,181,004         |
| 1938 (New Basis) ..... | 159,768,094 | 43,606,666         | 2,429,229         |
| 1939 (Old Basis) ..... | 31,462,509  | 15,840,091         | 320,000           |
| 1938 (Old Basis) ..... | 127,537,726 | 18,403,891         | 2,399,124         |

Nature of New Borrowing  
(Excluding Conversions)

|                        | Year to date | Deb.       | Pref.      | Ord. |
|------------------------|--------------|------------|------------|------|
| 1939 (New Basis) ..... | 42,422,115   | 5,262,999  | 30,343,392 |      |
| 1938 (New Basis) ..... | 135,945,732  | 11,492,841 | 58,365,416 |      |
| 1939 (Old Basis) ..... | 36,193,921   | 1,988,459  | 9,440,220  |      |
| 1938 (Old Basis) ..... | 125,186,813  | 5,983,996  | 17,169,932 |      |

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

**Sudan Government.**—Issue of £2,000,000 3½ per cent. guaranteed stock at 97. Interest guaranteed by U.K. Government. Redeemable at par by May, 1959, by drawings from 1940, or from 1954 on notice. Proceeds towards repayment of £5,220,900 5½ per cent. guaranteed bonds in November, 1939. Net liquid assets of Sudan Government, end 1938: £9,453,236. In 1938: Imports, £6,444,000; exports, £5,630,000.

## BY TENDER

**Northern Ireland Treasury Bills.**—The Government of Northern Ireland have accepted tenders for £600,000 Treasury Bills, dated July 20, 1939, repayable on November 17, 1939. Total tendered was £4,525,000, and minimum price accepted was £99 15s. 2d. (a discount rate of 14s. 8½d.).

## ISSUE TO SHAREHOLDERS ONLY

**East African Power and Lighting.**—Issue of 211,250 new 20s. ordinary shares at 21s. (one new share for four preference and/or ordinary shares held on June 30th). The new ordinary shares rank for any ordinary dividend for 1939.

## SHORTER COMMENTS

**Company Results of the Week.**—A moderate fall in profits is shown by CITY OF LONDON BREWERY AND INVESTMENT, whose dividend is reduced from 8 to 7 per cent. Satisfactory progress has been made by DAVY AND UNITED ENGINEERING, whose net profits total £92,578, against £63,457. HEAD, WRIGHTSON AND COMPANY show a considerable advance in total profits from £112,983 to £159,428, but owing to a heavy taxation provision, net profits and dividend remain unchanged. CROSSLEY BROTHERS total profits are a little lower, at £68,546, against £71,335. The balance sheet, however, indicates satisfactory progress in the business. The full report of HANDLEY PAGE, LTD., throws no additional light on the cause of reduced profits; total profits amount to £489,941, while general expenditure is £296,273, after deducting £30,000 income tax reserve no longer required. Satisfactory progress is shown by the latest accounts of W. BARRATT AND COMPANY, whose dividend is raised from 11 to 12 per cent. Reduced turnover, mainly in the foreign section of the business, is responsible for the fall in BURBERRYS, LTD., total profits from £102,302 to £65,464. Net profits of BRITISH STEAMSHIP INVESTMENT TRUST (68 per cent. of whose securities are in commercial and industrial companies) have fallen from £123,909 to £101,770, while the 6½ per cent. dividend is repeated. A somewhat severe setback is recorded by FALK, STADELMANN AND COMPANY, whose distribution is reduced from 10 per cent. to 6 per cent. As a result of general trade recession, particularly in the latter part of 1938-39, net profits of THOMAS BOLTON AND SONS are reduced to £125,608, compared with £166,847. One of the most remarkable improvements in recent weeks is the rise in GLOUCESTER RAILWAY CARRIAGE AND WAGON net profits

from £17,862 to £162,964, and the dividend is raised from 3 per cent. to 15 per cent. In varying degrees, rubber companies continue to show sharp falls in profits. The BERTAM CONSOLIDATED RUBBER report shows that proceeds of rubber amounted to £63,038, against £100,302; BUKIT MERTAJAM RUBBER pay 4 per cent. against 6 per cent.; EAST ASIATIC RUBBER net profits are halved at £37,210, and MERLIMAU PEGOH are reducing their dividend from 12½ per cent. to 7½ per cent.

**Beecham-Maclean Holdings.**—This Company is to acquire County Perfumery Company (makers of Brylcreem), in connection with which Philip Hill and Partners will offer to shareholders of Beecham group, 600,000 £1 5½ per cent. redeemable cumulative preference shares at par in Beecham-Maclean Holdings. New shares to rank after 1,500,000 £1 5 per cent. redeemable cumulative preference shares, but guaranteed by Beechams Pills, the controlling company.

**Gloucester Railway Carriage and Wagon.**—Gross profit year to May 31, 1939, £211,661 (£47,561). For depreciation, £27,073 (£7,178). Net profit, £162,964 (£17,862). Ordinary dividend raised from 3 to 15 per cent. To: General reserve, £100,000; staff fund, £5,000. Carry-forward, £4,340 (£3,469). In previous year, £10,000 placed to wagon depreciation. Bank loan reduced from £178,867 to £146,169.

**Gold Fields Rhodesian Development.**—Income for year to May 31, 1939, £145,225, a decrease of £9,906. Net profit, £127,277 (£139,963). Ordinary dividend maintained at 5 per cent. Total investments stand in balance sheet at £1,088,372.

**Tankers, Ltd.**—Revenue for year to March 31, 1939, £33,457, a decrease of £23,843. Net balance, after £10,081 for expenses, £23,376 (£33,796). Preference arrears of 4 per cent. to March 31, 1933, are to be paid on September 1, taking £22,678. Last September also 4 per cent. was paid. Carry-forward, £5,330 (£4,633).

**Burberrys, Ltd.**—Trading profit for year to March 31, 1939, after exchange provision, £61,526 (£96,983). Net profit £47,111 (£74,602). Fixed dividend on 7½ per cent. Preference to September 30, 1936, £75,000. Carry forward reduced from £70,762 to £42,873.

**Handley Page, Ltd.**—The results of this company for 1938 were discussed on page 124 of *The Economist* of July 15, 1939. Balance sheet shows total assets of £1,554,065, against £1,042,020. Cash, £795 (£150,492). Government securities remain at £285,499. Debtors, £175,339 (£80,639). Stocks and work in progress, £853,714 (£307,397). Creditors, £614,222 (£338,849). Secured loan, £105,000 (nil).

**Falk, Stadelmann and Company.**—Profits for year to March 31, 1939, are £82,803, a decrease of £46,244. Ordinary dividend reduced from 10 to 6 per cent. To staff pensions, £5,757 (£3,000); taxation, £9,219 (£16,684); depreciation of securities, £282 (£1,400); general reserve, nil (£15,000). Carry forward, £28,715 (£27,320).

**Chinese 5% Gold Loan of 1925.**—The Inspector General of the Chinese Maritime Customs has not paid to the Banque Franco-Chinoise pour le Commerce et l'Industrie at Shanghai the sum necessary for paying Coupon No. 29 due July 15, 1939.

**Davy and United Engineering Company.**—Profits rose from £53,232 in 1937-38 to £83,435 for year to March 31, 1939. Ordinary dividend unchanged at 7½ per cent. Carry forward, £73,693 (£37,930). Arrangements have been made to acquire all the share capital of Duncan Stewart and Company, Ltd., of Glasgow.

(Continued on page 200)

## Industry and Trade

**Coal in Emergency.**—An answer to a question in the House of Commons on Monday revealed that the Mines Department has made comprehensive arrangements concerning the production, distribution and sale of coal in an emergency. The control of supplies at the point of production will be exercised by means of the statutory coal-marketing schemes, to be amended to meet war-time conditions. In each coalfield there will be an officer of the Mines Department (drawn from the industry) charged with the duty to ensure, in collaboration with the mining industry, that the quantities and qualities of coal required for inland use or for export are produced. Steps have already been taken, in drawing up the Schedule of Reserved Occupations for example, to ensure so far as possible the maintenance of output in war. The interests of consumers will be looked after more directly by divisional coal officers, stationed in the various regions under the Civil Defence Emergency Scheme. A number of advisory committees of distributors will be set up in each region as it is hoped that, with their co-operation, it will be possible to overcome many local difficulties. Further, a scheme for regulating supplies by means of a rationing scheme on the basis of a proportion of consumption in a past period of coal, gas and electricity, by domestic and other small consumers has been prepared. This scheme will be administered through local authorities; these have been asked to appoint local fuel overseers who will be assisted by local advisory councillors representing the coal distributors (including co-operative societies) and the suppliers of gas and electricity. Supplies to larger industrial consumers are to be regulated by a priority system to ensure that in the event of a shortage available supplies are directed to those works whose continuance in war is of greatest importance to the nation. The prices of coal at the pithead will be controlled through the machinery of the statutory coal-marketing schemes. As corresponding machinery for controlling distributors' and export prices is not available, control will be exercised under statutory orders. Exports are to be prohibited, save with the permission of the Government. Applications for permission to export coal will have to be made to the coal export officers who are to be stationed in the principal shipping areas. The organisation necessary to give effect to this scheme is stated to be in being and the regional officers have been appointed and instructed in their duties. Coal-mining will be a key industry in war and it will be necessary to export considerable quantities, to supplement France's inadequate resources for example, as well as to provide us with foreign exchange. It is to be hoped, moreover, that the Government will exercise stringent control over the operation of the coal-marketing schemes in order to prevent an inordinate rise in prices.

**Anglo-Roumanian Payments.**—Details are now available of the agreement reached on July 12th for the payment of Anglo-Roumanian trade debts. The new agreement, which supersedes that of September 2, 1938, introduces a number of new features into the already complex structure of the Clearing. Briefly, these are four in number. First, there is provision for advance payment in respect of Roumanian goods imported into the United Kingdom. Secondly, a miscellaneous account is to be established with the funds amounting to one-half of the percentage of the sterling exchange from compensation trade formerly paid into the Roumanian National Bank. The maximum funds which will become available in this way are to be £70,000; they will be used for the transfer of ship passenger fares collected in Roumania on behalf of United Kingdom shipping companies, and also for the transfer of insurance premiums from Roumania to the United Kingdom. The transfers will be calculated at the Roumanian official rate of exchange. Thirdly, the payment of Roumanian trade

debts is to be speeded up. Debts on goods imported into Roumania before September 2, 1938, have been in course of liquidation by the payment of £38,500 per month; this sum is now to be augmented by a further allocation of £25,000 per month from August 1st of this year until March 31, 1940, as well as by payments from Sub-Account A. Finally, an alteration has been made in the Compensation Transactions Account, the effect of which will be to allow Roumanians to purchase proportionally more of the United Kingdom's re-exports. Under the previous agreement the proportions were 50-50, for the purchase of United Kingdom goods and for the purchase of goods purchased through the United Kingdom. The proportions are now to be 30-70, with the proviso that the 70 per cent. of sterling available under the compensation trading account is to be spent as far as possible on Empire produce. As was recorded in *The Economist* of last week, a Consultative Committee is to be set up whose task it will be to consider difficulties as and when they may arise. The Anglo-Roumanian Clearing thus enters upon a further stage of development; if the new stage proves as successful as those which have preceded it, then the negotiators must be sincerely congratulated. The arrangement for augmented payment of debts owing to United Kingdom exporters should reassure the latter on the profitability of the Roumanian market; and, on the Roumanian side, the change in the compensation trading proportions will be welcomed. It remains to be seen, however, to what extent Anglo-Roumanian trade will be able to leap the hurdle set up by successive discounts on the leu.

**Employment in Coal Mining.**—Between the first five months of 1938 and 1939 the production of coal in the United Kingdom decreased by 942,000 tons, or less than 1 per cent., while the average number of wage earners on colliery books fell by 17,782, or 2 per cent. The average number of days worked, however, was 5.33, compared with 5.23 per week last year; the average number of persons wholly unemployed was 81,191, compared with 82,242, and those temporarily unemployed numbered 28,003, against 32,510. Industrial relations have been more satisfactory; the aggregate duration, in working days, of all disputes in progress between January and May was only 152,000, against 383,000 in the same period of 1938. These factors seem to account for the slightly more favourable trend of production than that of employment. What is significant is that the drift of labour from the mining industry continues in spite of the recent improvement in demand, and a sample investigation of the number and classes of miners who have taken up employment elsewhere during the period extending from June 1, 1938, to June 20, 1939, carried out by one of the leading coalfields of the country, is of particular interest. The returns cover 7,916 persons, and they show that this total includes 1,860 colliers (chiefly piece-workers), 3,310 day wagemen, 2,671 boys under twenty-one years of age, and seventy-five colliery officials. There is little information concerning the new employment to which these miners have been transferred. The nature of the new employment taken up by 6,790 is described as “unknown”; the details given of the remaining 1,126

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show that 244 entered the Defence Forces, 368 munition and other Government works, 110 the iron and steel and tinplate trades, 167 factories, and 237 other industrial, agricultural and commercial employments.

\* \* \*

**Lowest Wheat Prices.**—During the past week wheat prices in Liverpool reached the lowest level officially recorded on that market. On Thursday the price for July futures was as low as 3s. 5½d. per cwt.; in September, 1931, the previous low record, the price dropped at one time to 3s. 8d. per cwt. In July, 1929, the price of July futures reached 10s. 4½d. per cwt., and in July, 1937, 10s. 1½d. per cwt. The intervals between the lowest and highest levels recorded during the past ten years were thus exactly eight years. The persistent downward movement in prices is scarcely surprising; the world's area sown to wheat has been considerably extended in recent years, largely as a result of the tendency towards self-sufficiency in importing countries. But the average yield per acre during 1933-37 was only 13.3 bushels; in 1938 it rose to 15.6 bushels. The world's carry-over of wheat at the end of the season, after falling from 1,187 million bushels in 1934 to 503 millions in 1937, rose to 579 million bushels in 1938 and is expected to reach 1,180 millions this year. This year's crops are by no means garnered and the weather may still play tricks with forecasts. But the latest crop reports suggest that this year's world wheat harvest, if somewhat smaller than last year's, may again be substantial. A major improvement in prices seems therefore unlikely in the absence of an international agreement to control exports. Tentative discussions are now taking place, but it is doubtful whether they will yield an effective agreement in the near future.

\* \* \*

**Overseas Trade in June.**—The value of both imports and exports last month was appreciably higher than a year ago; imports rose by 7.4 per cent. and domestic exports by 8.1 per cent. But as re-exports declined sharply, by 13.6 per cent., total exports showed an increase of only 5.5 per cent. Consequently, the excess of imports over exports last month, at £37,972,000, was £3,313,000 higher than a year ago, though, for the first half of the current year, the unfavourable balance of trade is still £20,150,000, or 9.8 per cent., smaller than for the corresponding period last

#### U.K. IMPORTS AND EXPORTS (£000)

|                                | 1937    | 1938    | 1939    | Change between 1938 and 1939 | Per cent. |
|--------------------------------|---------|---------|---------|------------------------------|-----------|
| <b>June</b>                    |         |         |         |                              |           |
| Total Imports.....             | 88,187  | 76,540  | 82,175  | + 5,635                      | + 7.4     |
| British Exports.....           | 44,373  | 36,894  | 39,895  | + 3,001                      | + 8.1     |
| Re-exports.....                | 7,127   | 4,987   | 4,308   | - 679                        | - 13.6    |
| Total Exports.....             | 51,500  | 41,881  | 44,203  | + 2,322                      | + 5.5     |
| Excess of Imports over Exports | 36,687  | 34,659  | 37,972  | + 3,313                      | + 9.6     |
| Transshipments under bond ...  | 3,427   | 2,358   | 2,535   | + 177                        | + 7.5     |
| <b>Six Months ended June</b>   |         |         |         |                              |           |
| Total Imports.....             | 484,101 | 469,658 | 447,886 | - 21,772                     | - 4.6     |
| British Exports.....           | 251,214 | 233,194 | 236,319 | + 3,125                      | + 1.3     |
| Re-exports.....                | 40,553  | 32,848  | 28,101  | - 4,747                      | - 14.4    |
| Total Exports.....             | 291,768 | 266,042 | 264,420 | - 1,622                      | - 0.6     |
| Excess of Imports over Exports | 192,333 | 203,616 | 183,466 | - 20,150                     | - 9.8     |
| Transshipments under bond ...  | 18,896  | 15,774  | 16,028  | + 254                        | + 1.6     |

year. In view of the rapid expansion in industrial activity, the increase in imports is scarcely surprising; moreover, had it not been for the fall in prices their growth, in terms of value, would have been even more marked. *The Economist*

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index of the volume of retained imports of raw materials, for example, rose from 111 (1935 = 100) in June, 1938, to 130 in the past month, while our index of the volume of exports of domestic manufactures advanced only from 101½ to 106.

\* \* \*

**Trade by Commodities.**—The accompanying tables show quantitative changes in the imports and exports of important commodities. The increase in imports between June, 1938, and the past month, as will be seen, has been far from general. In food, an increase in the intake of wheat and beef was accompanied by decreases in mutton and sugar. The increase in the imports of textile raw materials reflects the expansion of activity in the textile

#### RETAINED IMPORTS—MONTH OF JUNE

| Items and Measure                         | 1937   | 1938   | 1939   |
|-------------------------------------------|--------|--------|--------|
| Wheat.....'000 cwt.                       | 8,093  | 9,966  | 11,082 |
| Beef and veal.....'000 cwt.               | 1,184  | 1,303  | 1,378  |
| Mutton and lamb.....'000 cwt.             | 773    | 817    | 746    |
| Sugar (unrefined).....'000 cwt.           | 3,586  | 4,679  | 3,459  |
| Iron ore and scrap.....'000 tons          | 734    | 448    | 753    |
| Raw cotton.....'000 cents                 | 1,120  | 638    | 739    |
| Sheep's and lambs' wool.....'000 cents    | 817    | 615    | 765    |
| Flax, hemp and jute.....tons              | 25,346 | 12,503 | 23,248 |
| Crude petroleum.....'000 galls.           | 44,649 | 63,391 | 48,376 |
| Hides, wet and dry.....'000 cwt.          | 153    | 88     | 159    |
| Wood pulp.....'000 tons                   | 156    | 121    | 173    |
| Rubber.....'000 cents                     | 234    | 315    | 189    |
| Unwrought copper.....tons                 | 40,600 | 31,857 | 27,460 |
| Pig lead.....tons                         | 31,964 | 31,520 | 25,253 |
| Tin: Ore and concentrates.....tons        | 4,468  | 4,556  | 3,292  |
| Blocks, ingots, slabs and bars.....tons   | 2,221  | 301    | 30     |
| Iron and steel manufactures.....'000 tons | 175    | 61     | 200    |
| Machinery.....tons                        | 12,529 | 10,126 | 12,666 |

#### BRITISH EXPORTS—MONTH OF JUNE

| Item and Measure                            | 1937    | 1938    | 1939    |
|---------------------------------------------|---------|---------|---------|
| Coal.....'000 tons                          | 3,482   | 2,908   | 3,681   |
| Iron and steel scrap.....tons               | 20,416  | 1,564   | 9,180   |
| Pig-iron and ferro-alloys.....tons          | 11,171  | 3,121   | 6,674   |
| Railway materials.....tons                  | 29,403  | 9,395   | 9,388   |
| Total, iron and steel manufactures.....tons | 235,412 | 150,880 | 162,289 |
| Textile machinery.....tons                  | 5,955   | 5,592   | 3,874   |
| Total machinery.....tons                    | 37,557  | 40,435  | 34,419  |
| Cotton yarns.....'000 lb.                   | 8,413   | 8,413   | 9,096   |
| Cotton piece-goods.....'000 sq. yds.        | 154,794 | 96,088  | 112,548 |
| Wool tops.....'000 lb.                      | 3,402   | 2,423   | 5,071   |
| Worsted yarns.....'000 lb.                  | 2,313   | 1,769   | 1,641   |
| Woollen tissues.....'000 sq. yds.           | 6,302   | 3,440   | 4,427   |
| Worsted tissues.....'000 sq. yds.           | 3,942   | 2,340   | 2,528   |
| Linen piece-goods.....'000 sq. yds.         | 7,629   | 3,289   | 5,883   |
| Leather boots and shoes.....doz. pairs      | 30,826  | 22,910  | 24,554  |
| Leather.....cwt.                            | 23,573  | 16,645  | 18,341  |
| Paper and cardboard cwt.....cwt.            | 400,126 | 264,284 | 352,936 |
| Locomotives and parts.....tons              | 1,811   | 2,172   | 2,257   |
| Motor vehicles and chassis.....No.          | 8,835   | 6,945   | 9,615   |

trades; the growing demand for steel is revealed by the sharp growth in the purchases of iron ore and scrap and of iron and steel manufactures. Imports of machinery also show a substantial increase, but those of crude oil, rubber and non-ferrous metals were appreciably smaller. So far as exports are concerned, a feature is the widespread and marked improvement in the exports of textile manufactures. Shipments of coal are well up on the figure for June last year, and there has been an improvement in the exports of iron and steel, locomotives and motor vehicles. But exports of machinery, in contrast to imports, fell sharply between June, 1938, and the past month.

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**Conditions in the Furniture Trade.**—Prolonged discussions on wages and working conditions between the Ministry of Labour and the British Furniture Trades Joint Committee have resulted in a decision of the Minister to apply the Trade Boards Act to furniture manufacturing. An excellent incidental result of the negotiations has been the publication of the report of the joint committee's independent investigations into working conditions. Too little is known about the habits and trends of the industries working directly for the retail market and the report therefore helps to fill an important gap. The London furniture trade is characterised by the extreme complexity of its

structure and by the small size of most of the working units. A firm may make all classes of furniture, it may concentrate on certain types, it may make parts for sale to other firms, it may specialise on certain processes such as machinery or turning; it may work direct for the retail purchaser, for one of the large retail stores or for a wholesaler, and it may contrive a number of these alternatives. There are very few public companies in the industry; many of the firms are family or one-man concerns, depending largely on personal contacts for their supplies and sales. From the 1930 Census of Production it has been estimated that 32,000 operatives, one-quarter of the total, were employed by 7,987 firms with 10 or fewer employees, averaging 4 per firm; a further 90,000 were employed in firms with 11 to 50 workers per firm. The complexity of the industry has been increased by the recent intrusion of mass production methods into what was at one time exclusively a craft. An outstanding consequence, both of the change in technique and of the small size of the representative firm has been the difficulty of enforcing standard conditions throughout the industry. The influence of trade unions is restricted mainly to the older craftsman and one of the most valuable parts of the report is that which gives statistics of wages and hours. It is there shown that while a substantial proportion of juveniles earn slightly more than the standard rates (as laid down by the London Cabinet and Upholstery Trades Working Rules) the great majority of adult workers earn very considerably less; and the working hours are long and irregular. In spite of the rapid increase in the output of the trade, made possible by mass production, unemployment in London has been considerably higher than on the average of other trades. The enforcement of some kind of standard piece rates and of working hours will undoubtedly be of great advantage to the majority of workers and will help to limit that type of competition which results from sweated labour.

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**Larger Sugar Supplies.**—Sugar prices have again turned easier this week. Raw sugar now changes hands at only slightly more than 7s. per cwt. compared with 7s. 8d. a week ago and 8s. 3d. at the beginning of this month. The decline is due to an announcement by the International Sugar Council late last week that following new representations by the British Government, it has released another 100,000 tons of sugar. This is the third batch of releases within the past two months. On May 20, 239,000 tons were allotted to seven of the restricting countries. Another 153,265 tons were released from the British Empire on June 14 (of which, however, only 142,265 tons are at present available for shipment) and an additional quota of 7,000 tons was granted to Haiti. The new release, therefore, brings the total of the additional quotas to 488,265 tons. It will be remembered that the Executive Committee of the International Sugar Council at its meeting of May 10 to 12, had estimated that the deficiency of supplies in the season ending on August 31st next, at 480,000 tons. Theoretically, therefore, supplies and requirements appear to be in equilibrium after the new release. Actually, however, a certain shortage is likely to persist for some time. At any rate some countries which share in the new quotas to a considerable extent will hardly make use of them before the end of this season. Russia, for example, which received a quota of 65,956 tons in the May release, has so far not even made use of her original quota for 1938-39 of about 160,000 tons; Java, which received a new quota of 62,606 tons in May and one of 20,000 tons last week, has virtually sold out its supplies for immediate or nearby shipment; also the new quotas of the Dominican Republic (more than 40,000 tons) appear to be rather high. In these circumstances it is not surprising that the buyers' and sellers' prices on the market still show fairly wide margins and that the premiums of nearby supplies over more distant deliveries are still much above normal.

**Revival in Wood-Pulp.**—After an eighteen months' depression, which followed the boom and rapid price increase of 1937, the wood-pulp market has recently experienced a revival. Consumers have bought sulphite-pulp supplies for next year on a larger scale, and although their pulp stocks are in many cases still very high, current consumption has improved to such an extent as to warrant the increase in stocks. Frequently the consideration in building up special stocks for an emergency is guiding the buying policy of paper makers. But the Scandinavian pulp mills, which are in a strong financial position and therefore need not hurry to sell, are bent on securing as big an improvement in prices as possible. Actually, prices of sulphite grades have advanced by about 15s. per ton, i.e. not quite 10 per cent., compared with the lowest level reached last year. A larger price increase would doubtless have occurred were it not for the political uneasiness and for the fact that Central European pulp has recently been offered on the English market at low prices. The reason for this is that the Government of the United States is considering the imposition of an anti-dumping duty against German and Slovak pulp. Meanwhile, the International Sulphite Pulp Cartel, comprising the producers of Scandinavia and Greater Germany, which expired at the end of June, has been extended for an unstated period, and a curtailment of output for the second half of 1939 by 20 per cent., to be carried through by a five weeks' output stoppage during July to December, 1939, has been enforced. In contrast to sulphite, the market in kraft pulp has remained unsatisfactory owing to the increased output of this material in the Southern States of the United States, as a result of which the Scandinavian producers have lost an important export field. Attempts are being made to bring about an understanding on the kraft market, but as an agreement excluding the American producers could scarcely be effective, the prospect is not very bright.

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**Brazil's Coffee Trade.**—Figures for the 1938-39 coffee season showed a considerable expansion in world trade in the year ended June 30. World deliveries reached 26,696,000 bags of 60 kilos each, compared with 25,609,000 bags a year before, while supplies advanced from 24,928,000 bags to 27,444,000 bags. Brazil was responsible for both the higher supplies and higher deliveries. The change in the country's coffee policy and the reduction in its coffee export tax from 45 to 12 milreis per bag in November, 1937, has thus proved beneficial to Brazil's position on the international coffee market. But the proceeds from Brazil's coffee trade are still lower than before the change in policy, owing to the fall in prices. Santos Superior, for example, is now quoted at 29s. per cwt., against 51s. in October, 1937. It may take years before the higher Brazilian coffee sales will be reflected in the total proceeds. Nevertheless, the Brazilian Government has been wise in deciding to maintain the new policy. It has prolonged the supply regulation almost unchanged for the next two seasons, and in order to lessen the dependence on the current coffee proceeds, the Brazilian Minister of Finance is trying to reach an arrangement with foreign bondholders which would ensure new credits for Brazil. The recent official estimate of the new crop was 21,861,000 bags, against 21,873,000 and 25,462,000 bags respectively in the two preceding seasons. The harvest will probably be even lower, but even so will be in excess of the 1939-40 requirements. There is little prospect of an early rise in price.

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## INDUSTRIAL REPORTS

THE flow of new business to industry is still small but activity remains at a high level on existing contracts. Steel makers are working very near capacity and there is now some improvement in the iron section. The demand for coal is well maintained and the output of saleable coal during June, at 19.3 million tons, was again higher than in the corresponding month in the previous year. The textile trades are still busy on Government orders and the demand for raw wool has been good at the fourth series of London wool sales.

## Coal

**Sheffield.**—The inland market is generally active, all grades of industrial steams being in good demand. There is an increasing call for best locomotive hards. Household fuel is rather more active than is usual at this period of the year. Utility undertakings are receiving regular supplies. Blast-furnace coke is well taken up as a result of the increased output of pig iron.

New export business is small and the market rather quiet. Shippers are anxious to secure an increase in the Coke Cartel export quota. There is little call for bunkers.

**Newcastle-on-Tyne.**—The market in this area remains steady. Northumberland screened steams are well booked, collieries having good prospects of full-time working up to the end of the year. In Durham, with the exception of certain classes of unscreened steam, all grades of fuel are well booked. Ordinary bunkers, however, are a slower trade and supplies offer readily. Patent oven coke is a strong market with a good inquiry from abroad and active conditions in the home market.

**Glasgow.**—Owing to the holidays little business has been passing in the coal market. The majority of the Lanarkshire and Fife collieries and some of those in Ayrshire have been closed this week. The Lothians will be closed next week, but the main Ayrshire holidays are not until September. Business is chiefly concerned with the completion of earlier orders when this can be done. In general there is a lull in trade, but in most districts order books remain satisfactory, and prospects favourable.

**Cardiff.**—The volume of traffic at the South Wales docks is well maintained, but current inquiries are few. The Portuguese Railways, however, have applied for alternative tenders covering the supply of 110,000 tons of small and 100,000 tons of through between October, 1939, and April, 1940, and 233,000 tons of small and 212,000 tons of through between October, 1939, and August, 1940. During the past two or three years this contract has gone to Germany. Controlled prices have not been appreciably affected and contract commitments are keeping the collieries well employed. The price of French pitwood for the September quarter under the coal-pitwood barter agreement has been increased from 21s. 9d. to 22s. 9d. per ton ex ship South Wales ports, partly to meet the seasonal rise in f.o.b. costs, and partly owing to the rise in

the freight rate from French ports. Sized and duff coals are scarce, but in practically all other classes stocks are increasing. Coke continues very strong and patent fuel shipments are still active.

## Iron and Steel

**Sheffield.**—Trading is quiet in the iron market, buying of forge and foundry pig being in limited parcels for early delivery. Derbyshire makers have good stocks of material, and so far there is no call for a further expansion of output. Business in hematites is on a good scale, and a number of contracts to cover the remainder of the year are being arranged. Finished iron business is still unsatisfactory, except for common bars, which are in very fair request.

The pressure for basic steel billets has not eased, and producers are booked to capacity. Small bars, stainless steel sheets and wire rods are also very active.

**Middlesbrough.**—The market continues steady, but while the present demand for steel for A.R.P. and other Government purposes continues there is little opportunity for expanding the ordinary commercial trade. The heavy steel scrap position is easier on account of the imports from America, while local merchants are fully sold and have no parcels to offer. Sheet makers are running plant to capacity and this week a cargo of 8,250 tons of crude sheet bars has arrived from Australia and further quantities are expected. The demand for structural steel is strong and good specifications are being received for ship-building material.

There are now twenty-nine blast-furnaces in operation in this area, of which twenty are producing basic pig iron, eight hematite pig iron and one ferro-manganese. Foundry pig iron prices are unaltered and local foundries are receiving supplies of pig iron from other areas. The East Coast hematite trade shows no marked expansion, but rather better deliveries are being made under existing contracts.

Imports of foreign ore into the Tees during the first seventeen days of July totalled 116,000 tons, against 65,000 tons during the same period of the previous month. Good Durham blast-furnace coke is in ample supply, with prices unchanged.

**Glasgow.**—With the exception of Colville's Clydebridge steel works all the big establishments in Glasgow and the Clydeside area are now closed for the Fair Holidays and operations will not be resumed until the beginning of next week. At the Clydebridge works there has been great activity and heavy output. All the steelmakers in this district have well-filled order books and will be fully employed for many months to come, provided supplies of raw material are readily available. Plant engineers are having a particularly busy time while ordinary work is stopped. A large amount of repair work and alterations is being undertaken with a view to increasing output and ensuring regular working of plant when operations are resumed.

**Cardiff.**—Recent heavy arrivals of foreign steel bars and scrap have helped

the production of tinplates in South Wales, and in the week ended July 8th the output was 70.93 per cent. of capacity compared with only 43.60 per cent. in the corresponding week last year. Business is more active in the inland than in the export trade, but even for the foreign markets deliveries are considerably better than they were a year ago. The sheet works continue to be fully employed under A.R.P. orders, and re-armament commitments are keeping other re-rolling sections as well as the heavier branches of the industry exceptionally busy.

**News from Abroad.**—Business on international steel markets has been maintained at the recent level, in spite of the approaching holiday season. Demand for some products has improved slightly, but generally the tonnage ordered is smaller than that required some time ago. Some prices have tended to weaken a little. Rebates on official prices for sections, merchant bars and galvanised sheets, for instance, have increased slightly, but quotations for some products for the Scandinavian markets are higher.

The demand for semi-products from Great Britain has remained on a high level, and orders are placed for delivery as far ahead as October. Several other countries are also in the market for semis. Merchant bars, too, are in good demand, so that the Continental exporters, especially the Belgian steel works, will be kept busy over the holiday period. South America has been regularly in the market for sheets and bars. American competition has been felt to some extent in these markets, but on the whole American offers have been less disturbing recently. Some American steel mills have stopped quoting low prices for export, and wherever outside offers appear the Cartel is speedily taking counter-measures.

The Joint Co-ordinating Committee of the Steel Cartel met at Liège this week to discuss questions relating to the quota accounts and other current business. No fundamental price alterations are expected in the next few months.

## Textiles

**Cotton (Manchester).**—Business has been adversely affected by the further downward movement in raw cotton prices, and most buyers of yarn and cloth have restricted their commitments. The raw cotton markets have been influenced by the forthcoming export subsidy, and the better advices of the progress of the American crop. The Lancashire Cotton Corporation has decided to advance prices for all ring yarns by 1d. per lb., following a similar rise a fortnight ago. Producers in this section, especially those engaged on coarse counts, are busy, and for some time margins have been relatively poor. The Egyptian branch has been unsettled owing to the de-control of prices for carded qualities, and buyers have held aloof. The area under cotton in Egypt has been officially estimated at 1,624,817 feddans against 1,783,911 feddans last year. This is the smallest total for over ten years, but prices are

(Continued on page 188)

## COMPANY MEETINGS

## BRISTOL AEROPLANE COMPANY, LIMITED

A YEAR OF IMMENSE ACTIVITY

INCREASED TURNOVER AND PROFIT

RESOURCES EMPLOYED TO MAXIMUM CAPACITY

FURTHER TECHNICAL PROGRESS

The twenty-ninth ordinary general meeting of the Bristol Aeroplane Company, Limited, was held at Filton House, Bristol, on the 20th instant.

Mr W. G. Verdon Smith, C.B.E., the Chairman, who presided, said that it was common knowledge that the year 1938 saw immense activity in the aircraft industry. In the case of their company, its organisation was greatly enlarged and had worked to maximum capacity. Shareholders might therefore expect the financial results to show improvement over those of the previous year. The accounts submitted that day might fairly be regarded as fulfilling such expectations.

The interim dividend of 7½ per cent. and the final of 7½ per cent. should not be regarded as 15 per cent. for the whole year, since the interim of 7½ per cent. was paid on the old ordinary capital of £1,200,000, before it was increased to £3,300,000 towards the end of 1938. If the interim of 7½ per cent. on the old capital were related to the new capital on which a final of 7½ per cent. was to be paid, the total distribution proposed for the year would, in relation to the present capital, be equivalent to approximately 10 per cent.

## RAPID GROWTH OF THE COMPANY'S BUSINESS

The net profits for the year of the company would have shown an increase more closely related to the larger turnover during the year, but for certain factors special to the circumstances of the present time. The requirements of taxation, including National Defence Contribution, had become considerably heavier. The rapid growth in the company's business within a comparatively short time and the consequent large additions to fixed assets had compelled careful consideration being given to the sums necessary to meet depreciation, and shareholders might rest assured that full provision under this heading had been made.

A scheme to provide on a contributory basis pensions, life assurance, and other benefits for the whole of the administrative, technical and clerical staff, numbering over 2,000, had recently been inaugurated and should prove of great benefit to the participants.

## BALANCE SHEET ITEMS

Turning to the balance sheet, the chairman said that fixed assets, which included lands, buildings, machinery, plant and equipment, showed, after allowing for depreciation, an increase of £152,561. With the present volume of turnover very considerable sums were necessarily outstanding pending the conclusion of contracts and the settlement of prices.

The general reserve fund had been raised to £470,000 by the addition of £112,403 taken from the year's revenue for that purpose and £57,597 net proceeds of the sale of manufacturing rights in foreign countries.

It would be remembered that, in connection with the increase of capital in November last, the directors had expressed a hope that it would be possible in respect of the year 1938 to distribute at least the same amount of money by way of dividend on the ordinary share capital as was distributed in the previous year, but that in relation to the total capital as increased, this would result in a reduction in the rate of the final dividend.

## DIVIDEND PROSPECTS

It would be noted that in the result the earnings for the year permitted the distribution to the ordinary shareholders of a sum larger by approximately £25,000 in respect of the past year. There was also good reason to anticipate that profits of not less amount

would be earned in the current year. In seeking, however, to estimate the dividends likely to be paid in the future, shareholders must bear in mind the necessity for making provision for all eventualities when the present abnormal requirements for aircraft production came to an end. It must also be borne in mind that in the placing of large Government orders every possible step was taken by the authorities to obtain their requirements at the lowest possible cost.

Again, their company in common with other manufacturers would come within the scope of the Armament Profits Duty and while no objection might be taken on general grounds to such limitation of profits, all relevant considerations ought to be taken into account in settling the liability of individual undertakings so as not to cripple the future usefulness of such concerns to the community. The aircraft industry only desire a fair and reasonable profit basis, but in the fixing of prices and incidence of taxation, account should be taken of the position in which contractors would find themselves as the present large scale demands were reduced.

## STEADILY INCREASING OUTPUT

The company's manufacturing resources had been employed to their maximum capacity upon an increasing scale. In the aircraft factory a steadily increasing output was built up and deliveries were accomplished earlier than programme dates. The company's "Blenheim" aeroplane has been produced in large quantities and has deservedly established a high reputation for its outstanding performance. A new type of fast bombing and general reconnaissance aircraft known as the "Beaufort" has been developed and has already flown with conspicuous success. Production of this type of aircraft was already under way and the machine as a type promised to make a valuable contribution to the national resources.

With regard to aero engines large numbers of "Pegasus" and "Mercury" engines of the poppet valve type have been produced, while production of engines of the sleeve valve type has been steadily increasing in volume without reducing the total output. These sleeve valve engines were known respectively as the "Perseus," "Taurus" and "Hercules." A considerable sale of engines had taken place for use in civil aircraft.

## ORDERS FROM DOMINIONS AND ABROAD

The expansion of the company's business during the year had been due in no small measure to considerable orders for the company's products from the Dominions, and from friendly foreign countries and the company had been able to achieve delivery of such engines and aircraft without interfering with the requirements of our own Government. In addition agreements had been entered into for the construction abroad, under licence, of both engines and aircraft. It was satisfactory that following the recent visit of the British Mission to Australia a decision was reached that the company's "Beaufort" aircraft should be selected for manufacture in that Dominion. In this connection a member of the Board, Colonel Smith, also visited Australia and was able to render considerable assistance both to the British Mission and the Commonwealth Government.

"Bristol" engines and aircraft were also being made in large quantities by Government owned "shadow" factories. The company's products were being manufactured in the Dominions and in foreign countries. Technical progress in design and development, the essential foundation of future success, was receiving constant and close attention and the world-wide reputation achieved by the company had been fully maintained during the past year.

The report and accounts were unanimously adopted and a vote of thanks to the chairman and directors concluded the proceedings.

## UNITED DOMINIONS TRUST, LIMITED

## ANOTHER RECORD YEAR

The seventeenth annual general meeting of the United Dominions Trust, Limited, was held, on the 19th instant, in London.

Mr J. Gibson Jarvie (the chairman) said that it gave the board satisfaction to submit accounts establishing a new record for a year which could only be described as the most difficult in their history. Less than three months of the financial year had elapsed when the September crisis overtook the nation, and since then there had been, as they were all painfully aware, recurring crises and a state of tension such as Great Britain had never before experienced in time of peace. September, however, had found the company already in a state of partial preparedness for eventualities, and in the event of disaster befalling this office they could reconstruct the company's affairs and identify their debtors from those duplicate records.

## CAREFUL SELECTION OF CREDIT RISKS

The consolidated balance sheet showed that the volume of trade financed by the group was substantially greater than last year. It was interesting to note that although they had, as a matter of policy, deliberately restricted certain types of business, and while some individual accounts had declined in volume because of a temporary falling off in trade in particular industries, a large accretion of new accounts had materially increased their turnover.

The improvement in the company's position was all the more satisfactory when it was realised that because of the general uncertainty even more care than usual had been exercised in considering transactions submitted to them. They saw little likelihood of loans due to them or bills discounted going into default because of any fall in value of the relative goods. Transactions were spread over many different industries; they covered the whole of the United Kingdom, and now their activities also extended to South Africa and the Rhodesias.

The business on their books was as clean as at any time in their history, perhaps cleaner. Transactions were being liquidated well up to their usual standard, and so far as they could see there was no reason to fear any change in that respect. He made that statement because it had been suggested in an important financial journal that the increase in bills receivable and notes on hand might have been brought about by "slow repayments in a year of trade recession." That was not the case. The increase was entirely due to the larger amount of business transacted.

## FINANCIAL FACILITIES IMPROVED

With regard to their financial arrangements, there also their position had been greatly strengthened and improved. They could satisfy a very much greater demand for financial facilities from the many trades to which they offered their highly specialised banking services. They had, moreover, revised the terms on which they borrowed from other banks and they accepted money on deposit on a more permanent basis. They were borrowing practically no money at all to-day in the form of loans from other banks or deposits from individuals and companies, except on fixed terms and at fixed dates so arranged as to allow ample time for adjustment in the event of any new and serious crisis arising.

They had certainly proved that their position was as liquid as they believed it to be and that the organisation was as elastic as they had hoped. They had also proved through a period of almost constant tension the capacity of their companies to command credit in the money market. With regard to the future, while the unhappy international situation precluded all hope of a reliable forecast, their policy was to see as far ahead as might be possible and shape their course accordingly.

Trade on the whole was not only growing, but was in an essentially healthy condition. He could see no reason why progress should not be maintained for a long time. There was one industry which still lagged behind—agriculture.

Long before the international situation had degenerated it had been their intention to operate in the Dominions. They believed that there was a need in other parts of the Empire for their services, and United Dominions Corporation (South Africa), Limited, had fully confirmed them in that belief. They had now established United Dominions Corporation (Rhodesia), Limited. In establishing subsidiaries abroad it was not their wish to develop too rapidly, but rather to continue on a conservative basis, consolidating their position as they progressed and keeping pace with the growth of the countries.

The report was unanimously adopted.

## McDOUGALLS TRUST, LIMITED

## FACTORS AFFECTING PROFITS

The sixth annual general meeting of McDougalls Trust, Limited, was held, on the 20th instant, at the registered office, 3, Thames House, Queen Street Place, London, E.C.

Mr Kenneth A. E. Moore (chairman of the company) said:—Ladies and gentlemen,—I will deal firstly with the affairs of the operating company, McDougalls, Limited. The past year's trading resulted in a profit of £229,267, compared with £241,036 in the preceding year and an average over the eight years ended March 31, 1938, of £199,000 per annum. I need hardly say that the year was not without its anxieties from a managerial point of view owing to occasional crisis conditions superimposed upon a substantially falling trend in wheat prices. By the end of the year wheat prices were some 40 per cent. below those ruling at the commencement, and in the meantime the wheat quota payment had risen from 1s. 6d. per sack of flour milled to 6s. 6d. per sack. Both these factors operated in reduction of our margin of profit, but I am glad to say that the quantity of flour sold increased substantially and in fact constituted a record in the trading history of the business extending over half a century.

## TREND OF SALES

It is a curious but consoling fact, apparent on studying graphs of our sales over many years, that they tend to show an increase in times of depression or crisis. Our theory, rightly or wrongly, is that in such times people go out less to places of entertainment and home cooking therefore comes into its own. In addition, in recent times there has been, for obvious reasons, a tendency for people to keep more food in the house.

In this connection it does not even now seem to be fully realised that so far from being unpatriotic it is highly desirable from the national point of view that all of us should, within reason, stock up our homes with suitable articles of food, so as to tide over the initial dislocation of transport and distribution inevitable in the event of war.

It is essential that such purchases should be made not at the eleventh hour but in good time. Such home stocks would augment the bulk reserves held by the Government and traders, would avoid panic buying, and would relieve the initial strain on transport.

To assist in this direction we have put ourselves in a position to supply a portion of our output of flour in hermetically sealed gas-proof tins of 4 lb. each. McDougalls' flour so packed will remain in perfect condition for at least two years and so is eminently suitable for the reserve stocks of private households, schools, hospitals, reception organisation, etc. I hope our shareholders, numbering upwards of 4,000, will see to it that they themselves secure supplies through their ordinary grocer and also mention the matter to their friends.

To return to financial matters the profit of £229,267 has been dealt with as follows: £202,000 has been paid to McDougalls Trust, Limited, by way of dividend, £4,000 has been distributed as staff bonus, £17,437 is absorbed by income tax and N.D.C., and the balance of £5,830 has been retained in the business in augmentation of the carry-forward.

The financial position of McDougalls, Ltd., remains, as always, strong. The free reserves and carry-forward exceed £280,000, and of this over £230,000 is invested outside the business in trustee securities of the highest class.

The company's mills and packing plants have been maintained in the highest state of efficiency, and this fact, coupled with the wealth of experience behind the organisation, enables us to claim with truth in our advertisements that McDougalls' flour is of the highest and unvarying quality.

## DIVIDEND AND BONUS

Turning now to the affairs of McDougalls Trust, Limited, the same dividend as last year has been received from the operating company and therefore, apart from the fact that £2,500 has been placed to reserve for depreciation of trustee investments, the figures differ but little from those of the previous year.

Your directors therefore recommend the payment on the ordinary shares of a final dividend of 4 per cent. and a bonus of 2 per cent., making a total of 10 per cent. for the year, as before, which will leave a balance of £38,637 to be carried forward.

In the times in which we are now living, any comment from me as to the prospects for the current trading year would be valueless. I will, therefore, confine myself to telling you that in the quarter already elapsed both the trade and profits of McDougalls, Limited, have been slightly in excess of those for the same quarter of 1938.

The report and accounts were unanimously adopted.

GOLD EXPLORATION AND FINANCE  
COMPANY OF AUSTRALIA, LIMITED

## IMPROVED POSITION

The fifth ordinary general meeting of this company was held, on the 18th instant, in London.

The Right Hon. L. S. Amery, P.C., M.P. (chairman of the company), in the course of his speech, said: I am sure you will have been gratified to see that the credit to revenue from dividends and interest at £71,936 is almost three times as great as it was in the year before, and that in addition we were able to realise a profit of £59,903 from the disposal of a portion of our holding in Victoria Gold Dredging Company. The balance transferred to appropriation account is £124,063 as compared with £15,775 for the previous year. The amount standing at the debit of profit and loss account is reduced by £21,744 to £310,744.

We have been able to make a considerable reduction in the liability in respect of six-year registered convertible notes. These notes are repayable on June 30, 1942, at a premium of 30 per cent., and by purchasing an amount of the nominal value of £94,080 during the year, over £28,000 has been saved in premium calculated to maturity. Moreover, as the average price at which these notes were acquired was some 17 per cent. below the nominal value, there is a difference of £15,916 in the company's favour which has been transferred to investments reserve. Since the end of the financial year further notes have been purchased at market prices to the nominal value of about £37,000.

Since the early days of the operation of the dredge, nearly twelve months ago, Victoria Gold Dredging shares have commanded a substantial premium in the market. Your board decided to take advantage of this by realising a portion of our shareholding and so make possible the profitable acquisition of notes without encroaching upon the company's cash resources, which it is essential to maintain at such a level as will enable us to continue to finance our existing interests, and to participate in other projects as and when occasion arises.

## CENTRAL NORSEMAN

Our largest investment in Western Australia is represented by our loan to Central Norseman Gold Corporation, and our indirect interest in that company through Western Mining Corporation, which holds 1,300,000, or approximately 81 per cent. of the issued shares. As part consideration for our loan we hold options on 2,000,000 5s. (A.) shares at par. Since our last meeting a decision of considerable importance has been taken in connection with the operations at Norseman, namely, to sink a new main vertical shaft to facilitate opening up the southern continuation of the Mararoa reef at depth and to enable the mine to be worked on a scale commensurate with what we believe to be its potentialities. Meanwhile, the development of the Mararoa reef from the Phoenix shaft has been actively carried on.

While No. 16 level drive was in progress, stoping was retarded and a considerable proportion of the reduced mill throughput consisted of low-grade development ore. The returns for the last three months indicate that this unfavourable position has been corrected, and it is not unreasonable to hope that the work already done and that which is still in progress will result in the maintenance of output at the full capacity of the mill. As the proportion of development ore is reduced so the overall millhead grade improves. The financial position will thus be assisted both by decreasing costs owing to the greater throughput, and also a marked improvement in yield.

If, as we have reason to hope, the mine at depth lives up to the promise of the results in the upper levels in the property of our company and the adjoining Norseman Gold Mines, our large investment will prove to have been fully justified and the directors' faith and the shareholders' patience should be amply rewarded.

Referring now to Victoria Gold Dredging at the date of our last meeting the dredge was just beginning operations. It is a source of considerable satisfaction that this company has within a year of the commencement of operations returned in dividends an amount almost equal to half its paid-up capital.

I think I may fairly say, in summing up the results of the past year, that our operations have been attended by a considerable measure of success. I believe we are justified in looking forward to a continuance of this progress, and I have every hope that in twelve months' time my review of the current year will be no less satisfactory.

We have not, up to the present, considered any proposals for capital adjustment. The work already done and the prospects of further development are evidence that we are making appreciable progress in the direction of the payment of regular dividends.

The report was adopted.

PHILIP HILL AND PARTNERS,  
LIMITED

## INCREASED INCOME

The seventh ordinary general meeting of Philip Hill and Partners, Limited, was held, on the 18th instant, in London.

Mr Philip E. Hill (chairman and managing director) said that their profit for the fifteen months under review amounted to £638,357, compared with £498,456 for the previous year. If, for comparison, they reduced their present figure by one-fifth to cover the extra three months, they found that their annual income had increased by some £12,000. Following their conservative dividend policy, they recommended a final dividend of 6½ per cent., making 3½ per cent., less tax, for the fifteen months, which was at the rate of 25 per cent. per annum. Actually their revenue for the period was equivalent to 54 per cent. on their ordinary share capital.

The earning capacity of their holdings had increased, revenue from that source for the period totalling £363,215, being over half their total revenue. He estimated that they should receive from that source in the current year sufficient, after paying all expenses and the preference dividend, to allow the payment of a satisfactory dividend on the ordinary shares. As to the new issue side of the business, the fact that they had raised over £20,000,000 during a period of such extreme difficulty called for no comment.

As to their prospects for the present year, the unknown quantity was the revenue they would derive from their financial and new issue business. Increased industrial prosperity, coupled with a much larger interest by the public in the country's wealth, undoubtedly afforded great possibilities for suitable industrial and general business issues.

It was imperative that the business of this country should be given every possibility of expansion, and they would hope to play their part in that, and they intended making their first issue of the new financial year during the course of next week. They had never allowed their efforts to be reduced on account of world conditions; and he was hopeful that, in due course, they would reap the benefit from much of the preparatory work on which they had been engaged of late, so that when he faced the shareholders next year he would again have a satisfactory position to place before them.

The report was unanimously adopted.

## ALLIED BAKERIES, LIMITED

## INCREASE OF CAPITAL APPROVED

The fourth annual general meeting of Allied Bakeries, Limited, was held, on the 20th instant, at Winchester House, Old Broad Street, London.

Mr W. Garfield Weston, the Chairman, said that their company had been built up by the acquisition of strong independent businesses throughout the country. At the beginning of the last financial year eighteen operating bakery companies were controlled.

The directors at that stage had decided to consolidate within the existing framework and to extend and speed up the programme of modernisation and re-equipment of bakeries. Over £170,000 had been spent during the past year, and there were contracts in hand to the value of approximately £272,000.

When the operating companies ended their year on April 1st the directors had been able to report an increase in profits of over £100,000, and were satisfied that they were again in a position to extend the activities of the company. Negotiations for the acquisition of the entire ordinary share capital of Weston Foods, Limited, were successfully completed, and their company had thereby acquired the controlling interest in a group of four modern biscuit factories and six other companies operating in the bread and confectionery business. The scope of the company's operations had thereby been widened. It was his experience that the industry as a whole was inherently stable, and he had never yet encountered a period during which both the bread and biscuit industries had been severely depressed at one and the same time. Though the figure of goodwill might appear to be high, it represented less than three years' earnings.

The Government Department responsible for food supply in the event of war had welcomed the co-operation of their company in the preparation of plans for the maintenance of bread supplies should a national emergency arise. The geographical layout of the company's organisation did, he believed, make it practically invulnerable, and, in the event of hostilities, it should be a great national asset.

The report and accounts were unanimously adopted, and at the subsequent extraordinary general meeting the proposed increase in the capital of the company was unanimously approved.



## AMALGAMATED DENTAL COMPANY, LIMITED

### SATISFACTORY RESULTS

The thirty-fourth annual general meeting of the Amalgamated Dental Company, Limited, formerly Claudius Ash, Sons and Company, Limited, and De Trey and Company, Limited, was held, on the 17th instant, in London.

Mr E. Russell Polden (the chairman) said that having regard to the continued unsettled conditions the result of the company's efforts during the past year might be considered satisfactory. The profit for the year was £201,818 against £197,186, an increase of £4,632. The essential preliminary requirements to successful international trading—confidence, stability and reasonably free monetary exchange—were still far from being assured, but the home

business had again been well maintained. The directors recommended a dividend of 5 per cent. on the deferred ordinary stock, the same as for the past three years.

The activities of the dental professional bodies, of Government departments, of municipal and industrial undertakings, in the promotion of more effective and efficient dental services for the people falling within the scope of their activities, had reached a stage of development far beyond any anticipation of the past few years, and there still remained scope for greater activity. He had on previous occasions referred to the responsibility of the dental industry to produce and provide materials and appliances for the use of the dental profession of the highest possible standard of quality and had informed stockholders that a fundamental part of the policy of the company was to concentrate upon the production and sale of merchandise falling within that category.

The report was adopted.

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unlikely to be much affected owing to the large supplies of other qualities.

Foreign sales have again been disappointing, though there has been some price-testing for piece goods. Orders from India, South America and the Continent have been small. Some contracts have been secured for the Dominions, and necessary buying has taken place for the home trade. Further Government contracts have been placed and it is reported that a reduction in the standard of certain cloths will enable makers to use yarns which in the past have not been suitable.

★

**Wool (Bradford).**—The outstanding feature of the fourth series of London sales has been a strong continuous demand for every class of raw material. Prices show little change since the opening, though greasy crossbreds have eased slightly. Competition for merinos has been good, and a well-sustained demand has been forthcoming from both home and Continental buyers. No doubt merino's relative cheapness is stimulating demand, although overseas producers still maintain that current prices do not meet costs of production. The outlook is certainly more encouraging than has been the case for several months, and civilian trade shows some improvement, which should encourage the consumption of merino wool.

There is great activity on War Office account, not only in the production of khaki cloths, but also hosiery fabrics. New orders are not likely to be given out until the present ones are nearer completion, which will not be for some months. Many mills could employ more labour if it were available. Prices for partly and fully manufactured fabrics have been advanced slightly.

## THE COMMODITY MARKETS

WHEAT prices have continued to fall and have reached all-time record low levels during the week; other grain prices have fallen in sympathy. Sugar prices are lower on the announcement that the International Sugar Council has released an additional 100,000 tons for this season. The general trend of the prices of primary products in this country has been downwards but Moody's index of the prices of staple commodities in the United States (December 31, 1931 = 100) rose from 141.3 to 142.2 during the week ended last Wednesday.

## Metals

**Copper.**—Standard cash copper closed 3s. 9d. up on the week at £42 17s. 6d. per ton on Wednesday. Towards the end of the week demand reached the highest level for some time. The improvement was due to better trade news from America and the expectation that United States domestic sales will reach 200,000 tons this month.

★

**Tin.**—The standard cash price has been stable at £229 17s. 6d. per ton for the last week and the backwardation closed at £4 15s. compared with £5 5s. a week earlier. The turnover on Tuesday, at 950 tons, was the highest this year. The buffer pool is selling freely at the present spot price.

★

**Lead and Spelter.**—Lead closed 2s. 6d. higher on the week at £14 16s. 3d. per ton, while spelter was unchanged at £14 2s. 6d. per ton after reaching the year's highest level, £14 6s. 3d., earlier in the week. Reports of increased consumption outside the United States have stimulated both these markets.

## Grains

THE decline in wheat prices continues and during the week the quotation for July delivery reached a new low level at 3s. 5½d. per cwt., the lowest price since futures trading was established in 1883. There has been increasing selling pressure for Australian and new crop American Winter Wheat and the Canadian crop reports are still excellent. Shipments from Argentina last week were nearly 100,000 quarters smaller than in the previous week. The downward movement of maize prices was accelerated as selling pressure has developed when demand both from the United Kingdom and the Continent is small. There has been a slight improvement in the demand for barley.

## Other Foods

**Provisions.**—Meat prices show little change on the week. Quotations for butter and cheese were lower, while those for bacon were unchanged. English egg prices remained the same, but Danish were a little dearer.

★

**Colonial Produce.**—Sales of tea during the week ended July 13th were higher than in the previous week, though prices were generally lower. Sugar prices were easier owing to the fact that larger supplies are to be made available. Coffee prices show little change and the market has been quiet.

**Fruit and Vegetables.**—Business in seasonal lines has been quite good this week, according to the report of *The Fruit-Grower*. Prices have been maintained at a fairly high level. All kinds of soft fruits are selling well and a few early plums and English apples are becoming available. In the vegetable section demand for green peas was good and prices firm. Tomato prices were lower, but sales of these and of cucumbers were fairly good.

★

**Milk.**—The following table is compiled from statistics issued by the Milk Marketing Board:—

|                                      | June, 1938 | Apr., 1939 | May, 1939 | June, 1939 |
|--------------------------------------|------------|------------|-----------|------------|
| Prices (per gall.)                   | d.         | d.         | d.        | d.         |
| Liquid .....                         | 13-0       | 16-0       | 13-5      | 13-5       |
| Av. manufacturing ..                 | 6-699      | 6-572      | 6-366     | 6-132      |
| Av. pool .....                       | 10-32      | 12-82      | 10-34     | 10-19      |
| Contract sales (mill. galls.)        |            |            |           |            |
| Liquid .....                         | 52-4       | 51-8       | 54-9      | 53-4       |
| Manufacturing .....                  | 37-4       | 28-5       | 43-0      | 43-7       |
| Total contract .....                 | 89-8       | 80-3       | 97-9      | 97-1       |
| Used by farmhouse cheesemakers ..... | 3-5        | 1-1        | 2-9       | 3-1        |

## Miscellaneous Commodities

**Oils and Oilseeds.**—Both Plate and Indian linseed were easier, largely in sympathy with the decline in wheat, and very little trade was reported. Crushers are able to obtain their immediate requirements from the substantial quantities afloat. The Argentine Ministry of Agriculture reported on July 15th that the exportable surplus was 353,000 tons, against 464,000 tons on June 24th and 574,000 tons in July last year. North America continues to take substantial quantities of Plate seed. The Washington Bureau estimates the domestic crop at 385,000 tons, against 204,000 tons actually harvested last season. Egyptian cottonseed is still weak and linseed oil is lower.

★

**Rubber.**—Business has not been on a large scale, but it has been more active than in recent weeks. The International Rubber Regulation Committee is to meet on Tuesday when the quota for the fourth quarter is expected to be fixed, but it is not known if arrangements will also be made for the barter deal requirements. The price of standard sheet spot closed ½d. higher on Wednesday at 8½d. per lb.

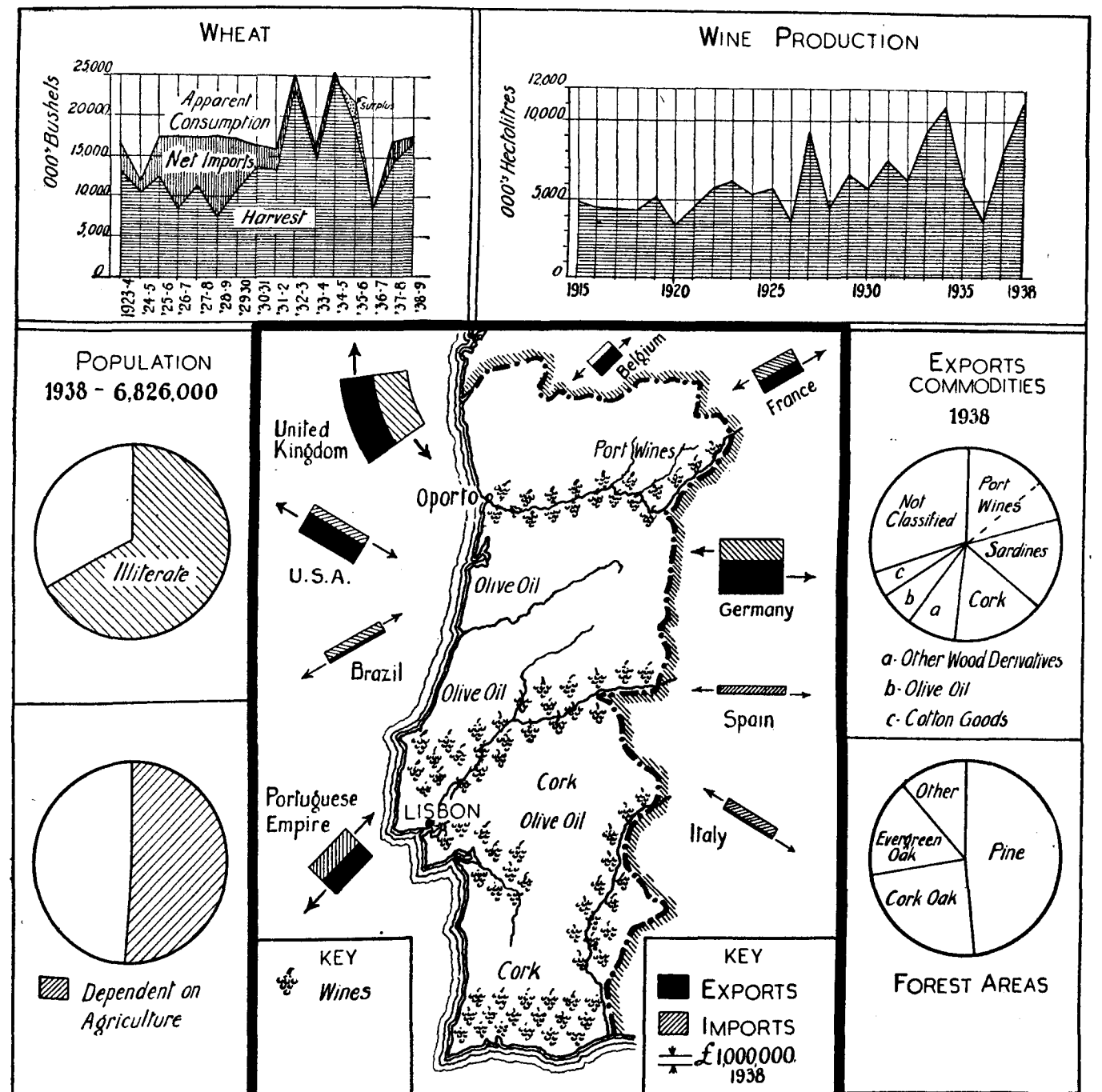
# CURRENT STATISTICS

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## Our Oldest Ally



## Finance

## GOVERNMENT RETURNS

For the week ended July 15, 1939, total ordinary revenue was £16,384,000, against ordinary expenditure of £14,776,000, issues of £4,000,000 under the Defence Loans Acts, and £245,000 issued to Sinking Funds. Thus, including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1 last is £150,959,000, against £118,012,000 a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                                    | Receipts into the Exchequer (£ thousands) |              |                          |                          |
|--------------------------------------------|-------------------------------------------|--------------|--------------------------|--------------------------|
|                                            | Apr. 1, 1938                              | Apr. 1, 1939 | Week ended July 15, 1938 | Week ended July 15, 1939 |
| ORDINARY REVENUE                           |                                           |              |                          |                          |
| Income Tax                                 | 22,165                                    | 20,596       | 4,442                    | 5,467                    |
| Sur-tax                                    | 6,650                                     | 7,300        | 270                      | 270                      |
| Stamp duties                               | 23,240                                    | 24,440       | 1,480                    | 1,370                    |
| Stamps, etc., Duties                       | 5,180                                     | 4,910        | 350                      | 430                      |
| Nat. Defence Cont.                         | 2,200                                     | 6,240        | 210                      | 450                      |
| Other Inland Rev.                          | 220                                       | 290          | 50                       | 20                       |
| Total Inland Rev.                          | 59,655                                    | 63,776       | 6,802                    | 8,007                    |
| Customs                                    | 63,912                                    | 72,280       | 4,343                    | 4,726                    |
| Excise                                     | 29,400                                    | 29,340       | 1,300                    | 1,300                    |
| Total Customs and Excise                   | 93,312                                    | 101,620      | 5,643                    | 6,026                    |
| Motor duties                               | 5,771                                     | 5,834        | 804                      | 791                      |
| P.O. (Net Receipt)                         | 2,220                                     | 2,964        | 750                      | 1,450                    |
| Crown Lands                                | 280                                       | 320          | ...                      | ...                      |
| Receipts from Sundry Loans                 | 1,522                                     | 1,512        | 27                       | 109                      |
| Misc. receipts                             | 1,829                                     | 1,533        | 20                       | 1                        |
| Total Ordinary Rev. SELF-BALANCING REVENUE | 164,589                                   | 177,559      | 14,226                   | 16,384                   |
| P.O. and Broadcasting                      | 21,380                                    | 21,036       | 850                      | ...                      |
| Total                                      | 185,969                                   | 198,595      | 15,076                   | 16,384                   |

| Expenditure                            | Issues out of the Exchequer to meet payments (£ thousands) |              |                          |                          |
|----------------------------------------|------------------------------------------------------------|--------------|--------------------------|--------------------------|
|                                        | Apr. 1, 1938                                               | Apr. 1, 1939 | Week ended July 15, 1938 | Week ended July 15, 1939 |
| ORDINARY EXPENDITURE                   |                                                            |              |                          |                          |
| Interest & Management of National Debt | 86,308                                                     | 88,319       | 185                      | 1,529                    |
| Payts. to N. Ireland                   | 1,880                                                      | 1,911        | ...                      | ...                      |
| Other Consol. Fund Services            | 1,177                                                      | 3,186        | 1                        | 247                      |
| Total                                  | 89,365                                                     | 93,416       | 186                      | 1,776                    |
| Supply Services                        | 191,245                                                    | 233,053      | 12,750                   | 13,000                   |
| Ditto, plus loans*                     | 191,245                                                    | 258,555      | 12,750                   | 17,000                   |
| Total Ord. Expend.                     | 280,610                                                    | 326,471      | 12,936                   | 14,776                   |
| Issues from Def. Lns.                  | ...                                                        | 25,500       | ...                      | 4,000                    |
| SELF-BALANCING EXPENDITURE             |                                                            |              |                          |                          |
| P.O. and Broadcasting                  | 21,380                                                     | 21,036       | 850                      | ...                      |
| Total                                  | 301,990                                                    | 347,507      | 13,786                   | 14,776                   |

\* Supply Services, after addition of issues under Defence Loans Acts.

After reducing Exchequer balances by £407,787 to £2,474,250, the other operations for the week (as shown below, excluding issues from loans or to sinking funds) raised the gross National Debt by £2,229,000 to about £8,460 millions.

## WEEK'S CHANGES IN DEBT

| NET INCREASE (£ thousands) |       | NET REPAYMENTS, ETC.   |       |
|----------------------------|-------|------------------------|-------|
| Treasury Bills             | 4,812 | Public Dept. Adv.      | 2,280 |
|                            |       | Nat. Sav. Certs.       | 100   |
|                            |       | N. At. Shipping        | 27    |
|                            |       | Ang.-Turk. Arms credit | 176   |
|                            | 4,812 |                        | 2,583 |

## AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to July 15, 1939, are shown below:—

| (£ thousands)     |         | (£ thousands)   |         |
|-------------------|---------|-----------------|---------|
| Ordinary Exp.     | 326,471 | Ord. Rev.       | 177,558 |
| Issues under Def. | 25,500  | Dec. in balance | 25      |
| Loan Acts         | 25,500  | Gross borr.     | 176,434 |
|                   |         | Less:           |         |
|                   |         | Sinking fds.    | 2,046   |
|                   |         | Net borrowing   | 174,388 |
|                   | 351,971 |                 | 351,971 |

## FLOATING DEBT

(£ millions)

| Date    | Treasury Bills |       | Ways and Means Advances | Bank of England | Total Floating Debt | Floating Assets |
|---------|----------------|-------|-------------------------|-----------------|---------------------|-----------------|
|         | Tender         | Tap   | Public Depts.           | Bank of England |                     |                 |
| 1938    |                |       |                         |                 |                     |                 |
| July 16 | 568.0          | 302.3 | 40.7                    | ...             | 911.1               | 343.0           |
| Mar. 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   | 419.0          | 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           |
| " 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          | 541.0 | 43.1                    | 0.5             | 1058.3              | 585.8           |
| " 24    | 479.0          | 540.4 | 45.7                    | ...             | 1065.1              | 586.1           |
| July 1  | 489.0          | 563.0 | 45.3                    | ...             | 1097.3              | 608.3           |
| " 15    | 494.0          | 562.8 | 43.1                    | ...             | 1099.8              | 605.8           |

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

## TREASURY BILLS

(£ millions)

| Date of Tender | Amount  |             |          | Average Rate % | Per Cent. Allotted at minimum Rate |
|----------------|---------|-------------|----------|----------------|------------------------------------|
|                | Offered | Applied for | Allotted |                |                                    |
| 1938           |         |             |          |                |                                    |
| July 15        | 45.0    | 90.7        | 45.0     | 10             | 5.21                               |
| Mar. 25        | 45.0    | 57.9        | 45.0     | 14             | 7.44                               |
| " 31           | 45.0    | 55.8        | 42.0     | 25             | 6.72                               |
| Apr. 8         | 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           | 40.0    | 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           | 50.0    | 70.1        | 50.0     | 16             | 7.81                               |
| " 23           | 50.0    | 60.7        | 50.0     | 14             | 6.51                               |
| " 30           | 50.0    | 66.6        | 47.0     | 17             | 0.00                               |
| July 7         | 40.0    | 63.3        | 37.0     | 16             | 8.32                               |
| " 14           | 35.0    | 64.5        | 35.0     | 15             | 8.99                               |

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 July 14th applications at £99 16s. 0d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted at about 51 per cent. of the amount applied for and applications at higher prices in full. Applications at £99 16s. 1d. for bills to be paid for on Saturday were accepted in full. £35.0 millions of Treasury bills are being offered on July 21st.

## NATIONAL SAVINGS CERTIFICATES

| Sales in             | Number     | Purchase Price |
|----------------------|------------|----------------|
| Twenty-six weeks to: |            |                |
| July 2, 1938         | 17,105,975 | 12,829,481     |
| July 1, 1939         | 16,035,414 | 12,026,524     |
| Week to:             |            |                |
| July 2, 1938         | 655,191    | 491,393        |
| June 24, 1939        | 551,209    | 413,407        |
| July 1, 1939         | 588,783    | 441,588        |

## BANK OF ENGLAND RETURNS

JULY 19th, 1939

## ISSUE DEPARTMENT

| (£ thousands)       |             | (£ thousands)                                   |             |
|---------------------|-------------|-------------------------------------------------|-------------|
| Notes Issued:       | £           | Govt. Debt                                      | 11,015,100  |
| In circula.         | 507,637,990 | Other Govt. Securities                          | 288,121,656 |
| In Bnkg. Department | 38,778,975  | Other Sects.                                    | 152,121     |
|                     |             | Silver Coin                                     | 711,123     |
|                     |             | Amt. of Fid. Issue                              | 300,000,000 |
|                     |             | Gold Coin & Bullion (at 148s. 6d. per oz. fine) | 246,416,965 |
|                     | 546,416,965 |                                                 | 546,416,965 |

## BANKING DEPARTMENT

|                |             |               |             |
|----------------|-------------|---------------|-------------|
| Props. Capital | 14,553,000  | Govt. Secs.   | 105,051,164 |
| Rest           | 3,475,617   | Other Secs.   | 9,120,080   |
| Public Depts.* | 28,381,117  | Discs., etc.  | 24,743,865  |
|                |             | Securities    | 38,778,975  |
| Other Depts.:  |             | Notes         | 33,863,945  |
| Bankers        | 95,519,911  | Gold & Silver | 658,994     |
| Other Act.     | 36,423,433  | Coin          | 178,353,078 |
|                | 131,943,344 |               | 178,353,078 |

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

## THE WEEK'S CHANGES

(£ thousands)

| Both Departments                                        | Amt. July 19, 1939 | Compared with |           |
|---------------------------------------------------------|--------------------|---------------|-----------|
|                                                         |                    | Last Week     | Last Year |
| COMBINED LIABILITIES                                    |                    |               |           |
| Note circulation                                        | 507,638            | - 291         | + 20,528  |
| Deposits: Public                                        | 28,381             | + 1,143       | + 5,896   |
| Bankers                                                 | 95,520             | + 8,409       | + 11,819  |
| Others                                                  | 36,423             | + 359         | + 1,754   |
| Total outside liabilities                               | 667,962            | + 6,616       | + 16,359  |
| Capital and rest                                        | 18,029             | + 25          | - 5       |
| COMBINED ASSETS                                         |                    |               |           |
| Govt. debt and securities                               | 404,188            | + 4,618       | + 94,852  |
| Discounts and advances                                  | 9,120              | + 113         | + 185     |
| Other securities                                        | 24,896             | + 2,124       | + 1,337   |
| Silver coin in issue dept.                              | 711                | + 2           | + 699     |
| Gold coin and bullion                                   | 247,076            | + 10          | - 80,350  |
| RESERVES                                                |                    |               |           |
| Res. of notes & coin in banking department              | 39,438             | + 301         | - 879     |
| Proportion of reserve to outside liabilities            |                    |               |           |
| (a) Bank, dept. only ("proportion")                     | 24.5%              | - 1.0%        | Same      |
| (b) Gold stocks to deposits and notes ("reserve ratio") | 37.0%              | - 0.4%        | - 13.3%   |

## COMPARATIVE ANALYSIS\*

(£ millions)

|                               | 1938    | 1939    |         | 1938    | 1939  |
|-------------------------------|---------|---------|---------|---------|-------|
| July 20                       | June 21 | June 28 | July 12 | June 19 |       |
| Issue Dept.:                  |         |         |         |         |       |
| Notes in circ.                | 487.1   | 494.7   | 499.0   | 507.9   | 507.6 |
| Notes in bank- ing dept.      | 39.3    | 31.6    | 27.4    | 38.5    | 38.8  |
| Govt. debt and securities     | 199.5   | 299.2   | 299.2   | 299.1   | 299.1 |
| Other sec.                    | 0.5     | 0.1     | 0.1     | 0.2     | 0.2   |
| Silver coin                   | 0.0     | 0.7     | 0.7     | 0.7     | 0.7   |
| Gold, valued at s. per f. oz. | 326.4   | 226.3   | 226.4   | 246.4   | 246.4 |
| Deposits:                     |         |         |         |         |       |
| Public                        | 22.5    | 25.2    | 15.4    | 29.5    | 28.4  |
| Bankers                       | 107.3   | 97.2    | 101.4   | 87.1    | 95.5  |
| Others                        | 34.7    | 36.1    | 37.0    | 36.8    | 36.4  |
| Total                         | 164.5   | 168.5   | 153.8   | 153.4   | 160.3 |
| Bkg. Dept. Secs.              | 109.8   | 112.6   | 113.9   | 100.4   | 105.1 |
| Government                    | 9.3     | 6.5     | 6.8     | 9.2     | 9.1   |
| Discounts, etc.               | 23.1    | 25.2    | 22.9    | 22.6    | 24.7  |
| Other                         | 142.2   | 144.3   | 143.6   | 132.2   | 138.9 |
| Banking dept. reserve         | 40.3    | 32.2    | 28.2    | 39.1    | 39.4  |
| "Proportion"                  | 24.5    | 20.3    | 18.3    | 23.5    | 24.5  |
| Reserve ratio†                | 50.3    | 34.7    | 34.9    | 37.4    | 37.0  |

\* 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; Egypt, of June 24th; Bulgaria, Danzig, Denmark, International Settlements and Yugoslavia, of July 8th; Bohemia and Moravia, Canada, Finland, Hungary, India, Iran, Lithuania, Norway and Roumania, of July 15th.

A return of the Central Bank of Turkey will be found in the third column.

## U.S. FEDERAL RESERVE BANKS

Million \$'s

|                                               | July 21, 1938 | June 22, 1939 | July 13, 1939 | July 20, 1939 |
|-----------------------------------------------|---------------|---------------|---------------|---------------|
| 12 U.S.F.R. BANKS                             |               |               |               |               |
| RESOURCES                                     |               |               |               |               |
| Gold certis. on hand                          | 1938          | 1939          | 1939          | 1939          |
| and due from Treas.                           | 10,633        | 13,466        | 13,605        | 13,651        |
| Total reserves                                | 11,050        | 13,841        | 13,966        | 14,015        |
| Total cash reserves                           | 406           | 367           | 353           | 356           |
| Total bills discounted                        | 7             | 5             | 5             | 5             |
| Bills bt. in open mkt.                        | 1             | 1             | 1             | 1             |
| Total bills on hand                           | 8             | 5             | 6             | 5             |
| Industrial advances                           | 16            | 12            | 13            | 13            |
| Total U.S. Govt. sec.                         | 2,564         | 2,564         | 2,535         | 2,515         |
| Total bills and sec.                          | 2,588         | 2,582         | 2,535         | 2,533         |
| Total resources                               | 14,351        | 17,173        | 17,341        | 17,370        |
| LIABILITIES                                   |               |               |               |               |
| F.R. notes in circ.                           | 4,124         | 4,429         | 4,523         | 4,509         |
| Aggregate of excess nr. bank res. over reqts. | 3,040         | 4,230         | 4,450         | 4,490         |
| Deposits — Member-bank reserve account        | 8,201         | 10,099        | 10,350        | 10,412        |
| Govt. deposits                                | 723           | 941           | 791           | 764           |
| Total deposits                                | 9,279         | 11,754        | 11,778        | 11,810        |
| Cap. paid in and surplus                      | 309           | 311           | 312           | 312           |
| Total liabilities                             | 14,351        | 17,173        | 17,341        | 17,370        |
| U.S.F.R. BANKS AND TREASURY COMBINED          |               |               |               |               |
| RESOURCES                                     |               |               |               |               |
| Monetary gold stock                           | 12,989        | 16,060        | 16,174        | 16,191        |
| Treasury and Nat. Bk. currency                | 2,717         | 2,873         | 2,885         | 2,890         |
| LIABILITIES                                   |               |               |               |               |
| Money in circulation                          | 6,433         | 6,934         | 7,041         | 7,022         |
| Treasury cash and deposits with F.R. Bks.     | 3,045         | 3,507         | 3,343         | 3,294         |

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

|                                            | July<br>21,<br>1938 | June<br>22,<br>1939 | July<br>13,<br>1939 | July<br>20,<br>1939 |
|--------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Total gold reserves ...                    | 461.2               | 649.0               | 656.3               | 665.9               |
| Total bills discounted ...                 | 2.4                 | 1.4                 | 1.2                 | 1.1                 |
| Bills bt. in open mkt. ...                 | 0.2                 | 0.2                 | 1.1                 | 0.2                 |
| Total U.S. Govt. secs.                     | 780.1               | 721.9               | 747.3               | 739.7               |
| Total bills and securs.                    | 786.9               | 726.4               | 751.6               | 743.9               |
| Deposits — Member-<br>bank reserve account | 394.9               | 543.3               | 559.1               | 565.5               |
| Reserve to depts. and<br>F.R. notes .....  | 86.8%               | 91.0%               | 90.6%               | 90.9%               |



## BANK CLEARINGS

## LONDON

(£ thousands)

|                         | Month of June |           |        | Week ended Wednesday |               | Aggregate from January 1 to |               |
|-------------------------|---------------|-----------|--------|----------------------|---------------|-----------------------------|---------------|
|                         | 1938          | 1939      | Change | July 20, 1938        | July 19, 1939 | July 20, 1938               | July 19, 1939 |
| Number of working days: | 25            | 26        | %      | 6                    | 6             | 169                         | 168           |
| Town .....              | 2,738,543     | 2,479,638 | -12.9  | 622,188              | 546,696       | 18,880,368                  | 16,856,298    |
| Metropolitan .....      | 163,422       | 166,120   | +2.2   | 40,406               | 39,935        | 1,186,827                   | 1,150,066     |
| Country .....           | 287,214       | 305,201   | +2.2   | 69,311               | 72,518        | 2,080,350                   | 2,081,381     |
| Total .....             | 3,189,179     | 2,950,959 | -11.0  | 731,905              | 659,149       | 22,147,545                  | 20,087,745    |

† Based on clearings per working day.

## PROVINCIAL

(£ thousands)

|                       | Month of June |         |        | Week ended Saturday |               | Aggregate from January 1 to |               |
|-----------------------|---------------|---------|--------|---------------------|---------------|-----------------------------|---------------|
|                       | 1938          | 1939    | Change | July 16, 1938       | July 15, 1939 | July 16, 1938               | July 15, 1939 |
| No. of working days:  | 25            | 26      | %      | 6                   | 6             | 167                         | 166           |
| BIRMINGHAM .....      | 9,866         | 9,947   | + 3.0  | 2,704               | 2,606         | 69,112                      | 67,886        |
| BRADFORD .....        | 5,169         | 5,488   | + 5.9  | 557                 | 709           | 22,781                      | 23,521        |
| BULL .....            | 5,174         | 6,302   | +17.1  | 1,217               | 1,207         | 35,868                      | 37,059        |
| HULL .....            | 3,202         | 3,407   | + 2.3  | 861                 | 760           | 23,952                      | 22,679        |
| LEEDS .....           | 3,538         | 3,862   | + 5.0  | 891                 | 801           | 28,174                      | 28,120        |
| LEICESTER .....       | 2,753         | 2,827   | + 1.3  | 781                 | 780           | 20,161                      | 20,013        |
| LIVERPOOL .....       | 22,434        | 22,917  | + 1.7  | 5,632               | 4,181         | 151,404                     | 139,404       |
| MANCHESTER .....      | 35,423        | 38,258  | + 3.9  | 8,659               | 9,135         | 269,048                     | 267,795       |
| NEWCASTLE .....       | 5,945         | 6,412   | + 3.7  | 1,331               | 1,279         | 43,759                      | 42,788        |
| NOTTINGHAM .....      | 1,916         | 1,973   | + 1.0  | 525                 | 434           | 14,468                      | 13,895        |
| SHEFFIELD .....       | 4,271         | 4,347   | + 2.1  | 898                 | 743           | 32,018                      | 30,245        |
| Total: 11 Towns ..... | 97,691        | 103,740 | + 2.1  | 24,056              | 22,635        | 710,745                     | 693,405       |
| DUBLIN .....          | ...           | ...     | ...    | 6,114               | 5,222         | 177,597†                    | 175,937†      |

† Based on clearings per working day.

‡ 28 calendar weeks.

## MONEY RATES

## LONDON

|                                                  | July 13, 1939 | July 14, 1939 | July 15, 1939 | July 17, 1939 | July 18, 1939 | July 19, 1939 | July 20, 1939 |
|--------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Bank rate (changed from 2½% June 30, 1932) ..... | 2             | 2             | 2             | 2             | 2             | 2             | 2             |
| Market rates of discount                         |               |               |               |               |               |               |               |
| 60 days' bills .....                             | 11½-12        | 11½           | 11½           | 11½           | 11½           | 11½           | 11½           |
| 3 months' do. ....                               | 12½-13½       | 12½           | 12½           | 12½           | 12½           | 12½           | 12½           |
| 4 months' do. ....                               | 13½-14½       | 13½           | 13½           | 13½           | 13½           | 13½           | 13½           |
| 6 months' do. ....                               | 14½-15½       | 14½           | 14½           | 14½           | 14½           | 14½           | 14½           |
| Discount Treasury Bills                          |               |               |               |               |               |               |               |
| 2 months' .....                                  | 11½           | 11½           | 11½           | 11½           | 11½           | 11½           | 11½           |
| 3 months' .....                                  | 12½           | 12½           | 12½           | 12½           | 12½           | 12½           | 12½           |
| Loans—Day-to-day .....                           | 12½           | 12½           | 12½           | 12½           | 12½           | 12½           | 12½           |
| Short .....                                      | 12½           | 12½           | 12½           | 12½           | 12½           | 12½           | 12½           |
| Deposit allwances: Bk. ....                      | 12            | 12            | 12            | 12            | 12            | 12            | 12            |
| Discount houses at call .....                    | 12            | 12            | 12            | 12            | 12            | 12            | 12            |
| At notice .....                                  | 34            | 34            | 34            | 34            | 34            | 34            | 34            |

## Comparison with previous weeks

|                                         | Bank Bills |          |          | Trade Bills |          |          |
|-----------------------------------------|------------|----------|----------|-------------|----------|----------|
|                                         | 3 Months   | 4 Months | 6 Months | 3 Months    | 4 Months | 6 Months |
| June 1939 .....                         | %          | %        | %        | %           | %        | %        |
| Time money (90 days' mixed coll.) ..... | 114        | 112      | 112      | 112         | 112      | 112      |
| Bank acceptances: —                     |            |          |          |             |          |          |
| Members—eligible, 90 days .....         | 12         | 12       | 12       | 12          | 12       | 12       |
| Non-mem.—eligible, 90 days .....        | 12         | 12       | 12       | 12          | 12       | 12       |
| Commercial accept., 90 days .....       | 1          | 1        | 1        | 1           | 1        | 1        |

## NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

|                                         | July 20, 1938 | June 21, 1939 | June 28, 1939 | July 5, 1939 | July 12, 1939 | July 19, 1939 |
|-----------------------------------------|---------------|---------------|---------------|--------------|---------------|---------------|
| Call money .....                        | 1%            | 1%            | 1%            | 1%           | 1%            | 1%            |
| Time money (90 days' mixed coll.) ..... | 114           | 112           | 112           | 112          | 112           | 112           |
| Bank acceptances: —                     |               |               |               |              |               |               |
| Members—eligible, 90 days .....         | 12            | 12            | 12            | 12           | 12            | 12            |
| Non-mem.—eligible, 90 days .....        | 12            | 12            | 12            | 12           | 12            | 12            |
| Commercial accept., 90 days .....       | 1             | 1             | 1             | 1            | 1             | 1             |

## EXCHANGE RATES

## LONDON—SPOT

## (a) Active Exchanges

(Range of the day's business)

| London on        | Par of Exch. per £ | July 14, 1939 | July 15, 1939 | July 17, 1939 | July 18, 1939 | July 19, 1939 | July 20, 1939 |
|------------------|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| New York, \$     | 4.862½             | 4.68-4.68½    | 4.68-4.68½    | 4.68-4.68½    | 4.68-4.68½    | 4.68-4.68½    | 4.68-4.68½    |
| Montreal, \$     | 4.862½             | 4.68-4.68½    | 4.68-4.68½    | 4.68-4.68½    | 4.68-4.68½    | 4.68-4.68½    | 4.68-4.68½    |
| Paris, Fr.       | 124.21             | 176½-176½     | 176½-176½     | 176½-176½     | 176½-176½     | 176½-176½     | 176½-176½     |
| Brussels, Bel.   | 35.00a             | 27.55-27.55   | 27.55-27.55   | 27.55-27.55   | 27.55-27.55   | 27.55-27.55   | 27.55-27.55   |
| Milan, L.        | 92.46              | 88½-88½       | 88½-88½       | 88½-88½       | 88½-88½       | 88½-88½       | 88½-88½       |
| Zurich, Fr.      | 25.22½             | 20.75-20.75   | 20.75-20.75   | 20.75-20.75   | 20.75-20.75   | 20.75-20.75   | 20.75-20.75   |
| Athens, Dr.      | 375                | 540-555       | 540-555       | 540-555       | 540-555       | 540-555       | 540-555       |
| Amst'd'm, Fl.    | 12.107             | 8.79-8.79     | 8.79-8.79     | 8.79-8.79     | 8.79-8.79     | 8.79-8.79     | 8.79-8.79     |
| Berlin, Mk.      | 20.43              | 11.65-11.65   | 11.65-11.65   | 11.65-11.65   | 11.65-11.65   | 11.65-11.65   | 11.65-11.65   |
| Registered Marks |                    |               |               |               |               |               |               |
| Br. India Rup.   | †18d               | 63½-68½       | 63½-68½       | 63½-68½       | 63½-68½       | 63½-68½       | 63½-68½       |
| Hong Kong, \$    | †...               | 14½-15½       | 14½-15½       | 14½-15½       | 14½-15½       | 14½-15½       | 14½-15½       |
| Shanghai, \$     | †...               | 6-7½          | 6-7½          | 6-7½          | 6-7½          | 6-7½          | 6-7½          |
| Rio, Mil.        | †5.899d            | 20.24-20.24   | 20.24-20.24   | 20.24-20.24   | 20.24-20.24   | 20.24-20.24   | 20.24-20.24   |
| B. Aires, \$     | 11.45              | 17.13-17.13   | 17.13-17.13   | 17.13-17.13   | 17.13-17.13   | 17.13-17.13   | 17.13-17.13   |
| Valparaiso, \$   | 40                 | 117-117       | 117-117       | 117-117       | 117-117       | 117-117       | 117-117       |
| Montevideo, \$   | †51d               | 173-183       | 173-183       | 173-183       | 173-183       | 173-183       | 173-183       |
| Lima, Sol.       | 17.38              | 25-26         | 25-26         | 25-26         | 25-26         | 25-26         | 25-26         |
| Mexico, Pes.     | 9.76               | Unq'd         | Unq'd         | Unq'd         | Unq'd         | Unq'd         | Unq'd         |
| Manila, Pes.     | †25.66d            | 25½-26½       | 25½-26½       | 25½-26½       | 25½-26½       | 25½-26½       | 25½-26½       |
| Moscow, Rbls.    | ...                | 24.81-24.81   | 24.81-24.81   | 24.81-24.81   | 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) Per cent. discount. (e) Latest "export" rate. (g) Official rate is \$15 sellers. (h) Average remittance rate for importers. (f) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (i) Nominal.

## (b) Other Exchanges

| London on        | Par of Exch. per £ | July 14, 1939 | July 19, 1939 | July 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              | 234-244       | 234-244       | 234-244       |
| Prague, Kc.      | 8164½              | 136½-136½     | 136½-136½     | 136½-136½     |
| Danzig, Gul.     | 25.00              | 245-251       | 245-251       | 245-251       |
| Warsaw, Zl.      | 48.38              | 245-251       | 245-251       | 245-251       |
| Riga, Lat.       | 25.22½             | 245-251       | 245-251       | 245-251       |
| Bucharest, Lei.  | 813.8              | 650-670       | 650-670       | 650-670       |
| Istanbul, Pst.   | 110                | 583-583       | 583-583       | 583-583       |
| Belgrade, Din.   | 276.32             | 205-215       | 205-215       | 205-215       |
| Kovno, Lit.      | 48.66              | 271-281       | 271-281       | 271-281       |
| Sofia, Lev.      | 673.66             | 370-400       | 370-400       | 370-400       |
| Tallinn, E. Kr.  | 18.159             | 174-184       | 174-184       | 174-184       |
| Oslo, Kr.        | 18.159             | 19-35-45      | 19-35-45      | 19-35-45      |
| Stockholm, Kr.   | 18.159             | 22-35-45      | 22-35-45      | 22-35-45      |
| Copenhagen, Kr.  | 18.159             | 22-35-45      | 22-35-45      | 22-35-45      |
| Alexandria, Pst. | 97½                | 97½-98        | 97½-98        | 97½-98        |
| Kobe, Yen        | †24.58d            | 131½-141½     | 131½-141½     | 131½-141½     |
| Singapore, \$    | †28d               | 28-28½        | 28-28½        | 28-28½        |
| Batavia, F.      | 12.11              | 8.78-8.78     | 8.78-8.78     | 8.78-8.78     |
| 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. Rat for payments to the Bank of England. (f) Under Anglo-Spanish Agreement (h) Under Anglo-Turkish Agreement. (i) Official.

## LONDON—FORWARD

(Closing quotations)

| London on       | July 14, 1939     | July 15, 1939 | July 17, 1939 | July 18, 1939 | July 19, 1939 | July 20, 1939 |
|-----------------|-------------------|---------------|---------------|---------------|---------------|---------------|
| New York cent.  | 1 Month (p) 12-16 | 12-16         | 12-16         | 12-16         | 12-16         | 12-16         |
| Paris, francs   | 1 Month (d) 12-16 | 12-16         | 12-16         | 12-16         | 12-16         | 12-16         |
| Amsterdam cent. | 1 Month (d) 12-16 | 12-16         | 12-16         | 12-16         | 12-16         | 12-16         |
| Brussels, cent. | 1 Month (d) 12-16 | 12-16         | 12-16         | 12-16         | 12-16         | 12-16         |
| Geneva, cent.   | 1 Month (d) 12-16 | 12-16         | 12-16         | 12-16         | 12-16         | 12-16         |

(p) Premium.

(d) Discount.

## EXCHANGE RATES—cont.

## NEW YORK

| New York on        | July 13, 1939   | July 14, 1939 | July 15, 1939 | July 17, 1939 | July 18, 1939 | July 19, 1939 |
|--------------------|-----------------|---------------|---------------|---------------|---------------|---------------|
| London:—           |                 |               |               |               |               |               |
| 60 days .....      | Cents 467½-467½ | 467½-467½     | 467½-467½     | 467½-467½     | 467½-467½     | 467½-467½     |
| Cables .....       | 468½-468½       | 468½-468½     | 468½-468½     | 468½-468½     | 468½-468½     | 468½-468½     |
| Demand .....       | 2.65            | 2.65          | 2.65          | 2.65          | 2.65          | 2.65          |
| Paris, Fr.         | 16.98½          | 16.99         | 16.99         | 16.99         | 16.99         | 16.99         |
| Brussels, Bel.     | 22.55           | 22.54½        | 22.54½        | 22.54½        | 22.54½        | 22.54½        |
| Switzerland, Fr.   | 5.26½           | 5.26½         | 5.26½         | 5.26½         | 5.26½         | 5.26½         |
| Italy, Lira        | 40.13           | 40.13         | 40.13         | 40.13         | 40.13         | 40.13         |
| Berlin, Mark       | 53.22           | 53.21         | 53.21         | 53.21         | 53.21         | 53.21         |
| Amsterdam, Guilder | 20.90½          | 20.90½        | 20.90½        | 20.90½        | 20.90½        | 20.90½        |
| Copenhagen, Kr.    | 23.53           | 23.53         | 23.53         | 23.53         | 23.53         | 23.53         |
| 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.        | 99.825          | 99.825        | 99.825        | 99.825        | 99.825        | 99.825        |
| Montreal, Can. \$  | 27.31           | 27.31         | 27.31         | 27.31         | 27.31         | 27.31         |
| Yokohama, Yen      | 13.00           | 13.00         | 13.00         | 13.00         | 13.00         | 13.00         |
| Shanghai, \$       | 29.04           | 29.05         | 29.05         | 29.05         | 29.05         | 29.05         |
| B. Aires, Peso     | 5.10            | 5.10          | 5.10          | 5.10          | 5.10          | 5.10          |
| Rio, Milreis†      | 5.10            | 5.10          | 5.10          | 5.10          | 5.10          | 5.10          |

Usance: T.T.

† Official.

## MONTHLY STATEMENT OF LONDON CLEARING BANKS

(000's omitted)

| Average Weekly Balance<br>June, 1939                                                                         | Barclays<br>Bank<br>Limited | Coutts<br>and Co. | District<br>Bank<br>Limited | Glyn,<br>Mills<br>and Co. | Lloyds<br>Bank<br>Limited | Martins<br>Bank<br>Limited | Midland<br>Bank<br>Limited | National<br>Bank<br>Limited | National<br>Provin-<br>cial<br>Bank<br>Limited | West-<br>minster<br>Bank<br>Limited | Williams<br>Deacon's<br>Bank<br>Limited | Aggre-<br>gate |
|--------------------------------------------------------------------------------------------------------------|-----------------------------|-------------------|-----------------------------|---------------------------|---------------------------|----------------------------|----------------------------|-----------------------------|------------------------------------------------|-------------------------------------|-----------------------------------------|----------------|
| ASSETS                                                                                                       | £                           | £                 | £                           | £                         | £                         | £                          | £                          | £                           | £                                              | £                                   | £                                       | £              |
| Coin, bank notes and<br>balances with the Bank<br>of England .....                                           | 44,632                      | 1,703             | 8,344                       | 3,354                     | 41,035                    | 9,980                      | 52,920                     | 3,371                       | 32,016                                         | 34,049                              | 3,809                                   | 235,213        |
| Balances with and cheques<br>in course of collection<br>on other Banks in Great<br>Britain and Ireland ..... | 11,715                      | 693               | 2,237                       | 2,611                     | 10,652                    | 3,145                      | 12,938                     | 318                         | 7,630                                          | 10,453                              | 1,780                                   | 64,172         |
| Items in transit .....                                                                                       | ...                         | ...               | ...                         | ...                       | 4,363                     | 916                        | ...                        | ...                         | ...                                            | ...                                 | ...                                     | 5,279          |
| Money at call and short<br>notice .....                                                                      | 22,972                      | 2,485             | 9,619                       | 9,586                     | 24,573                    | 6,699                      | 26,382                     | 3,535                       | 15,283                                         | 22,439                              | 6,195                                   | 149,768        |
| Bills discounted .....                                                                                       | 52,973                      | 802               | 6,326                       | 234                       | 44,952                    | 4,077                      | 59,165                     | 1,467                       | 35,379                                         | 42,223                              | 1,052                                   | 248,650        |
| Investments .....                                                                                            | 96,546                      | 6,866             | 28,885                      | 9,738                     | 107,549                   | 30,589                     | 115,043                    | 14,196                      | 75,249                                         | 104,385                             | 11,188                                  | 600,234        |
| Advances to customers<br>and other accounts .....                                                            | 202,972                     | 10,485            | 30,270                      | 8,355                     | 166,654                   | 46,928                     | 215,448                    | 16,643                      | 140,954                                        | 133,884                             | 14,685                                  | 987,278        |
| Liabilities of customers<br>for acceptances, en-<br>dorsements, etc. ....                                    | 15,653                      | 883               | 8,729                       | 3,500                     | 37,441                    | 7,471                      | 19,364                     | 514                         | 9,279                                          | 19,673                              | 1,915                                   | 124,422        |
| Bank premises account ...                                                                                    | 7,450                       | 412               | 1,621                       | 740                       | 7,498                     | 2,829                      | 9,726                      | 580                         | 7,425                                          | 5,239                               | 1,049                                   | 44,569         |
| Investments in affiliated<br>banks and subsidiary<br>companies .....                                         | 7,006                       | ...               | ...                         | ...                       | 3,624                     | ...                        | 8,016                      | ...                         | 2,514                                          | 2,993                               | ...                                     | 24,153         |
|                                                                                                              | 461,919                     | 24,329            | 96,031                      | 38,118                    | 448,341                   | 112,634                    | 519,002                    | 40,624                      | 325,729                                        | 375,338                             | 41,673                                  | 2,483,738      |
| Ratio of cash to current,<br>deposit and other ac-<br>counts .....                                           | 10·64                       | 7·94              | 10·26                       | 10·25                     | 10·64                     | 10·24                      | 11·21                      | 9·34                        | 10·73                                          | 10·10                               | 10·30                                   | 10·60          |
| 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<br>other accounts .....                                                                 | 419,658                     | 21,446            | 81,350                      | 32,728                    | 385,584                   | 97,433                     | 472,069                    | 36,096                      | 298,471                                        | 337,012                             | 36,983                                  | 2,218,830      |
| Acceptances, endorse-<br>ments, etc. ....                                                                    | 15,653                      | 883               | 8,729                       | 3,500                     | 37,441                    | 7,471                      | 19,364                     | 514                         | 9,279                                          | 19,673                              | 1,915                                   | 124,422        |
| Notes in circulation .....                                                                                   | ...                         | ...               | ...                         | ...                       | 6                         | 20                         | ...                        | 1,364                       | ...                                            | 13                                  | ...                                     | 1,403          |
| Reduction of bank premises<br>account .....                                                                  | ...                         | ...               | ...                         | 300                       | ...                       | ...                        | ...                        | ...                         | ...                                            | ...                                 | ...                                     | 300            |
|                                                                                                              | 461,919                     | 24,329            | 96,031                      | 38,118                    | 448,341                   | 112,634                    | 519,002                    | 40,624                      | 325,729                                        | 375,338                             | 41,673                                  | 2,483,738      |

## Investment

TRANSPORT RECEIPTS  
BRITISH RAILWAY TRAFFICS

|                | Gross Receipts, week ended July 16 (£'000) |             |             |             |       | Aggregate Gross Receipts, 28 weeks (£'000) |             |             |             |        |
|----------------|--------------------------------------------|-------------|-------------|-------------|-------|--------------------------------------------|-------------|-------------|-------------|--------|
|                | Passenger                                  | Merchandise | Coal & Coke | Total Goods | Total | Passenger                                  | Merchandise | Coal & Coke | Total Goods | Total  |
| L.M. & S.—     |                                            |             |             |             |       |                                            |             |             |             |        |
| 1938           | 721                                        | 426         | 222         | 648         | 1,369 | 13,577                                     | 12,992      | 7,221       | 20,213      | 33,790 |
| 1939           | 697                                        | 513         | 240         | 753         | 1,450 | 13,373                                     | 13,159      | 7,541       | 20,700      | 34,073 |
| L. & N.E.(a)—  |                                            |             |             |             |       |                                            |             |             |             |        |
| 1938           | 456                                        | 295         | 196         | 491         | 947   | 8,752                                      | 9,126       | 6,769       | 15,895      | 24,647 |
| 1939           | 454                                        | 329         | 241         | 570         | 1,024 | 8,663                                      | 8,995       | 7,135       | 16,130      | 24,793 |
| Great Western— |                                            |             |             |             |       |                                            |             |             |             |        |
| 1938           | 295                                        | 177         | 101         | 278         | 573   | 5,726                                      | 5,278       | 3,082       | 8,360       | 13,986 |
| 1939           | 291                                        | 215         | 115         | 330         | 621   | 5,609                                      | 5,601       | 3,180       | 8,781       | 14,390 |
| Southern—      |                                            |             |             |             |       |                                            |             |             |             |        |
| 1938           | 411                                        | 59          | 30          | 89          | 500   | 8,613                                      | 1,702       | 861         | 2,563       | 11,176 |
| 1939           | 420                                        | 66          | 29          | 95          | 515   | 8,651                                      | 1,709       | 899         | 2,608       | 11,259 |
| Total—         |                                            |             |             |             |       |                                            |             |             |             |        |
| 1938           | 1,883                                      | 957         | 549         | 1,506       | 3,389 | 36,568                                     | 29,098      | 17,933      | 47,031      | 83,599 |
| 1939           | 1,862                                      | 1,123       | 625         | 1,748       | 3,610 | 36,296                                     | 29,464      | 18,755      | 48,219      | 84,515 |

(a) Week ended July 15.

CUMULATIVE AND WEEKLY COMPARISONS  
(000's omitted)

|                                                         | L.M.S.  | L.N.E.R. | Great Western | Southern |
|---------------------------------------------------------|---------|----------|---------------|----------|
| Cumulative Figures                                      |         |          |               |          |
| Gross decrease, second half 1938, over second half 1937 | - 2,423 | - 1,812  | - 926         | - 54     |
| Gross increase, first half 1939, over first half 1938   | + 110   | + 7      | + 309         | + 57     |
| Gross increase, second half 1939, over second half 1938 | + 173   | + 139    | + 95          | + 26     |
| 2 weeks to July 16, 1939                                | + 173   | + 139    | + 95          | + 26     |
| Av. weekly increase, 2nd half 1939                      | + 86.5  | + 69.5   | + 47.5        | + 13     |
| Latest week compared with 1938                          | + 81    | + 77     | + 48          | + 15     |
| Latest week compared with average 1927-30               | - 81    | - 105    | - 25          | + 5      |

## IRISH RAILWAY TRAFFICS

| Company             | Gross Receipts, week ended July 14, 1939 (£'000) |       |       | Aggregate Gross Receipts 28 weeks (£'000) |        |        |
|---------------------|--------------------------------------------------|-------|-------|-------------------------------------------|--------|--------|
|                     | Pass.                                            | Goods | Total | Pass.                                     | Goods  | Total  |
| Belfast & Co. Down— |                                                  |       |       |                                           |        |        |
| 1938                | 7.1                                              | 0.3   | 7.4   | 62.6                                      | 11.9   | 74.6   |
| 1939                | 7.2                                              | 0.3   | 7.6   | 65.3                                      | 12.0   | 77.3   |
| Great Northern—     |                                                  |       |       |                                           |        |        |
| 1938                | 19.0                                             | 9.0   | 28.0  | 272.3                                     | 244.5  | 516.8  |
| 1939                | 20.0                                             | 8.9   | 28.9  | 282.6                                     | 280.6  | 563.2  |
| Great Southern—     |                                                  |       |       |                                           |        |        |
| 1938                | 47.9                                             | 38.3  | 86.2  | 918.4                                     | 1096.7 | 2015.1 |
| 1939                | 45.1                                             | 40.3  | 85.5  | 926.4                                     | 1127.3 | 2053.7 |

## DIVIDEND ANNOUNCEMENTS

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

| Company                 | *Int. or Final | Total   | Payable | Prev. Year | Company                    | *Int. or Final | Total | Payable  | Prev. Year | Company                 | *Int. or Final | Total | Payable | Prev. Year |
|-------------------------|----------------|---------|---------|------------|----------------------------|----------------|-------|----------|------------|-------------------------|----------------|-------|---------|------------|
| <b>BANKS</b>            |                |         |         |            | <b>Davies and Metcalfe</b> |                |       |          |            | <b>Sparrow Hardwick</b> |                |       |         |            |
| Bank of Ireland         | 5½*            | ...     | ...     | 6*         | Eng. Components            | 10*            | ...   | Aug. 2   | 7½*        | Tea Corporation         | 3½*            | ...   | ...     | 3*         |
| Bank of Montreal        | \$2 ps         | Sept. 1 | \$2 ps  | 6*         | Falk, Stadelmann           | 10*            | ...   | Aug. 2   | 7½*        | Third Scot. Amer. Tst.  | 13*            | ...   | ...     | 19         |
| Hibernian Bank          | 5½*            | ...     | ...     | 6*         | For. and Col. Invest.      | 2*             | ...   | July 31  | 2*         | Thorn Elect.            | 20             | ...   | ...     | 20         |
| Munster & Leinster B.   | 6*             | ...     | ...     | 6*         | Fourth Con. Invest.        | 2½*            | ...   | Sept. 15 | 2½*        | Tilling and B.A.T.      | 3½*            | ...   | Sept. 1 | 3½*        |
| National Bank Ltd.      | 5½*            | ...     | ...     | 5½*        | General Hydraulic P.       | 2*             | ...   | Aug. 31  | 2*         | Timpson (Wm.)           | 5*             | ...   | July 31 | 5*         |
| Northern Bank "A"       | 2½*            | ...     | ...     | 2½*        | Gloucester Ry. Carr.       | 10*            | ...   | 15       | 3          | Tottenham Gas           | 3½*            | ...   | Aug. 11 | 3½*        |
| Do. "B"                 | 4½*            | ...     | ...     | 4½*        | Goulding (W. & H. M.)      | 3              | ...   | 6        | 6          | Trinidad Gen. Oil       | 7              | ...   | ...     | 6          |
| Queensland Nat. Bank    | 4½*            | ...     | ...     | 4½*        | Greyhound Trust            | 10*            | ...   | July 31  | 15*        | U.S. Investment         | 2*             | ...   | Aug. 12 | 2*         |
| Royal Bank of Ireland   | 3½*            | ...     | ...     | 3½*        | Guard Bridge Paper         | 5*             | ...   | 7        | 9          | Wilkinson and Riddell   | 3*             | ...   | ...     | 5*         |
| <b>TEA &amp; RUBBER</b> |                |         |         |            | Henley's (W. T.)           | 5*             | ...   | Sept. 30 | 5*         | Yorkshire Electric      | 3*             | ...   | ...     | 3*         |
| Balkan Tea              | 5              | ...     | ...     | 7½         | Honeywood Hotels           | 2½             | ...   | ...      | 3½         | <b>UNIT TRUSTS</b>      |                |       |         |            |
| Cicely Rubber           | 5              | ...     | ...     | 10         | Inns and Co.               | 5*             | ...   | July 31  | 5*         | British Bank Shares     | 3½*            | ...   | July 15 | 3½*        |
| Jeram Rubber            | 4              | ...     | ...     | 7½         | Land Revenues Trust        | 3½             | ...   | 5        | 5          | Electrical Industries   | 3½*            | ...   | July 29 | 3½*        |
| <b>MINING</b>           |                |         |         |            | London Assoc. Elec.        | 3              | ...   | Aug. 11  | 3*         | Limited Investment      | 3½*            | ...   | July 29 | 3½*        |
| Ariston Gold            | 10*            | ...     | ...     | 10*        | London Elec. Trust         | 3              | ...   | 5½       | 5½         | Security First Trust    | 3½             | ...   | Aug. 1  | 3½         |
| Kampong Lanjut Tin      | 2½*            | ...     | ...     | 2½*        | Lyon and Lyon              | 7½*            | ...   | 12½      | 12½        |                         |                |       |         |            |
| <b>INDUSTRIALS</b>      |                |         |         |            | Manchestr. Com. Bldgs.     | 5*             | ...   | ...      | 5*         |                         |                |       |         |            |
| African Theatres        | 2½*            | ...     | ...     | 2½*        | Mather and Platt           | 5*             | ...   | ...      | 5*         |                         |                |       |         |            |
| Assets Co.              | 5*             | ...     | ...     | 5*         | Metropolitan Trust         | 5*             | ...   | July 31  | 5*         |                         |                |       |         |            |
| Barracks Fabrics        | 7½*            | ...     | ...     | 11         | Northern Corporation       | 6*             | ...   | Aug. 1   | 6*         |                         |                |       |         |            |
| Belfast Ropework        | 2½*            | ...     | ...     | 4          | Prop. & Rever. Invest.     | 4*             | ...   | ...      | 4*         |                         |                |       |         |            |
| Bournemouth Elec.       | 6*             | ...     | ...     | 6*         | Randall (H. E.)            | 2½*            | ...   | July 29  | 2½*        |                         |                |       |         |            |
| Brixton Estate          | 4*             | ...     | ...     | 4*         | Richmond (Surr.) El.       | 3*             | ...   | Sept. 16 | 3*         |                         |                |       |         |            |
| City of Lon. Electric   | 3½*            | ...     | ...     | 3½*        | Sec. Conv. Inv. Tat.       | 2½*            | ...   | Sept. 15 | 2½*        |                         |                |       |         |            |
| Consett Spanish Ore     | 10             | ...     | ...     | 10         | Selecta Gramophones        | 3*             | ...   | Aug. 4   | 5          |                         |                |       |         |            |
| County of Lond. Elec.   | 3*             | ...     | ...     | 3*         | South London Elec.         | 3*             | ...   | Sept. 30 | 3*         |                         |                |       |         |            |
|                         |                |         |         |            | S. Lond. Greyhound         | 25*            | ...   | July 31  | ...        |                         |                |       |         |            |

\* Free of income tax. (a) Paid on larger capital.  
(b) Paid on capital increased by issue of 1,250,000 £1 shares in December, 1938.  
**PARTINGTON STEEL AND IRON.**—For year to June 30, 1939, 6 per cent. will be paid on the income debentures on July 31st (same as for 1937-38).  
**W. T. HENLEY'S TELEGRAPH WORKS COMPANY.**—Interim ordinary dividend, 5 per cent., as before.

## 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         |                 |
|----------------------------------|-------------|---------------------------|------------------------------------------------|-----------------------------------|-----------------|----------|-------|----------------------------------------|-----------------|
|                                  |             |                           |                                                |                                   | Prefere. Amount | Ordinary |       | Carried to Reserve, Depreciation, etc. | Balance Forward |
|                                  |             |                           |                                                |                                   |                 | Amount   | Rate  |                                        |                 |
| <b>Banks</b>                     |             |                           |                                                |                                   |                 |          |       |                                        |                 |
| Munster and Leinster             | June 30*    | 43,725                    | 65,485                                         | 109,210                           | ...             | 45,000   | 12½   | 22,500                                 | 41,710          |
| Provincial Bank of Ireland       | June 30*    | 40,246                    | 34,712                                         | 74,958                            | ...             | 22,511   | 11½   | 12,000                                 | 40,447          |
| The National Bank                | June 30*    | 42,458                    | 97,544                                         | 140,002                           | ...             | 82,500   | 11    | 15,000                                 | 42,502          |
| <b>Breweries</b>                 |             |                           |                                                |                                   |                 |          |       |                                        |                 |
| Hancock (William) and Co.        | May 31      | 42,391                    | 50,781                                         | 93,172                            | 20,700          | 20,000   | 10    | 10,000                                 | 42,472          |
| Kay's Atlas Brewery              | June 30     | 40,390                    | 14,880                                         | 55,270                            | 2,871           | 9,062    | 10    | 3,000                                  | 40,337          |
| Parker's Burslem Brewery         | June 2      | 40,985                    | 79,882                                         | 120,867                           | 8,917           | 47,560   | 16    | 30,330                                 | 34,060          |
| <b>Financial, Land, etc.</b>     |             |                           |                                                |                                   |                 |          |       |                                        |                 |
| Argus Press Holdings             | Mar. 31     | 3,018                     | 31,037                                         | 34,055                            | 14,953          | 18,125   | 12½   | ...                                    | 977             |
| Brick Investments                | June 30     | 3,931                     | 9,760                                          | 13,691                            | 7,148           | 932      | 2½    | 724                                    | 4,887           |
| Central Commercial Props.        | June 30     | 8,646                     | 44,974                                         | 53,620                            | 15,733          | 12,441   | 12    | 16,010                                 | 9,436           |
| City of Lon. Bwy. & Inv.         | June 30     | 86,358                    | 172,665                                        | 259,023                           | 150,585         | 29,160   | 7     | ...                                    | 79,278          |
| Gt. Nthn. Teleg. (Holding)       | June 30     | 237                       | 84,986                                         | 85,223                            | ...             | 84,978   | 23½   | ...                                    | 245             |
| Oregon Mortgage                  | May 31      | 21,974                    | 7,890                                          | 29,864                            | 9,788           | ...      | ...   | 20,076                                 | 11,369          |
| Tea Corporation                  | Jan. 31     | 5,194                     | 6,211                                          | 11,405                            | ...             | 5,251    | 5     | 1,000                                  | 5,154           |
| United City Prop. Trust          | June 30     | 11,408                    | 41,131                                         | 52,539                            | 13,328          | 14,681   | 6     | 9,000                                  | 15,530          |
| <b>Iron, Coal and Steel</b>      |             |                           |                                                |                                   |                 |          |       |                                        |                 |
| Avery (W. & T.)                  | Mar. 31     | 65,150                    | 211,366                                        | 276,516                           | 10,825          | 93,781   | 15    | 101,019                                | 70,891          |
| Darlington, etc., Roll. Mills    | Mar. 31     | 12,731                    | 37,732                                         | 50,463                            | 15,600          | ...      | 5     | 5,000                                  | 14,863          |
| Davy and United Eng.             | Mar. 31     | 37,930                    | 92,578                                         | 130,508                           | ...             | 36,000   | 7½    | 20,815                                 | 73,693          |
| Head, Wrightson and Co.          | Apr. 30     | 12,225                    | 85,178                                         | 97,403                            | 7,399           | 22,982   | 10    | 50,000                                 | 17,022          |
| <b>Motor, Cycle and Aviation</b> |             |                           |                                                |                                   |                 |          |       |                                        |                 |
| Handley Page, Ltd.               | Dec. 31     | 19,867                    | 160,696                                        | 180,563                           | 19,915          | 112,018  | (n)30 | (p)34,465                              | 14,165          |
| <b>Rubber</b>                    |             |                           |                                                |                                   |                 |          |       |                                        |                 |
| Abaco (Selangor)                 | Mar. 31     | 2,562                     | 219                                            | 2,781                             | ...             | ...      | ...   | 83                                     | 2,698           |
| Bertam Consolidated              | Mar. 31     | 24,333                    | 26,045                                         | 50,378                            | ...             | 24,769   | 7     | 2,000                                  | 23,609          |
| Bukit Mertajam                   | Mar. 31     | 39,464                    | 26,579                                         | 66,043                            | ...             | 19,182   | 4     | 9,000                                  | 37,861          |
| Chungloong                       | Mar. 31     | 4,348                     | 1,296                                          | 5,644                             | ...             | 727      | 2½    | ...                                    | 4,917           |
| Cicely                           | Mar. 31     | 8,320                     | 6,999                                          | 15,319                            | 600             | 6,672    | 5     | 2,000                                  | 6,047           |
| Diapora                          | Mar. 31     | 550                       | 1,611                                          | 2,161                             | ...             | ...      | ...   | 1,500                                  | 661             |
| East Asiatic                     | Mar. 31     | 19,378                    | 37,210                                         | 56,588                            | ...             | 24,000   | 3     | 5,167                                  | 27,421          |
| Jabi                             | Mar. 31     | 7,342                     | 2,508                                          | 9,850                             | ...             | 1,996    | 3     | 4,000                                  | 3,854           |
| Java Produce                     | Mar. 31     | 1,737                     | 494                                            | 2,231                             | ...             | ...      | ...   | ...                                    | 2,231           |
| Jeram                            | Mar. 31     | 2,954                     | 11,889                                         | 14,843                            | ...             | 6,105    | 4     | 5,000                                  | 3,738           |
| Kalidjeroek                      | Mar. 31     | 1,823                     | 992                                            | 2,815                             | 800             | ...      | ...   | ...                                    | 2,015           |
| Laras (Sumatra)                  | Mar. 31     | 11,924                    | 25,252                                         | 37,176                            | ...             | ...      | ...   | 25,252                                 | 11,924          |
| Malay United                     | Mar. 31     | 617                       | 3,103                                          | 3,720                             | ...             | ...      | ...   | 3,000                                  | 720             |
| Martapora                        | Mar. 31     | 6,383                     | 238                                            | 6,621                             | ...             | ...      | ...   | 6,621                                  | 8,372           |
| Merlimau Pegoh                   | Mar. 31     | 13,618                    | 53,302                                         | 66,920                            | ...             | 49,089   | 7½    | 5,105                                  | 12,726          |
| Padang Jawa                      | Mar. 31     | 2,416                     | 500                                            | 2,916                             | ...             | ...      | ...   | 350                                    | 1,566           |
| Selangor United                  | Mar. 31     | 11,676                    | 5,626                                          | 17,302                            | ...             | 2,700    | 3     | 3,960                                  | 10,642          |
| Sungei Tiram                     | Mar. 31     | 1,895                     | 1,228                                          | 3,123                             | ...             | ...      | ...   | 1,000                                  | 2,123           |
| Tonghurst                        | Mar. 31     | 1,501                     | 220                                            | 1,721                             | ...             | ...      | ...   | 1,721                                  | 2,476           |
| Yam Seng                         | Mar. 31     | 2,253                     | 3,612                                          | 5,865                             | ...             | 3,251    | 5     | 500                                    | 2,114           |
| <b>Shipping</b>                  |             |                           |                                                |                                   |                 |          |       |                                        |                 |
| Furness Withy and Co.            | Apr. 30     | 211,682                   | 505,121                                        | 716,803                           | 54,375          | 174,000  | 4     | 300,000                                | 188,428         |
| Tankers Limited                  | Mar. 31     | 4,633                     | 23,375                                         | 28,008                            | 22,678          | ...      | ...   | 5,330                                  | 33,796          |
| <b>Shops and Stores</b>          |             |                           |                                                |                                   |                 |          |       |                                        |                 |
| Barratt (W.) and Co.             | June 30     | 26,848                    | 130,348                                        | 157,196                           | 35,000          | 48,000   | 12    | 44,595                                 | 29,601          |
| <b>Tea</b>                       |             |                           |                                                |                                   |                 |          |       |                                        |                 |
| Ankola                           | Apr. 30     | 2,554                     | 4,300                                          | 6,854                             | ...             | 2,312    | 5     | ...                                    | 4,542           |
| <b>Trusts</b>                    |             |                           |                                                |                                   |                 |          |       |                                        |                 |
| Ailsa Investment                 | May 31      | 17,768                    | 26,062                                         | 43,830                            | 16,594          | 6,675    | 3     | 3,000                                  | 17,561          |
| British Industries, etc.         | June 30     | 9,302                     | 13,396                                         | 22,698                            | 13,050          | ...      | ...   | 9,648                                  | 20,413          |
| British Steamship Invest.        | June 30     | 259,716                   | 101,770                                        | 361,486                           | 13,237          | 86,100   | 6½    | ...                                    | 262,419         |
| Melville Trust                   | May 31      | 17,745                    | 23,510                                         | 41,255                            | 15,417          | 4,111    | 2     | 3,000                                  | 18,727          |
| Palmerston Investment            | June 30     | 2,387                     | 11,808                                         | 14,195                            | ...             | 8,160    | 6     | 3,500                                  | 2,535           |
| <b>Other Companies</b>           |             |                           |                                                |                                   |                 |          |       |                                        |                 |



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

(a) Interim dividend. (b) Final dividend. (c) Dividends for full year. (d) Paid in £N.Z. (e) Allowing for exchange. (f) Flat yield. (g) Yield 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 payment of 2½%. (m) To redemption at par, in year shown. (n) Yield worked at 5½% of face value. (o) Yield worked on 22½% basis. (p) Yield worked on a 5½% basis. (q) Yield worked on a 14% basis. (r) Yield on 2-0925% basis. (s) 1% paid free of income tax. (t) Free of income tax. (u) Yield based on 40% of coupon.

\* Bid and offered prices are free of Commission and Stamp Duty.  
 (m) Including bonus of 5% free of tax. (p) Annas per share.  
 (d) Yield on 18.95% basis. (g) Assuming 15% on increased capital. (h) Yield on 12½% basis. (e) Allowing for rate of exchange. (w) Yield on 30% basis.

## Industry and Trade

## COMMODITY STATISTICS

## Coal

## COAL OUTPUT ('000 tons)

| District                          | Week ended   |              | Jan.-June |           |
|-----------------------------------|--------------|--------------|-----------|-----------|
|                                   | July 1, 1939 | July 8, 1939 | 1938      | 1939      |
| Northumberland                    | 264.4        | 292.9        | 6,632.1   | 6,750.0   |
| Durham                            | 664.9        | 685.6        | 16,365.0  | 15,984.7  |
| Yorkshire                         | 878.6        | 862.7        | 21,992.3  | 22,395.5  |
| Lancs, Cheshire and N. Wales      | 323.2        | 306.9        | 8,732.9   | 8,790.6   |
| Derby, Notts & Leicester          | 522.6        | 537.7        | 16,556.1  | 17,371.6  |
| Staffs, Worcs, Salop. and Warwick | 380.7        | 384.3        | 9,987.1   | 10,413.1  |
| South Wales & Monmouth            | 804.6        | 791.9        | 18,549.1  | 17,937.9  |
| Other English districts*          | 120.0        | 125.2        | 2,716.6   | 2,791.8   |
| Scotland                          | 596.0        | 624.2        | 15,471.8  | 15,800.4  |
| Total                             | 4,555.0      | 4,611.4      | 117,003.0 | 118,235.6 |

\* Including Cumberland, Gloucester, Somerset and Kent.

## Cotton

## RAW COTTON delivered to Spinners ('000 bales)

| Variety         | Week ended   |               | Total Deliveries |              |
|-----------------|--------------|---------------|------------------|--------------|
|                 | July 7, 1939 | July 14, 1939 | Aug. 1, 1938     | Aug. 1, 1939 |
| American        | 15.7         | 17.1          | 1,179            | 969          |
| Brazilian       | 7.9          | 10.6          | 266              | 306          |
| Peruvian, etc.  | 2.8          | 3.9           | 109              | 131          |
| Egyptian        | 7.7          | 4.4           | 336              | 334          |
| Sudan Sakel     | 3.1          | 4.6           | 135              | 149          |
| East Indian     | 18.6         | 5.4           | 362              | 437          |
| Other countries | 5.1          | 6.2           | 158              | 197          |
| Total           | 60.9         | 52.2          | 2,545            | 2,523        |

## Metals

## SALES ON LONDON METAL EXCHANGE

|         | Week ended    |               | From Jan. 1 to |               |
|---------|---------------|---------------|----------------|---------------|
|         | July 12, 1939 | July 19, 1939 | July 20, 1938  | July 19, 1939 |
| Copper  | 7,950         | 6,350         | 364,025        | 167,160       |
| Tin     | 985           | 2,390         | 50,220         | 39,210        |
| Lead    | 4,350         | 7,900         | 194,450        | 160,950       |
| Spelter | 2,500         | 2,950         | 174,275        | 102,020       |

## U.K. STOCKS

|                                 | July 8, 1939 | July 15, 1939 |
|---------------------------------|--------------|---------------|
| Copper (Br. official w'houses): | Tons 5,231   | Tons 5,231    |
| Refined                         | 25,154       | 24,778        |
| Rough                           | 10,155       | 10,130        |
| Tin (London and Liverpool)      | 10,155       | 10,130        |

METALS—(cont.)  
TINPLATE INDUSTRY

|                                   | Week ended   |              |              |
|-----------------------------------|--------------|--------------|--------------|
|                                   | July 9, 1938 | July 1, 1939 | July 8, 1939 |
| Production—per cent. of capacity  | 43.60        | 64.09        | 70.93        |
| Shipments—Tons                    | 4,303        | 7,122        | 7,782        |
| Stocks—warehouse and in vans—Tons | 5,240        | 6,855        | 7,265        |
| Twenty-seven weeks ended          |              |              |              |
| Shipments—Tons                    | 136,039      | 125,704      |              |

## Foods

## WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

| From                  | Week ended   |               | Season to     |               |
|-----------------------|--------------|---------------|---------------|---------------|
|                       | July 8, 1939 | July 15, 1939 | July 15, 1938 | July 15, 1939 |
| N. America            | 671          | 355           | 22,683        | 29,730        |
| Argentina and Uruguay | 546          | 457           | 8,492         | 14,487        |
| Australia             | 183          | 233           | 15,781        | 12,171        |
| Russia                | 99           | 85            | 5,458         | 4,624         |
| Danube and dist.      | 99           | 173           | 6,558         | 9,525         |
| India                 | 28           | 100           | 1,755         | 4,224         |
| Other countries       | 28           | 100           | 691           | 1,848         |
| Total                 | 1,578        | 1,403         | 61,418        | 72,809        |

| To                       | Week ended   |               | From Apr. 1 to |               |
|--------------------------|--------------|---------------|----------------|---------------|
|                          | July 8, 1939 | July 15, 1939 | July 15, 1938  | July 15, 1939 |
| U.K.                     | 518          | 419           | 14,896         | 18,402        |
| Orders                   | 396          | 231           | 13,869         | 15,961        |
| France                   | 19           | 848           | 1,106          |               |
| Belgium                  | 51           | 44            | 4,864          | 4,824         |
| Holland                  | 72           | 33            | 3,111          | 3,755         |
| Italy                    | 106          | 236           | 1,355          | 2,451         |
| Greece                   | 5            | 34            | 2,340          | 1,456         |
| Scandinavia              | 29           | 58            | 1,552          | 1,610         |
| Other European Countries | 54           | 106           | 6,281          | 5,540         |
| Ex-European Countries    | 328          | 242           | 12,302         | 17,704        |
| Total                    | 1,578        | 1,403         | 61,418         | 72,809        |

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

| From             | Week ended   |               | From Apr. 1 to |               |
|------------------|--------------|---------------|----------------|---------------|
|                  | July 8, 1939 | July 15, 1939 | July 15, 1938  | July 15, 1939 |
| Argentina        | 545          | 499           | 2,480          | 6,500         |
| Atlantic America | 4            | 4             | 6,398          | 401           |
| Danube Region    | 18           | 33            | 1,907          | 924           |
| S. & E. Africa   | 26           | 31            | 119            | 494           |
| Indo-China, etc. | 39           | 45            | 398            | 459           |
| Total            | 632          | 612           | 11,302         | 8,778         |

## OTHER FOODS

|                             | Week ended   |               |
|-----------------------------|--------------|---------------|
|                             | July 8, 1939 | July 15, 1939 |
| BACON:                      |              |               |
| Arrivals in London (bales): |              |               |
| Danish                      | 14,487       | 14,975        |
| Canadian                    | 4,037        | 4,147         |
| Dutch                       | 3,724        | 3,801         |
| Lithuanian                  | 3,437        | 3,793         |
| Polish                      | 4,293        | 4,857         |
| Cocoa:                      |              |               |
| Movement in Lond. (bags):   |              |               |
| Landed                      | 2,501        | 646           |
| D/d for home consumption    | 9,434        | 3,519         |
| Exports                     | 31           | 140           |
| Stocks, end of week         | 126,255      | 123,242       |

## OTHER FOODS—(cont.)

|                                         | Week ended   |               |
|-----------------------------------------|--------------|---------------|
|                                         | July 8, 1939 | July 15, 1939 |
| COFFEE:                                 |              |               |
| Movements in Lond. (cwt.):              |              |               |
| Brazilian—Landed                        | 305          | 59            |
| " D/d for home consn.                   | 171          | 72            |
| Exports                                 | 21           |               |
| Stocks, end of week                     | 5,380        | 5,367         |
| Central and S. American:                |              |               |
| Landed                                  | 231          | 140           |
| D/d for home consn.                     | 4,055        | 1,932         |
| Exports                                 | 230          | 413           |
| Stocks, end of week                     | 93,193       | 90,988        |
| Other kinds—Landed                      | 1,923        | 1,289         |
| " D/d for home consn.                   | 4,035        | 2,613         |
| Exports                                 | 348          | 176           |
| Stocks, end of week                     | 151,588      | 150,088       |
| MEAT:                                   |              |               |
| Supplies at Smithfield (tons):          |              |               |
| Total                                   | 8,403        | 8,715         |
| Beef and veal                           | 4,658        | 4,470         |
| Mutton and lamb                         | 2,610        | 3,084         |
| Pork and bacon                          | 636          | 603           |
| Poultry, etc.                           | 499          | 558           |
| SUGAR:                                  |              |               |
| Movements, London and Liverpool (tons): |              |               |
| Imports                                 | 14,683       | 6,380         |
| Deliveries                              | 14,965       | 14,696        |
| Stocks, end of week                     | 112,974      | 104,558       |
| TEA:                                    |              |               |
| Sales on Garden A/c (pkgs.):            |              |               |
| N. India                                | 6,224        | 8,647         |
| S. India                                | 7,474        | 11,366        |
| Ceylon                                  | 31,002       | 31,021        |
| Java                                    | 3,792        | 2,258         |
| Sumatra                                 | 578          | 132           |
| Africa                                  | 3,992        | 2,917         |
| Total                                   | 53,002       | 56,341        |

\* Weeks ended July 6th and July 13th.

Miscellaneous  
Commodities

## MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

|                     | Week ended   |               |
|---------------------|--------------|---------------|
|                     | July 8, 1939 | July 15, 1939 |
| Landed              | 607          | 819           |
| Delivered           | 2,324        | 1,631         |
| Stocks, end of week | 61,893       | 61,081        |

## WORLD SHIPMENTS OF LINSEED ('000 tons)

|                         | Week ended   |              | From Jan. 1 to |              |
|-------------------------|--------------|--------------|----------------|--------------|
|                         | July 1, 1939 | July 8, 1939 | July 9, 1938   | July 8, 1939 |
| Argentina to—           |              |              |                |              |
| U.K. and Orders         | 6.2          | 1.8          | 172.1          | 186.3        |
| Continent               | 10.0         | 24.6         | 378.8          | 385.1        |
| U.S.A. and Canada       | 6.0          | 20.4         | 180.7          | 288.9        |
| Australia, Brazil, etc. | 1            | ...          | 12.0           | 8.5          |
| Calcutta to—            |              |              |                |              |
| U.K. and Orders         | 3.6          | 11.2         | 48.3           | 59.3         |
| Continent               | ...          | ...          | 9              | 9            |
| Bombay to—              |              |              |                |              |
| U.K. and Orders         | 8            | ...          | 89.7           | 79.0         |
| Continent               | 2            | ...          | 3.4            | 9.0          |
| Madras to U.K.          | ...          | ...          | ...            | ...          |
| India to—               |              |              |                |              |
| Australia, etc.         | 1.7          | 6.1          | 8.7            | ...          |
| U.S.A.                  | ...          | ...          | ...            | ...          |
| Sundries                | ...          | ...          | ...            | 1.2          |
| Total                   | 26.9         | 59.7         | 892.0          | 1026.9       |

## AMERICAN WHOLESALE PRICES

|                                         | July 12, 1939 | July 19, 1939 |
|-----------------------------------------|---------------|---------------|
|                                         | Cents         | Cents         |
| GRAINS (per bushel)—                    |               |               |
| Wheat, Chicago, July                    | 65 1/4        | 66 1/4        |
| Winnipeg, July                          | 54 3/4        | 54 3/4        |
| Maize, Chicago, July                    | 44 1/4        | 42 3/4        |
| Oats, Chicago, July                     | 28 1/4        | 28 1/4        |
| Rye, Chicago, July                      | 39 3/4        | 41 1/4        |
| Barley, Winnipeg, July                  | 33 1/4        | 34 1/4        |
| METALS (per lb.)—                       |               |               |
| Copper, Connecticut                     | 10.25         | 10.25         |
| Export c.i.f.                           | 10.30         | 10.35         |
| METALS (per lb.)—cont.                  |               |               |
| Tin, N.Y., Straits, spot                | 48.50         | 48.55         |
| Lead, N.Y., spot                        | 4.85          | 4.85          |
| Spelter, East St. Louis, spot           | 4.50          | 4.50          |
| MISCELLANEOUS (per lb.)—                |               |               |
| Cocoa, N.Y., Accra, July                | 4.03          | 4.11          |
| Coffee, N.Y., cash—                     |               |               |
| Rio, No. 7                              | 5 1/4         | 5 1/4         |
| Santos, No. 4                           | 7 1/4         | 7 1/4         |
| Cotton N.Y., Am. mid., spot             | 9.89          | 9.49          |
| MISCELLANEOUS (per lb.)—cont.           |               |               |
| Cotton, Mid. Aug.                       | 9.64          | 8.74          |
| Petroleum, Mid-cont. crude              | 5.45          | 5.62 1/2      |
| 33 deg. to 33-90, at well, per barrel   | 102           | 102           |
| Rubber, N.Y., smk'd. sheet spot         | 16 3/4        | 16 3/4        |
| Do. do. Aug.                            | 16 3/4        | 16 3/4        |
| Sugar, N.Y., Cuban Cent., 96 deg., spot | 2.85          | 2.85          |

## BRITISH WHOLESALE PRICES

## CEREALS AND MEAT

|                                  | July 12, 1939 |       | July 19, 1939 |       |
|----------------------------------|---------------|-------|---------------|-------|
|                                  | s. d.         | s. d. | s. d.         | s. d. |
| GRAIN, etc.—                     |               |       |               |       |
| Wheat—                           |               |       |               |       |
| No. 2, N. Man. 496 lb.           | 25            | 6     | 25            | 9     |
| Eng. Gaz. av., per cwt.          | 4             | 8     | 4             | 8     |
| Liv., July, per cental           | 3             | 9     | 3             | 7     |
| Flour, per 280 lb.—              |               |       |               |       |
| Straits, d/d London              | 22            | 6     | 21            | 6     |
| Manitoba, ex store               | 20            | 3     | 20            | 0     |
| Barley, Eng. Gaz., av. per cwt.  | 6             | 2     | 6             | 6     |
| Oats                             | 6             | 1     | 6             | 1     |
| Maize, La Plata, landed, 480 lb. | 23            | 9     | 22            | 6     |
| Rice, No. 2 Burma, per cwt.      | 8             | 0     | 8             | 0     |
| MEAT—                            |               |       |               |       |
| Beef, per 8 lb.—                 |               |       |               |       |
| English long sides               | 4             | 8     | 4             | 8     |
| Argentine chilled hinds          | 4             | 5     | 4             | 4     |
| Mutton, per 8 lb.—               |               |       |               |       |
| English wethers                  | 4             | 8     | 4             | 8     |
| N.Z. frozen wethers              | 2             | 2     | 2             | 2     |
| Lamb, per 8 lb.—                 |               |       |               |       |
| N.Z. frozen                      | 4             | 4     | 4             | 4     |
| Pork, English, per 8 lb.         | 5             | 4     | 5             | 4     |
| BACON (per cwt.)—                |               |       |               |       |
| English                          | 98            | 0     | 98            | 0     |
| Danish                           | 94            | 0     | 94            | 0     |
| Irish                            | 91            | 0     | 91            | 0     |
| HAMS (per cwt.)—                 |               |       |               |       |
| Canadian                         | 104           | 0     | 102           | 0     |
| United States                    | 92            | 0     | 93            | 0     |

## OTHER FOODS

|                                      | July 12, 1939 |       | July 19, 1939 |       |
|--------------------------------------|---------------|-------|---------------|-------|
|                                      | s. d.         | s. d. | s. d.         | s. d. |
| BUTTER (per cwt.)—                   |               |       |               |       |
| Australian                           | 118           | 0     | 115           | 0     |
| New Zealand                          | 126           | 0     | 125           | 0     |
| Danish                               | 131           | 0     | 130           | 0     |
| CHEESE (per cwt.)—                   |               |       |               |       |
| Canadian                             | 75            | 0     | 63            | 0     |
| New Zealand                          | 67            | 0     | 65            | 0     |
| English Cheddars                     | 45            | 6     | 45            | 6     |
| Dutch                                | 52            | 0     | 52            | 0     |
| COCOA (per cwt.)—                    |               |       |               |       |
| Accra, g.f.                          | 20            | 6     | 20            | 9     |
| Santos sup. c. & f.                  | 21            | 0     | 21            | 3     |
| Trinidad                             | 42            | 0     | 42            | 0     |
| Grenada                              | 37            | 0     | 37            | 0     |
| COFFEE (per cwt.)—                   |               |       |               |       |
| Santos sup. c. & f.                  | 30            | 6     | 30            | 0     |
| Costa Rica, medium to good           | 66            | 0     | 66            | 0     |
| Kenya, medium                        | 56            | 0     | 56            | 0     |
| EGGS (per 120)—                      |               |       |               |       |
| English (15-15 1/2 lb.)              | 14            | 0     | 14            | 0     |
| Danish (15 1/2 lb.)                  | 10            | 0     | 10            | 6     |
| FRUIT—                               |               |       |               |       |
| Oranges, Brazilian (Peras) boxes     | 8             | 6     | 12            | 6     |
| " S. African (Navels) boxes          | 12            | 9     | 13            | 9     |
| Lemons, Naples boxes                 | 15            | 0     | 15            | 6     |
| " Sicilian, Verdilli, boxes          | 25            | 0     | 23            | 6     |
| " Murcia, I cases                    | 10            | 0     | 10            | 0     |
| Apples, N. Zealand (var.) boxes      | 10            | 6     | 10            | 6     |
| " Australian                         | 16            | 0     | 15            | 3     |
| Grapefruit, S. Afrn. (M.S.) bxs.     | 11            | 0     | 12            | 6     |
| " Brazilian (M.S.) bxs.              | 14            | 6     | 14            | 6     |
| Pears, Californian, Bartlett's No. 1 | ...           | ...   | 19            | 6     |
| LARD (per cwt.)—                     |               |       |               |       |
| Irish, finest bladders               | 46            | 0     | 46            | 0     |
| U.S.                                 | 32            | 3     | 32            | 0     |
| PEPPER (per lb.)—                    |               |       |               |       |
| Black Lampong (in Bond)              | 0             | 2 1/2 | 0             | 2 1/2 |
| " (Duty paid)                        | 0             | 3     | 0             | 3     |
| White Muntok (f.a.q.) (in Bond)      | 0             | 3     | 0             | 3     |
| " (Duty paid)                        | 0             | 3 1/2 | 0             | 3 1/2 |
| POTATOES (per cwt.)—                 |               |       |               |       |



## Special Statistics

## OVERSEAS TRADE RETURNS

## EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM (Value F.O.B.)

| IMPORTS (Value C.I.F.)                                             |            |                          |             |             | EXPORTS (Value F.O.B.) |            |                          |             |  |
|--------------------------------------------------------------------|------------|--------------------------|-------------|-------------|------------------------|------------|--------------------------|-------------|--|
| Month ended June 30                                                |            | Six months ended June 30 |             |             | Month ended June 30    |            | Six months ended June 30 |             |  |
| 1938                                                               | 1939       | 1938                     | 1939        |             | 1938                   | 1939       | 1938                     | 1939        |  |
| <b>I.—Food, Drink and Tobacco—</b>                                 |            |                          |             |             |                        |            |                          |             |  |
| A. Grain and Flour                                                 | 7,317,655  | 5,781,094                | 39,858,601  | 29,518,566  | 129,574                | 121,825    | 839,788                  | 737,513     |  |
| B. Feeding-stuffs for Animals                                      | 973,952    | 822,332                  | 5,773,735   | 5,435,182   | 47,541                 | 49,526     | 388,231                  | 371,323     |  |
| C. Animals, Living, for Food                                       | 1,002,886  | 562,659                  | 3,669,129   | 4,200,068   | 345                    | 5,219      | 1,308                    | 16,680      |  |
| D. Meat                                                            | 8,231,259  | 8,186,670                | 45,604,459  | 45,733,200  | 82,984                 | 104,779    | 524,975                  | 692,849     |  |
| E. Dairy Produce                                                   | 7,295,980  | 7,570,504                | 39,809,150  | 38,375,313  | 97,831                 | 118,606    | 512,448                  | 578,325     |  |
| F. Fresh Fruit and Vegetables                                      | 4,639,319  | 4,736,404                | 21,892,475  | 21,892,867  | 4,686                  | 5,883      | 97,652                   | 106,616     |  |
| G. Beverages and Cocoa Pre-<br>parations                           | 3,564,655  | 2,942,630                | 20,408,286  | 19,182,716  | 1,085,395              | 1,454,679  | 6,369,793                | 7,125,191   |  |
| H. Other Food                                                      | 4,734,954  | 4,905,906                | 25,169,686  | 28,682,891  | 839,156                | 1,091,060  | 5,255,831                | 5,687,860   |  |
| I. Tobacco                                                         | 712,136    | 571,361                  | 8,909,263   | 6,658,118   | 371,134                | 429,570    | 2,438,784                | 2,431,068   |  |
| Total, Class I                                                     | 38,472,796 | 36,079,560               | 211,094,784 | 199,678,921 | 2,658,646              | 3,381,147  | 16,428,810               | 17,747,425  |  |
| <b>II.—Raw Materials and Articles Mainly Unmanufactured—</b>       |            |                          |             |             |                        |            |                          |             |  |
| A. Coal                                                            | 937        | 1,500                    | 7,284       | 8,186       | 3,102,064              | 3,693,674  | 18,277,044               | 18,682,451  |  |
| B. Other Non-Metalliferous Mining and Quarry Products and the like | 424,712    | 547,113                  | 2,438,208   | 2,661,045   | 73,044                 | 94,147     | 470,880                  | 571,349     |  |
| C. Iron Ore and Scrap                                              | 751,016    | 1,268,162                | 7,873,393   | 4,105,352   | 8,464                  | 36,762     | 126,795                  | 290,957     |  |
| D. Non-Ferrous Metalliferous Ores and Scrap                        | 1,258,637  | 1,347,823                | 8,778,099   | 8,103,820   | 152,156                | 176,737    | 1,108,204                | 1,028,744   |  |
| E. Wood and Timber                                                 | 4,203,136  | 4,753,178                | 16,705,196  | 15,990,090  | 7,208                  | 4,479      | 40,954                   | 36,906      |  |
| F. Raw Cotton and Cotton Waste                                     | 1,660,828  | 1,960,275                | 16,125,883  | 12,962,099  | 41,429                 | 42,127     | 247,922                  | 261,648     |  |
| G. Wool, Raw and Waste, and Woollen Rags                           | 4,200,202  | 4,194,376                | 27,064,366  | 28,279,098  | 493,478                | 430,998    | 2,916,416                | 2,893,578   |  |
| H. Silk, Raw, Knubs and Noils                                      | 147,492    | 238,922                  | 1,243,416   | 957,558     | 35,689                 | 124,593    | 188,994                  | 679,807     |  |
| I. Other Textile Materials                                         | 651,750    | 1,021,968                | 6,353,733   | 7,628,537   | 21,372                 | 15,112     | 143,528                  | 110,755     |  |
| J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums             | 2,605,180  | 2,701,093                | 17,438,998  | 16,642,819  | 203,882                | 212,492    | 1,518,314                | 1,200,549   |  |
| K. Hides and Skins, Undressed                                      | 851,514    | 1,293,438                | 9,449,176   | 9,050,855   | 68,960                 | 72,941     | 625,276                  | 584,308     |  |
| L. Paper-making Materials                                          | 1,185,065  | 1,374,664                | 8,437,469   | 7,258,945   | 83,231                 | 102,741    | 583,812                  | 619,491     |  |
| M. Rubber                                                          | 919,774    | 810,064                  | 6,766,656   | 4,254,147   | 17,331                 | 25,480     | 122,971                  | 128,981     |  |
| N. Miscellaneous Raw Materials and Articles mainly Unmanufactured  | 583,136    | 611,292                  | 4,606,017   | 4,366,480   | 147,579                | 150,013    | 1,340,034                | 1,341,451   |  |
| Total, Class II                                                    | 19,443,379 | 22,123,868               | 133,287,894 | 122,269,031 | 4,455,887              | 5,182,296  | 27,711,144               | 28,430,975  |  |
| <b>III.—Articles Wholly or Mainly Manufactured—</b>                |            |                          |             |             |                        |            |                          |             |  |
| A. Coke and Manufactured Fuel                                      | 228        | 611                      | 3,271       | 3,655       | 127,592                | 326,812    | 1,379,156                | 1,809,054   |  |
| B. Pottery, Glass, Abrasives, etc.                                 | 627,071    | 603,143                  | 3,738,941   | 3,293,646   | 805,203                | 886,665    | 4,743,766                | 4,706,765   |  |
| C. Iron and Steel and Manufactures thereof                         | 754,549    | 1,821,141                | 9,915,767   | 7,223,842   | 3,313,309              | 3,238,642  | 22,211,945               | 18,141,295  |  |
| D. Non-Ferrous Metals and Manufactures thereof                     | 3,346,669  | 3,470,345                | 21,057,161  | 19,260,084  | 845,557                | 1,225,495  | 6,049,922                | 7,435,443   |  |
| E. Cutlery, Hardware, Implements and Instruments                   | 595,881    | 556,577                  | 3,573,854   | 3,377,589   | 734,788                | 832,670    | 4,508,011                | 4,597,462   |  |
| F. Electrical Goods and Apparatus                                  | 231,581    | 260,798                  | 1,473,552   | 1,437,997   | 1,028,908              | 1,076,376  | 6,737,455                | 6,321,858   |  |
| G. Machinery                                                       | 1,726,004  | 2,481,482                | 11,434,259  | 12,721,833  | 4,834,534              | 4,442,354  | 29,151,275               | 27,685,857  |  |
| H. Manufactures of Wood and Timber                                 | 507,774    | 527,813                  | 3,283,851   | 2,904,160   | 84,701                 | 87,353     | 549,602                  | 571,865     |  |
| I. Cotton Yarns and Manufactures                                   | 235,974    | 217,670                  | 1,607,188   | 1,446,892   | 3,688,931              | 3,953,587  | 25,873,116               | 24,554,975  |  |
| J. Woollen and Worsted Yarns and Manufactures                      | 262,325    | 318,461                  | 1,855,713   | 2,122,347   | 1,796,523              | 2,014,730  | 13,318,817               | 13,869,670  |  |
| K. Silk Yarns and Manufactures                                     | 315,394    | 381,425                  | 2,428,140   | 2,445,335   | 429,157                | 518,912    | 2,897,214                | 2,806,918   |  |
| L. Manufactures of other Textile Materials                         | 383,945    | 653,708                  | 2,317,501   | 3,116,041   | 815,956                | 1,054,431  | 5,453,915                | 5,896,714   |  |
| M. Apparel                                                         | 547,197    | 630,198                  | 4,471,782   | 4,019,666   | 464,883                | 568,882    | 4,063,863                | 4,306,098   |  |
| N. Footwear                                                        | 202,176    | 266,769                  | 1,533,028   | 1,746,376   | 119,620                | 129,499    | 985,384                  | 851,055     |  |
| O. Chemicals, Drugs, Dyes and Colours                              | 903,611    | 1,489,803                | 5,962,958   | 8,094,874   | 1,715,994              | 2,240,180  | 11,010,401               | 11,977,257  |  |
| P. Oils, Fats and Resins, Manufactured                             | 3,719,894  | 4,997,182                | 23,461,874  | 23,242,576  | 456,920                | 460,253    | 2,733,466                | 2,602,090   |  |
| Q. Leather and Manufactures thereof                                | 532,780    | 599,019                  | 3,188,858   | 3,860,267   | 293,896                | 349,872    | 1,828,265                | 2,151,584   |  |
| R. Paper, Cardboard, etc.                                          | 1,065,021  | 1,463,360                | 7,369,747   | 7,338,222   | 528,008                | 671,588    | 3,462,344                | 3,538,741   |  |
| S. Vehicles (including Locomotives, Ships and Aircraft)            | 308,520    | 363,663                  | 2,551,766   | 2,488,785   | 4,143,413              | 3,878,886  | 21,788,222               | 24,540,739  |  |
| T. Rubber Manufactures                                             | 66,205     | 113,952                  | 403,451     | 470,437     | 157,494                | 123,152    | 833,055                  | 752,886     |  |
| U. Miscellaneous Articles wholly or mainly Manufactured            | 1,744,626  | 2,089,993                | 10,610,627  | 11,408,597  | 2,386,646              | 2,385,638  | 13,941,248               | 14,950,370  |  |
| Total, Class III                                                   | 18,077,425 | 23,307,113               | 122,243,289 | 122,023,221 | 28,772,033             | 30,465,977 | 183,520,442              | 184,068,696 |  |
| IV.—Animals, not for Food                                          | 324,022    | 337,780                  | 1,447,264   | 1,550,060   | 41,388                 | 35,136     | 278,281                  | 302,643     |  |
| V.—Parcel Post                                                     | 222,600    | 326,438                  | 1,584,433   | 2,365,103   | 965,571                | 830,700    | 5,254,839                | 5,768,985   |  |
| Total                                                              | 76,540,222 | 82,174,759               | 469,657,664 | 447,886,336 | 36,893,525             | 39,895,256 | 233,193,516              | 236,318,724 |  |

## SHORTER COMMENTS

(Continued from page 180)

**Chinese Railway 5% Gold Loan of 1899.**—Hongkong and Shanghai Banking Corporation announces that the coupons and drawn bonds of the Chinese Imperial Railway five per cent. Gold loan of 1899, due August 1st, will be paid from that date at the London office.

**Barratt (W.) and Company.**—Net profit year to June 30, 1939, £132,103 (£124,169). Ordinary dividend increased from 11 to 12 per cent. To reserves:

General, £15,000 (same); Pensions, £5,000 (same); Carry forward, £21,350. (£26,350). (£26,848).

**Darlington and Simpson Rolling Mills.**—Net revenue for year to March 31, 1939, reduced from £75,325 to £40,173. Ordinary dividend reduced from 9 to 5 per cent. To General Reserve, £5,000 (£20,000). Carry forward, £14,863 (£12,731).

**Cable and Wireless, Ltd. (Traffic Index) 1929 = 100.**—We print below

the last cable traffic index together with the monthly figures for a number of years past:—

|       | 1931 | 1932 | 1933  | 1934  | 1935  | 1936  | 1937  | 1938  | 1939 |
|-------|------|------|-------|-------|-------|-------|-------|-------|------|
| Jan.  | 76.3 | 73.4 | 69.9  | 71.8  | 73.2  | 71.2  | 85.9  | 71.5  | 69.0 |
| Feb.  | 81.2 | 82.9 | 71.7  | 74.7  | 74.4  | 47.3  | 3.84  | 6.73  | 7.70 |
| Mar.  | 79.6 | 77.8 | 70.4  | 72.8  | 87.6  | 27.6  | 0.90  | 6.74  | 7.74 |
| Apr.  | 74.5 | 71.4 | 47.1  | 87.1  | 67.4  | 67.1  | 6.83  | 7.71  | 5.75 |
| May   | 68.8 | 67.7 | 70.7  | 73.3  | 172.5 | 67.7  | 6.78  | 6.65  | 3.69 |
| June  | 66.6 | 64.7 | 70.7  | 170.1 | 170.7 | 270.3 | 3.73  | 5.66  | 4.65 |
| July  | 64.7 | 63.2 | 67.5  | 68.9  | 66.6  | 770.3 | 3.73  | 4.63  | 1.1  |
| Aug.  | 61.8 | 69.6 | 65.9  | 70.7  | 76.7  | 169.1 | 3.73  | 0.60  | 2.1  |
| Sept. | 73.0 | 71.4 | 67.9  | 70.3  | 75.5  | 570.7 | 7.72  | 6.71  | 3.1  |
| Oct.  | 77.8 | 77.3 | 272.1 | 173.6 | 78.8  | 875.9 | 9.76  | 5.68  | 7.1  |
| Nov.  | 79.0 | 77.3 | 0.71  | 87.1  | 372.7 | 780.5 | 572.5 | 5.68  | 0.1  |
| Dec.  | 83.6 | 78.8 | 87.6  | 780.7 | 780.1 | 196.4 | 482.5 | 577.1 | 1.1  |

## THE ECONOMIST

Vol. CXXXVI

JULY 29, 1939

No. 5005

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## Drifting Towards Inflation

FOR the fifth month in succession the monthly survey of the state of business contained in *The Economist* Trade Supplement bears evidence of a rapid and widespread rise in the tempo of economic activity in Great Britain. *The Economist* Index of Business Activity, the most comprehensive of all the measures of general activity, is within two points of the highest figure it ever recorded. Activity is especially great in those industries which are large employers of labour, with the result that the total of employment is higher than at any previous time. This general rise in activity is not by any means limited to the armament industries (widely though their net is now spread); it is affecting the majority of industries and most of the regions of the country. The incidence is, of course, uneven. The stimulus comes from industry, not from commerce or finance; and this has the effect, as a by-product, that London, which for most of the post-war years has been the leader of the country, is now in many ways falling behind. It is the provinces that are busy; the West End is still under a cloud, while the City is downright depressed. But the fact that there are exceptions, or even that the usual leaders are now the laggards, does not alter the fact that we are well over the threshold of a boom.

The cause of this very rapid increase in industrial activity is, of course, the gigantic defence programme, which is now estimated to cost £730 millions in the current year. The total expenditure of the Exchequer this year will be at least £1,425 millions; six years ago it was only £690 millions. In short, Government expenditure, which was

already approaching one-fifth of the whole national income, has been doubled in six years, most of the increase being concentrated in a very small period. A change of this magnitude, however it had been financed, would inevitably have had enormous effects upon the economic structure of the country. But as it is, only about two-thirds of the State's expenditure is to be met from taxation. At least £500 millions (that is, nearly three-quarters of the whole expenditure six years ago) is to be borrowed. Moreover, none of these figures includes the large sums to be lent to foreign countries.

secured only by a restriction of all other activities. That restriction can be brought about by an increase in taxation, which would reduce consumption. But there is no sign that additional taxation will be even considered before next April. Or the restriction can be brought about by the direct requisitioning of supplies. The Ministry of Supply, it is true, has the power to impose priorities, and to the extent that it exercises its powers it compels other would-be consumers to wait. But any effect produced by this means is likely to be outweighed by the increased spending of armament wages. Or, finally, the restriction of consumption other than that of the Government can be achieved by a rise of prices—in a word, by inflation. There are thus a number of different ways in which the necessity to make room for a doubling or trebling of Government expenditure can be met. But the point that seems to be hardly yet appreciated is that one method or the other must be pursued once full employment is reached. It was because of his urging of this painful truth in precisely similar circumstances in Germany that Dr Schacht was dismissed. And though his stand was widely applauded in England, there is a singular unwillingness to apply the lesson to our own conditions. The situation has this danger: that any of the alternatives to inflation involves forethought, organisation and painful decisions. Only inflation can come uninvited.

The problem can easily be put into figures. The direct borrowing of the State is to be at least £500 millions in the current year. Foreign countries and the Dominions are to be allowed to raise sums in this market that may well add up to £100 millions in twelve months. Local authorities, with their heavy new commitments, cannot be refused access to the market; nor can private industry, at least that part of it that is engaged in defence work. The grand total of unavoidable borrowing can hardly be less than £800 millions and may well be £1,000 millions. But the present net savings of the nation, even after they have been inflated by the increased earnings of a boom period, will fall several hundred millions below the amount required.

It may be that those who are responsible to the nation for its financial guidance have deeply pondered the matter and have decided that inflation—that is the restriction of civil purchases by a rise in the cost of living—is not only the easiest way of solving the problem, but the best way. Such a decision would, it is true, run counter both to theoretical teaching and to the experience of the last war,

but it is conceivable that it has nevertheless been reached. There is no sign, however, in either the words or the deeds of the authorities to suggest that they have deliberately reached such a decision, or even that they have deliberated at all. An example of the off-hand way in which the problem is being dismissed can be drawn from the latest pronouncement of Authority, the speech by the Chancellor of the Exchequer on the third reading of the Finance Bill. In his Budget speech, it will be remembered, when he found himself faced with the necessity of finding for defence £50 millions more than was included in the Estimates, Sir John Simon devoted a considerable part of his attention to the proper allocation between revenue and borrowing. But when, three months later, a still further sum, not of £50 millions, but of £100 millions, is wanted, there is no discussion at all, either by the Chancellor or by anyone else. There is public debate on the proper rate of interest at which to borrow; but none at all on the proper amount to be borrowed. Even the keenest brains appear to be concentrating on incidentals and ignoring the main issue. But if there were disadvantages, sufficient to justify an increase of taxation, in borrowing an additional £50 millions in April, are there not disadvantages, sufficient to warrant at least a few words of explanation, in borrowing another £100 millions in July? We are three months nearer full employment, three months nearer inflation—and three months nearer the General Election. Does financial policy wait upon political advantage?

Nobody would wish to pretend that the gigantic problems of wartime finance can be solved by any simple formula. But what can be stressed with all possible urgency is that the problem, if left alone, will not stand still; it will solve itself by the method of inflation, which has always hitherto been considered the worst way. It has been the custom in this country, ever since the end of the War, to congratulate ourselves on the self-restraint and wisdom we showed, in greater measure than any other European country, in our war finance. Germany has been pointed out as proof that the aftermath of social disturbance produced by unsuccessful war finance can be worse than that of unsuccessful war itself. But it would now appear that the Germans, with or without Schacht, have learnt the lesson better than we have ourselves. They are mobilised for war finance; we are still drifting without any visible objective, plan or leadership.

## The War of Nerves

THE battle for the future of Europe which was joined on March 18th is still in progress and still undecided. Whether the "white war" will pass over into "red war" will, in all probability, be decided within the next few weeks. Nearly every day brings news of some fresh encounter in the war of nerves, and hopes correspondingly rise and fall.

The past week has brought its victories as well as its defeats. Let us first of all recount the successes. Hopes are once again high that a firm alliance between Britain, France and the Soviet Union will be concluded soon. As an earnest both of good intentions and of the nearness of agreement, London and Paris have, it appears, agreed to send military missions to Moscow. If the pact can be signed it will, even now, more than offset the slight depression produced a fortnight ago by the persistence of the American Congress in playing domestic politics with the world's peace. The postponement by Congress of a revision of the neutrality legislation does not in any respect change the real balance of forces; it does not alter the very strong probability that the economic resources of

America would be at the disposal of the Peace Front in time of war; but it does alter the temporary semblance of things and provide excuses for any wishful thinkers in Berlin who choose to deceive themselves with surface aspects. A Russian pact, however, will be a change not merely in appearances but in the real balance of forces. It will be a major victory.

The continued demonstrations of the new might of British arms can also be counted as a victory. The joint flights of the British and French air forces are the most emphatic evidence that has been on parade. But there is reason to believe that the new ability of Great Britain to supply first-class war material to some of the smaller nations of Europe is also having its effect beneath the surface of diplomacy. The success of the British military mission to Poland has also to be taken into account, for its psychological, even more than its practical, importance. Disappointment has, it is true, been caused in Warsaw by the very incomplete success of the negotiations in London for financial assistance (on which some comments are made on page 209). But on balance Poland has been encouraged

to believe that her new friends in the West are in earnest; and conviction in Warsaw will affect Berlin.

The biggest victory of the week, however, has lain not in any actions of the Peace Front powers but in their lack of response to the latest "peace" kite flown from Berlin. The statement made to the foreign Press by a "high official" of the German Government last Friday gave no substantial grounds for believing that Herr Hitler had abandoned his plans to use force. On the contrary, it reaffirmed that Danzig must be "unconditionally" reincorporated in the Reich in the near future. But kites as insubstantial as this have in the past been kept in the air by blasts of "appeasement" in London and Paris. This time there was no such reaction at all. The kite was no sooner launched than it fell to earth and its net effect (for the first time in the history of such episodes) was to suggest that there was more irresolution in Berlin than in Paris or London.

These have been the victories of the week. But there have been other events about which it is impossible to feel very happy. One of these is the nature of the form of words agreed upon by the British and Japanese Governments as a preliminary to the talks on the Tientsin situation. The wording of the formula is given on page 207. If its words are meant to bear their normal English meanings, it can, perhaps, be dismissed as harmless. Even so, it comes very close to according belligerent rights to the aggressor on the territory of his victim, which condemns it on moral grounds; and it makes no mention of any save Japanese rights and interests, which is a practical disadvantage. But if this were the end of the matter it might be concluded that we had extricated ourselves from a difficult position at comparatively small cost.

It is all too evident, however, that the Japanese Army (whatever may be the attitude of its Government) will certainly not be content with the ordinary meanings of the words. In view of the detailed and far-reaching concessions to themselves that they have shown the ability to read into the one word "sincerity," there would seem to be no limit to what they will be able to make of a recognition of their "special requirements." It is as certain as anything can be that the new formula will be used by the Army as justification for making specific and detailed demands in a variety of individual cases which will go far beyond anything that the British Government now have in mind. It is only when we know what attitude is to be adopted by the British authorities to these demands that it will be possible to pronounce an opinion on the formula. If we accept the Japanese interpretations, then the formula is a surrender. If, on the other hand, the British Government sticks to its viewpoint that nothing in its policy has been changed, then the formula is not a settlement.

Far more serious than the Tokyo formula, however, was the appearance at the end of last week of what seemed at first sight to be a prime piece of attempted "appeasement" towards Germany. The full and bizarre history of the *affaire* Hudson is not yet known. It appears, however, that the Secretary of the Department of Overseas Trade had some conversations last week with Herr Wohltat of the German Ministry of Economics. In the course of these talks Mr Hudson appears to have sketched the outlines of a possible basis for peaceful agreement between Great Britain and Germany. The details vary from one account to another, but the substance of them all is that Germany was to abandon the use and threat of force and initiate a substantial measure of disarmament. To assist her in the adjustments that such a change of course would involve Great Britain would join in making a loan to Germany of an amount variously reported at £100 and £1,000 millions. Mr Hudson is not a member of the Cabinet and he made it clear, according to the Prime Minister, that he was speaking for himself alone. But Herr Wohltat or his superiors were either genuinely convinced,

or else found it convenient to believe, that they were being sounded on a British "peace plan." They saw to it that the scheme was published.

The idea that there was a British peace plan of this variety under discussion was promptly and properly denied by the Prime Minister. He also took occasion, however, to remark that the holding of such conversations did no harm. To that opinion the most emphatic dissent must be registered. Mr Hudson's conversation with Herr Wohltat did very great harm, as can be seen by the use made of it by German propaganda. The Americans, the Poles, the Russians and—most important of all—those in Berlin itself who are dubious of the wisdom of a military adventure, were all offered another proof that Britain has no stomach for fighting. The denial that the Government has any such plan in mind will never quite efface the painful impression created by the realisation that such plans can be discussed at this time by persons who are on the very threshold of the Cabinet. No member of the German Government has any excuse for not knowing that, if Germany once gives proof of peaceful intentions, Great Britain will be ready to make very large concessions. To harp on this well-known point tells the leading Nazis nothing with which they are not already familiar and makes it harder for them to grasp what it is essential that they should grasp—that if they do not renounce force Britain will fight.

To put forward at this moment even the most reasonable peace plan is, therefore, a profound error. But since this particular peace plan has seen the light of day, it is as well to go a step further and establish that it is in fact based on hopelessly muddled thinking. A disarming Germany would be in no need of loans from foreign countries. It is true that the process of adjustment from the production of armaments to peace-time occupations would present difficulties. But they are difficulties (which would incidentally be shared by other countries) of the transfer of labour and capital. How does £100 millions or even £1,000 millions in foreign exchange help to find an unemployed gunsmith a peace-time job? It is true that Germany is now desperately short of foreign exchange. But that shortage would be cured automatically by disarmament. Germany's imports are not inadequate in total volume—on the contrary, they are higher than almost ever before—the difficulties come from the excessive importation of war materials. Furthermore, a disarmed Germany, with her disciplined industry, her exchange controls and her disregard of normal costs would be admirably placed to begin a gigantic export drive. Indeed, if peace were now suddenly to break out, it would be Germany rather than France and England that would best be able to lend large sums of money.

It is not very often that *The Economist* finds itself in agreement with the Nazi press. But Dr Goebbels' minions are quite right in saying that the Hudson plan is based on a complete misunderstanding of the German position. The Weimar Republic needed foreign loans because its problem was that of meeting heavy liabilities in foreign currencies. The problem of a disarming Nazi regime would be the entirely different one of finding work for the men released from the defence industries.

The moral of the Hudson episode would therefore seem to be twofold. In the first place it is all too evident that a lot of hard thinking about the possible bases of accommodation between the democratic and the Nazi systems needs to be done since the only idea of the highest quarters seems to be to pay danegeld. But it demonstrates even more forcibly the necessity of not doing that thinking aloud. As a nation, we have only one task in the next few weeks—that of proving that we are not too proud or too soft to fight. Only by being utterly uncompromising now shall we earn the chance to contribute to a useful compromise in the future.



## Power in Emergency

IN a statement in the House of Commons last week the Minister of Mines disclosed the broad outlines of official plans for the control in war-time of coal, a commodity not hitherto covered by any scheme for emergency reserves or distribution. There can, of course, be no anxiety concerning the physical reserves of unmined coal in this country, but ready availability is a different question, and the existence of a scheme which can be put in hand at short notice is thus to be welcomed. Production is being safeguarded by retaining coal-mining as a reserved occupation, nor has the supply of materials and machinery been left out of account. Supplies of coal and pithead prices are to be regulated through existing selling schemes, each coalfield will have a coal supplies officer, and distribution will be controlled on the basis of Civil Defence regions, while exports are to be permitted only under licence. In the event of insufficiency, the supply of coal to large industrial consumers is to be regulated by a system of priorities, and to domestic users by rationing (based on a proportion of previous consumption), subject to the unrationed purchase in any one year of two tons of coal and 100 therms of gas or 200 units of electricity.

But these are schemes to be put into effect if war starts. What has been or is being done in actual fact to equip suppliers of power to meet the difficulties of war conditions? The Civil Defence Act is concerning mainly with the safety of personnel, but for public utilities there is a further emphasis: upon "measures to ensure due functioning." Discussions have been taking place well in advance of the Act, whose importance for public utility undertakers lies more in the legal sanction given to work already put in hand than in the fresh requirements it contains.

The actual physical protection of employees and equipment is not essentially different from the same problem for industry generally, and as far as remedies against dislocation are concerned, the electricity industry has already progressed a long way. One enormous advantage is available, war or no war. The mere existence of the Grid is a great safeguard against prolonged or serious interruptions of supply, and for 1938-39 the capacity of the stations of authorised undertakers was 1,268,000 kilowatts in excess of maximum demand. With an inter-transmission system there is normally no need for very large reserves of capacity, and owing to exceptional factors in 1938-39 the 16 per cent. margin in that year is considered to understate the real spare capacity. This reserve, however, appears less adequate for increased industrial production required by war or near-war conditions, or for any destruction once hostilities had broken out. Thus, in addition to the normal orders placed annually by the Central Electricity Board—the 1938 programme required a net addition of 824,500 kilowatts—plans have recently been authorised for fifteen new generating stations, of which thirteen are to provide a capacity of 1,200,000 kilowatts within ten years. This is a very substantial addition, though, of course, the placing of such orders cannot make much difference to the immediate future.

The advantages afforded by the Grid in war-time are naturally dependent on reducing the chances of any long breakdown in transmission to a minimum. Thus, during last winter the Central Electricity Board arranged for the placing of orders to a total value of £3 millions for transmission equipment—transformers and switchgear—and it is understood that satisfactory progress is being made with the execution of these orders. Powers to take this step are confirmed retrospectively by the Civil Defence Act, which also provides that the Central Electricity Board shall be the instrument for paying capital expenses of works to

ensure "due functioning" by the separate undertakings. The Central Electricity Board is to control a fund for meeting the necessary expenses. This fund will receive Government grants up to 50 per cent., and powers are given to raise loans up to a total of £1,500,000. The security for any such loan, and the source of annual charges and of any remaining expenses, would be a levy on the industry made by the Electricity Commissioners.

So far as equipment is concerned, the main steps seem to be well in hand, and it would appear that in the matter of fuel supplies also, gas and electricity companies have not been behindhand. The main feature of the public supply of power is its overwhelming dependence on a single fuel—coal. Gas companies use some 18½ million tons of coal annually, and over 95 per cent. of electricity output by authorised undertakers is generated by steam turbine. The whole power industry is therefore in normal times highly dependent on the smooth working of the transport system. It has been recognised for some little time that it is essential that suppliers of power should have sufficient stocks on hand to enable them to tide over any period of transport dislocation that might arise at the beginning or even during a war, when facilities for rail, and more particularly coastwise, traffic are needed for more urgent work, or at best require reorganisation. Unfortunately, the size of coal stocks held by industry as a whole is not known. But a very rough guide can be obtained from the accounts of two important users. At the end of 1938 the Gas Light and Coke Company had 556,424 tons of coal in stock, representing about eight average weeks' supply, again 499,664 tons at the end of 1937. So far as can be judged from the stock values disclosed in the balance sheet, London Power Company had about two average months' fuel supplies on hand at the end of 1937, but some 3½ months' at the end of 1938. Utility and industrial companies have been encouraged to lay in additional stocks of fuel and to keep them as high as possible, and the recommendations of the Mines Department were reinforced last week, when the coal rationing scheme was outlined, by a more general request by the Government for all users of coal to acquire further supplies. The precise extent of response to earlier appeals is unknown, but there are broad indications that many undertakings have been fully alive to their responsibilities. It is probable that in some quarters the stocking-up process has been going on quietly for some time, and in April and May particularly it was reported that heavy orders were coming in from electricity companies, from gas companies in the South of England, and from large industrial users. Since the latter part of April, weekly coal output has exceeded that for the corresponding weeks in 1938, and though increasing evidence of industrial revival and better exports makes it unnecessary to assume that orders for emergency stocks are responsible to any major extent for this situation, reports in the spring from mining districts pointed to a certain amount of stocking-up. And some companies have even bought land to make room for their additional supplies.

But any action taken by utility companies by no means represents all that needs to be done. The relative importance of different industrial groups as users of fuel can be judged roughly from available information on coal consumption. In 1937 electricity and gas companies between them took no more than about 33 million tons of coal, or 18 per cent. of the amount available annually for home consumption. And taking electric power alone, the 1935 Census of Production showed that 26 per cent. of total electricity output was generated by industrial plants themselves. Nearly 100 million tons of coal were used in 1937

by factory industries, domestic consumers and institutions (that is, the residual consumption of coal after deducting that of utility companies and large users such as the iron and steel trade, railways and the coal mines themselves). If domestic and institutional consumption is put at 35 million tons, power-raising in factories takes 65 million tons, or considerably more than gas and electricity companies together. Thus, while public suppliers of power have the added responsibility that others are dependent on their functioning, stocking-up by factories large and small is scarcely less important.

Is any action required other than mere exhortation to keep higher stocks? Expenditure of public money need not be asked for—nor indeed is it proposed. If the annual consumption of coal for all purposes in this country is put at 190 million tons, a month's supply would cost, say, £16 millions, and 5 per cent. interest on this, £800,000. The interest charge on funds so locked up is a burden which could readily be borne by users, industrial and domestic. For businesses whose coal bill is a high proportion of total costs, however, to find additional working capital would be an inconvenience—but no more than an inconvenience, even if money had to be borrowed or cash assets reduced. It is after all not unproductive expenditure like work on A.R.P., and, apart from the interest charge, does not represent an absolute loss. Limitations should be considered not so much financial as physical: the availability under normal conditions of production of the appropriate types of coal and users' storage space. In May it was estimated that as a result of abandoning old or unremunerative mines, certain

coalfields were operating within 5 per cent. or 7 per cent. of their normal limit. But there are no signs of any general strain, and complaints—frequent in the earlier days of the selling schemes—of difficulties in obtaining the right qualities of coal are more rarely heard.

The financial aspect of the problem is not such as to justify any assistance from public funds, nor does there appear to be any need for large centralised stocks of coal unless there is a possibility of labour shortage. The aim of emergency stocks, in fact, is to save transport, not to guard against any eventual shortage of coal, and the solution lies in a dispersal of supplies to the places where they will be used.

The most that seems required is that industry should be reminded as often as need be that it must help itself. It would hardly be practicable to prescribe rigidly what stocks of coal separate factories should keep, though it has been suggested that in all some six or eight average weeks' supply should be kept in hand. The Civil Defence Act, however, requires industrial undertakings to report to their factory inspectors what measures are being taken to ensure the safety of employees, and it would be equally appropriate for them to report, if and when they are required to do so, what steps have been taken to acquire extra stocks of coal or other fuel. It would seem that in the matter of the generation of power in war-time this country's state of preparedness is reasonably satisfactory in principle, but nothing absolves industrial users of coal who have not already taken action from acquiring as large additional stocks as their resources permit.

## Italy in the Mediterranean

IN 1926, in the first years of his supreme power, Mussolini confirmed the fundamentals of his foreign policy by saying of the Italians that: "We are a Mediterranean people; and our destiny, without imitating anyone, has been and will always be upon the sea." Ten years later his policy had not changed and his text was the same. "Little by little the Italians must gain an insular mentality," he said in November, 1936, "for that is the only way of conceiving the nation's problems of naval defence. Italy is an island plunged in the Mediterranean. If for others the Mediterranean is a thoroughfare, for us it is life."

Upon this text the propagandists of Fascism have erected a claim to Italian domination in the Mediterranean which, among its more enthusiastic promoters, is directly associated with the Imperialism of ancient Rome. The doctrine of *mare nostrum*, Italy's living-space, has become the Fascist equivalent to Hindenburg's *Was Deutsch war muss wieder Deutsch werden*. An attempt is made in this article to examine these "vital interests" which Italy claims to have in the Mediterranean from an economic and also from an ethnographic standpoint.

The first question to be asked is whether Italy's commerce with the Mediterranean countries is so vital that her economic life cannot continue without the markets and raw materials which they provide. Table I on page 206 is an answer to this question. A study of it shows that only about 14 per cent. of Italy's total foreign trade is done with the countries that fringe the Mediterranean. And it may be pointed out that the share of the Mediterranean countries in the trade (average of import and export) of the United Kingdom itself amounts to 12 per cent. With a volume of total trade far greater than Italy's it seems that Britain would be at least as justified as Italy in proclaiming the Mediterranean to be part of her *Lebensraum*.

The comparatively small proportions of Italy's trade that are done with Mediterranean countries, 15 per cent.

compared with 25 per cent. with Germany, 11 per cent. with the United States, and 7 per cent. with Argentina, Brazil, Chile and Uruguay, may be explained by the fact that economic conditions are much the same throughout the Mediterranean. No one part of its littoral is really the economic complement of another. This explanation is made evident in Tables II and III. If France, which in this context cannot be thought of as a wholly Mediterranean country, is left out, the tables show how, apart from import of edible oils and fats and export of textiles, Italy's vital imports and important exports come from and go to countries which are beyond the shores of the Mediterranean. On the basis of the trade figures, in fact, Italy's *Lebensraum* lies not in the Mediterranean but rather in Germany and in the Americas. Yet it may be doubted whether the *Lebensraum* theory, when thus pinned down to facts, would find much response in those parts.

But there is another basis for the view that the Mediterranean is Italy's vital living space. Lately it has become the totalitarian fashion to construct a title to property from the number of *Volksgeossen* resident abroad. The number of Italians living in the various Mediterranean countries, and their proportion to the total population of those countries, is calculated, according to official figures, in Table IV. It will be seen that the only places where the ratio of Italians to total residents is at all important are Tunis and France. There the proportion of Italians is 3.6 per cent. and 2.8 per cent., respectively. On the Italian side, it is argued that these two figures would be far higher if they included those Italians who have been forced to adopt French citizenship; but, apart from the doubtful value to be placed here on the word "forced," this argument ceased to count for much after the Tunis-Corsica-Nice claims spurred Italians, both in Tunis and in France, to demonstrate fervently for the land of their adoption. Millions of Italians inhabit the Americas, at least five or six times as

many as all the Italians in the non-Italian Mediterranean; yet Signor Mussolini would appear more than unrealistic if on such grounds he made a claim to *Lebensraum*.

A third basis for the claim to living space around the Mediterranean is that an expanding population must find room to occupy abroad. The soundness of this argument, however, is weakened by the manifest fact that the Italian Government is doing much, by its restrictions on emigration, its calling home of emigrants, and its emphasis on the need for a higher birth rate, to aggravate the over-population from which it is claimed that Italy is suffering. The Italian claim for more living space based on the argument of over-population may indeed be stronger than the similar German contention, for Italy's net reproduction rate is higher, and Germany is employing in her fields this year 113,000 foreign labourers. Yet it is still not strong enough to bear critical examination.

There remains the question of Italy's actual stake in the borderlands of the Mediterranean. What capital interests has she to protect and further? No figures are available of Italy's investments in Mediterranean countries, but they are in no way comparable to those of Britain and France. Their largest concentration is in Egypt, especially in the cotton and onion trade, where, through the Banco Italo-Egiziano and the Banca Commerciale Italiana, they run second to those of Britain; for Alexandria's connections with Venice and Trieste have always been close. Italians settled in the South of France must also control a considerable amount of business. In Spain, Italian interests were never of leading importance, and it may well be that, even after the changes effected by the civil war, they still fall short of those of Britain, France or Germany. For the future, the prospects of expansion in Spain seem to point rather in Germany's than in Italy's direction. It is under-

stood, for instance, that the branches of the Banca Nazionale del Lavoro established in Spain have failed of their purpose of recovering Italy's expenditure on the war by arranging Spanish exports to Italy. In other Mediterranean countries Italian investors are scantily represented, and the State scarcely at all. In Yugoslavia Italians have money in the lumber trade; in Turkey they have undertaken public works; and only in the "dominion" of Albania have they a leading place. The Levant Fair that illuminates the Adriatic town of Bari once every year stands on propagandist rather than economic grounds, though Italians may claim with increasing truth that their shipping lines and air services are indispensable to the passage of the Mediterranean.

The fact of the matter is that Italy's claim for the Mediterranean as her exclusive living space springs not from economic or ethnographic circumstances but from the psychology of a Mediterranean people whose Government is set upon a policy of expansion. When Signor Mussolini proclaims that the future of Italy is with the Mediterranean he can appeal to a deep sense of tradition. If he were content to claim that no one Power should dominate the Mediterranean, he would have as much justification as British statesmen who demand, and have demanded, the independence of the Low Countries. But, in claiming that domination for himself, he trenches hard upon the rights and the security of other nations. If he wishes Italy to expand without meeting the armed opposition of those nations, he would do well to remember that their policy is exactly that which was proclaimed by San Giuliano, the Italian Foreign Minister in 1913, when he said: "No one has the right to call the Mediterranean *mare nostrum*; it must remain a free road for all nations."

## NOTES OF THE WEEK

**Irish Terrorists.**—It was largely as a measure of preparedness against an emergency that the drastic Prevention of Violence Bill, made law this week, was drawn up. It is true that 127 bomb outrages by the Irish Republican Army since the New Year had done much damage to property and caused some alarm. But, until this week's savage outbreaks at King's Cross and Victoria, the explosions had been deliberately contrived to avoid harm to personal life and limb; and it was by no means sure that, in themselves, they gave a completely convincing argument in favour of the extremely drastic powers of search, arrest and deportation which the Bill proposes to give to the Home Secretary and the police. Actually, it is the known plans of the I.R.A. for the future and the possibility of a "more ruthless" campaign (now, it would seem, already set out on its despicable way) coinciding with a European crisis as well as with winter darkness that have evoked this Bill. No one this week in the Commons was prepared to contest the Home Secretary's statement—without the evidence, which must be secret—that such a campaign was contemplated and that it was being "closely watched and actively stimulated" by a foreign Power. Only seventeen Members voted against the Bill's second reading; and the grim urgency of the distasteful measure was underlined by events while the House was still deliberating it. But there remained, and still remains, ground for disagreement about the details of the Government's proposals. In the first place, it is never wise to give to the executive the blanket powers that this Bill accords to the Home Secretary; and remembrance of past clashes with the Irish does not weaken (to say the least) the suggestion that it is a member of the judiciary rather than a Minister who should be required to decide when these extraordinary powers should be exercised. In the second place, it has still to be proved that it is needful to go so far in departing from the accepted principles of English justice as to leave out entirely any machinery of appeal whereby innocent people might prove their guiltlessness. Admittedly the whole purpose of the Bill is to deal with *suspects* summarily; and such steps are without doubt needed. But it should still be possible for suspected persons, at some stage, to appeal and clear their names; and the Home Secretary's concession that an independent examiner with legal qualifications would be appointed to go into cases of objections against expulsion orders was generally welcomed.

**Danzig Waits.**—The Danzig situation shows no change. There is still the substance there of a major European crisis. There is still no reason at all why such a crisis should ever occur, as the League High Commissioner in Danzig emphasised on Wednesday. Not even in the most partisan utterances of Nazi spokesmen or German newspapers has any evidence been given to disprove the fact that the present status of the Free City is eminently workable and fair to both parties. Yet the creation of a crisis continues. A week ago a Berlin statement rejected a settlement by war, but claimed that the incorporation of Danzig in the Reich must be allowed unconditionally; and a *riposte* from Poland, while similarly discounting the need for any conflict, once more refused to contemplate such a transfer. Meanwhile the militarisation of the Free City by the Nazis goes on, though Mr Butler in the Commons has discounted its importance. A trained and armed band of 15-20,000 men has been openly admitted by the irredentists themselves; and frontier incidents and shootings splutter up sporadically. Herr Foerster, Danzig's Gauleiter, has stated in a speech and in an article in the German Press that, pending the return of the city to the Reich (which must, in his view, inevitably come "very soon"), Danzig is ready for any eventuality. This is mere coat-trailing and the Poles are unmoved. The Nazis of the Free City should know—and so,

too, should their Fuehrer from whom their orders come direct—that any attempt to take Danzig by force would mean a general war with Britain and France on Poland's side. No manœuvre can localise this dispute, because the aggressor's aims are not local. No cloak of conciliation on either side of the diplomatic fence can conceal the fact that the Reich's only reasons for requiring the return of Danzig are strategic; and they look far beyond the Free City itself. The annexation of Memel last March opened a new stage in Nazi foreign policy, for Memel was the first of the old lands of the pre-war German Empire itself to be won back by threat of force. Danzig is seemingly earmarked to be the next; if it is, it is not likely to be the last.

**Japan and the Powers.**—Within a week the two Great Powers whose interests are most affected by the war in China have each taken a fresh step towards defining their attitude towards Japan's advance. On Monday Mr Chamberlain was able to announce in the Commons that a formula had been found in Tokyo for agreement between the British and Japanese Governments preliminary to discussion of the specific question of public order in Tientsin. His Majesty's Government, according to this formula, fully recognises that the Japanese forces in China have special requirements to maintain public order in the regions under their control. This recognition, the Prime Minister claims, is a statement of fact and not of policy; large-scale hostilities are going on in China, and there are wide areas where the invading forces have the responsibility of keeping the peace as well as of ensuring their own security. It will not actually be known whether the British Government has weakened in the determination not to alter its foreign policy under pressure until this general agreement is tested in detail. In Tokyo, Berlin and Rome the agreement has been hailed as a British surrender; in China and in some parts of the United States it has been denounced as a betrayal. But neither in Italy nor in Germany has the inspired Press found it possible to conceal some disappointment that an agreement of any kind was so swiftly secured; and General Chiang Kai-shek has put the true position quite clearly in a statement pointing out that, in law, Great Britain can only make such concessions to Japan as will not conflict with the Nine Power Pact.

As it is, Japan can claim a victory and Great Britain a dignified adherence to principle, and neither can be confuted until specific issues arise to be settled. Not until the results of such talks as are now going on in Tokyo about the actual situation in Tientsin are known will it be possible to say whether, in fact, belligerent rights have been given to the aggressor. The choice between resistance and surrender has still to be made in detail; and it can be reckoned at least as a gain for expediency that the way to continue talks in Tokyo has been found in this manner. Meanwhile, the Americans are not only sceptical about what the British Government is doing; they are also acutely exasperated by the rough treatment meted out to United States citizens in occupied China. On Wednesday, on the initiative of the President and Mr Cordell Hull, and after the Foreign Relations Committee of the Senate had postponed the question, notice was given to denounce the Japanese-American Commercial Treaty of 1911, lock, stock and barrel. This may be the prelude to positive economic action against the Japanese. At any rate, it is a clear indication of the Administration's attitude to certain of the "special requirements" of the Japanese forces in the occupied areas of China; and it may well be intended to assist the British Government in making their latest statement the prelude to firmness rather than feebleness in actual policy.

TABLE I

ITALY'S TRADE WITH MEDITERRANEAN COUNTRIES

|                                   | 1938             |                           |                  |                           |                  |                         |
|-----------------------------------|------------------|---------------------------|------------------|---------------------------|------------------|-------------------------|
|                                   | Imports          |                           | Exports          |                           | Total Trade      |                         |
|                                   | Millions of Lire | Percent. of Total Imports | Millions of Lire | Percent. of Total Exports | Millions of Lire | Percent. of Total Trade |
| Albania .....                     | 60               | 0.5                       | 62               | 0.6                       | 122              | 0.6                     |
| Jugoslavia .....                  | 150              | 1.3                       | 219              | 2.1                       | 369              | 1.7                     |
| Greece .....                      | 92               | 0.8                       | 93               | 0.8                       | 185              | 0.8                     |
| Turkey .....                      | 187              | 1.7                       | 94               | 0.8                       | 281              | 1.3                     |
| Syria .....                       | 27               | 0.2                       | 45               | 0.5                       | 72               | 0.3                     |
| Palestine .....                   | 3                | 0.0                       | 19               | 0.2                       | 22               | 0.1                     |
| Egypt .....                       | 175              | 1.7                       | 263              | 2.6                       | 438              | 2.0                     |
| Tunis .....                       | 69               | 0.6                       | 15               | 0.2                       | 84               | 0.4                     |
| Algeria .....                     | 15               | 0.1                       | 9                | 0.1                       | 24               | 0.1                     |
| Morocco .....                     | 121              | 1.1                       | 53               | 0.5                       | 174              | 0.8                     |
| Spain .....                       | 177              | 1.7                       | 103              | 1.0                       | 280              | 1.3                     |
| France .....                      | 248              | 2.2                       | 321              | 3.1                       | 569              | 2.6                     |
| Gibraltar .....                   | ...              | ...                       | 21               | 0.2                       | 21               | 0.1                     |
| Malta .....                       | ...              | ...                       | 5                | ...                       | 5                | ...                     |
| Cyprus .....                      | ...              | ...                       | ...              | ...                       | ...              | ...                     |
| ITALIAN MEDITERRANEAN POSSESSIONS |                  |                           |                  |                           |                  |                         |
| Aegean Islands .....              | 16               | 0.1                       | 84               | 0.8                       | 100              | 0.4                     |
| Libya .....                       | 54               | 0.5                       | 519              | 4.9                       | 573              | 2.7                     |
| TOTAL MEDITERRANEAN COUNTRIES     | 1,394            | 12.5                      | 1,928            | 18.4                      | 3,322            | 15.3                    |
| WHOLE WORLD .....                 | 11,124           | 100.0                     | 10,379           | 100.0                     | 21,503           | 100.0                   |

TABLE 3

SUMMARY OF ITALY'S LEADING EXPORTS WITH SHARE SENT TO MEDITERRANEAN COUNTRIES (EXCLUDING FRANCE)

| 1938                    | Total Exports    | To Mediterranean Countries (approximate) | Mediterranean Share of Total Exports |
|-------------------------|------------------|------------------------------------------|--------------------------------------|
|                         | Millions of lire | Millions of lire                         | Percentage                           |
| Fruit, vegetables, etc. | 2,438            | 50                                       | 2                                    |
| Textile products        | 2,325            | 588                                      | 25                                   |
| Rayon                   | 878              | 52                                       | 6                                    |
| Motor-cars              | 687              | 10                                       | 1                                    |

TABLE 2

SUMMARY OF ITALY'S LEADING IMPORTS WITH THE SHARE TAKEN FROM MEDITERRANEAN COUNTRIES (EXCLUDING FRANCE)

| 1938                                      | Total Imports    | From Mediterranean Countries* (approx.) | Mediterranean Share of Total Imports |
|-------------------------------------------|------------------|-----------------------------------------|--------------------------------------|
|                                           | Millions of lire | Millions of lire                        | Percentage                           |
| Grain, flour, rice, etc.                  | 405              | 45                                      | 11                                   |
| Vegetable and animal fats, oils, oil seed | 533              | 180                                     | 34                                   |
| Other food, including meat and cattle     | 958              | 135                                     | 14                                   |
| Raw materials for textile industries      | 1,524            | 272                                     | 18                                   |
| Iron and steel                            | 765              | 40                                      | 5                                    |
| Copper                                    | 376              | 4                                       | 1                                    |
| Machines                                  | 747              | ...                                     | ...                                  |
| Coal, earth, and non-metallic minerals    | 1,934            | 130                                     | 7                                    |
| Timber, cellulose, and paper              | 738              | 81                                      | 11                                   |
| Oil, oil products, petrol, etc.           | 906              | 47                                      | 5                                    |
| Skins and hides                           | 278              | 50                                      | 18                                   |

\* Exclusive of France.

TABLE 4

ITALIAN SUBJECTS IN MEDITERRANEAN COUNTRIES

| Country (Date of Census)               | Total Population  | Italian Subjects | Italian Share of Total Population |
|----------------------------------------|-------------------|------------------|-----------------------------------|
|                                        |                   |                  | Percentage                        |
| Albania (1935) .....                   | 1,005,002         | 512              | 0.0                               |
| Jugoslavia (1930) .....                | 13,934,038        | 20,811           | 0.2                               |
| Greece (1935) .....                    | 6,204,684         | 8,288            | 0.1                               |
| Turkey (1927) .....                    | 16,200,694        | 11,573           | 0.1                               |
| Syria (1935) .....                     | 3,630,000         | 1,156            | 0.3                               |
| Palestine (1935) .....                 | 1,035,154         | 624              | 0.6                               |
| Egypt (1927) .....                     | 15,904,525        | 52,460           | 0.3                               |
| Tunis (1931) .....                     | 2,608,313         | 94,289           | 3.6                               |
| Algeria (1935) .....                   | 7,234,684         | 37,000           | 0.5                               |
| Morocco (1936) .....                   | 6,242,706         | 15,645           | 0.2                               |
| Spain (1930) .....                     | 23,907,145        | 4,133            | 0.1                               |
| France (1936) .....                    | 41,907,056        | 1,200,000        | 2.8                               |
| Malta (1931) .....                     | 241,621           | 550              | 0.2                               |
| Cyprus (1931) .....                    | 347,959           | *                | ...                               |
| Gibraltar (1931) .....                 | 21,372            | *                | ...                               |
| Total (approximate) .....              | 140,000,000       | 1,450,000        | 1.0                               |
| ITALY (1936) .....                     | 42,444,588        | 42,400,000       | 100.0                             |
| LIBYA (1936) .....                     | 772,999           | circa 60,000     | 7.7                               |
| Aegean Islands (1936) .....            | 140,000           | 16,711           | 11.9                              |
| MEDITERRANEAN COUNTRIES IN TOTAL ..... | circa 183,400,000 | circa 45,000,000 | 24.4                              |

\* Figures not available.



**The Pensions Vote.**—The present Government has never attempted to argue that the Old Age Pensions scale of 10s. per week to persons of 65 years of age and over is generous. It has, indeed, been urged in extenuation that the cost of living has fallen considerably since the present scale was fixed in 1919; but on the other hand there has been no attempt to justify the fact that about 10 per cent. of the pensioners are dependent on supplementary amounts provided by poor relief. The remaining 90 per cent. who manage to avoid recourse to assistance from local rates obviously rely to a greater or less extent on sources of income extraneous to their pensions. The fact that they are able in this manner to achieve a sufficient income for ordinary living purposes is no doubt a tribute to their thrift and to the filial piety of their younger relations; but it does not indicate a state of the social services which can be accepted by any government which aims at a standard at least equal to that achieved in other democratic countries. The desirability of a further extension of existing pensions schemes was, in fact, recognised by Parliament in November last, but the possibility of an immediate improvement was at that time ruled out in view of the financial strain already imposed by defence needs. Since that time the strain has been increased. But at the same time the agitation for more and bigger pensions has also grown steadily. Thursday's censure motion on the subject crowned a series of petitions which undoubtedly expressed a genuine dissatisfaction with the present scales. This feeling was not confined to the actual sufferers, nor only to the members of the Opposition. Indeed, the prospect of a General Election has endowed the subject with unwonted interest to the Conservative benches.

The Financial Statement for 1939-40 estimates the cost to the Exchequer of Old Age Pensions in that year at £49,097,000. To this must be added a payment to Widows', Orphans' and Old Age Contributory Pensions Accounts of £19,950,000, giving a total Exchequer contribution of £69,047,000. In future years, if present population tendencies persist, an increasing proportion will come within the age groups above 65 years. The following table makes use of an estimate by Dr. Enid Charles of future age structure based on the assumption that fertility and mortality rates will continue as in 1933.

|            | Percentage of<br>Population in<br>Age Group<br>60 + | Government<br>Expenditure on<br>Old Age, etc.<br>Pensions at<br>present rates<br>(£ mn.) | Total additional<br>cost of Labour<br>Party's<br>Scheme<br>(approx.) |
|------------|-----------------------------------------------------|------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| 1940 ..... | 13.72                                               | 69                                                                                       | 80                                                                   |
| 1950 ..... | 15.81                                               | 79.5                                                                                     | 90                                                                   |
| 1960 ..... | 17.59                                               | 88                                                                                       | 100                                                                  |
| 1970 ..... | 20.66                                               | 96.5                                                                                     | 118                                                                  |
| 1980 ..... | 22.18                                               | 111.5                                                                                    | 125                                                                  |
| 1990 ..... | 23.74                                               | 119                                                                                      | 133                                                                  |

The Labour party's proposal is for pensions at 65 of £1 per week and 35s. for married couples, together with the reduction of the pensionable age limit to 60. It will be noted that the figures in the third column of the table are for total cost. The Exchequer contribution would be substantially less. Its probable magnitude was, nevertheless, sufficiently great to provide the principal reason for the Government's refusal to do more at the moment than institute an immediate inquiry into ways and means of extending the present pensions scheme.

**Pensions for M.P.s.**—The question of pensions for M.P.s was first raised two years ago when members' salaries were increased from £400 to £600 per annum; and the Bill which was read a third time last week, is based on the findings of the Departmental Committee then set up to consider the matter. Now that membership of Parliament is becoming more and more a whole-time

occupation, so that members have little or no opportunity for providing for their old age out of non-parliamentary work, there might, indeed, be a good case for introducing a full pension scheme; but, in order to avoid public controversy over what is essentially a matter affecting the Commons alone, the Government has wisely gone no further than the recommendations of the Committee, and the House of Commons Members Fund Bill provides, not a pensions scheme for all, but a provident scheme for the few. It is proposed that £1 a month should be compulsorily deducted from Members' salaries, and that the sum of roughly £7,000 a year thereby raised should be placed in the hands of trustees who would give pensions to ex-members who can prove to be in want. It is stipulated that recipients must be at least sixty years of age and have been Members of Parliament for ten years. The maximum amount payable is £150 per annum for an ex-Member and £75 for his widow and children, and assistance will only be given so long as the recipient's total income, including this grant, does not exceed, in the first case £225, and in the second £125, a year. Opposition to the Bill has mainly centred on two points: first, that the pensions would be an indirect charge on public funds; and, secondly, that it is inexpedient for Members to vote themselves pensions at a time when they are refusing an increase in old-age pensions. Both these criticisms arise, as the Prime Minister pointed out, from muddled thinking. The £12 a year is part of the Member's own income which he is free to use as he likes, and he will not even be allowed to set off the deduction against his liability to income tax. Moreover, to confuse a provident scheme of this nature with old-age pensions is merely absurd. Intended as a non-party measure, the Bill should command the support of all parties. But so far the Opposition, who, *prima facie*, will be the chief beneficiaries, have been silent in debate, presumably lest they be accused of self-interest; and it was left to the Tories, one night last week, to wrangle till breakfast time over the details.

**Nearing a Pact?**—It is with a jaundiced eye that rumours of impending agreement in Moscow are read nowadays. There have been too many sharp disappointments since the talks between Russian and British representatives began, close on four months ago, for optimism to be easily aroused; and, while the reminder that it took as long as fifteen months of negotiation to make the Anglo-Russian Agreement of a generation ago may help to dispel the notion that delay necessarily means failure, it offers no earnest from history of that speedy end to the present discussions which the state of Europe and its peace so urgently require. But the latest ray of hope is brighter than most. There is some real evidence to back it. The Prime Minister avowedly hopes to be able to make a statement about the negotiations next week; and it seems certain that, as the Russians have wished for many weeks now, an Anglo-French military, naval and air mission is very shortly to leave for Moscow to supplement the political talks with strategic ones. The fear that, by now, both sides were not really anxious to reach an agreement is accordingly diminished; and the likelihood that some more or less final agreement about the nature and scope of the Pact is now envisaged by the negotiators themselves is equally augmented. Yet, by all reports, the obstacle still to be overcome is the most difficult one—the definition of the kind of "indirect aggression" that would justify the intervention of the Peace Front in the affairs of other States—most difficult because the concept is not clear-cut and because the attempt to define it tends to bring out the worst suspicions that the British Government may have about the Soviet's intentions and *vice versa*. Still, optimism is abroad and, even though pessimism may reappear next week, this week is very justifiably one of high hopes. Nor can it be said, in view of the steady menace of the European scene, that the Pact, if it does come now, will have come a moment too soon.

**Loans to Poland.**—Only the first of the two questions under review in the financial discussions between the British and Polish Governments has after all been settled: export credits up to £8 millions to enable Poland to buy defence materials in this country have already been guaranteed by the British Government and only the technical details have still to be worked out. But the Prime Minister's hope, expressed last week, that it would be possible to introduce legislation before the recess to settle the second question, that of financial aid in cash, has not been realised. As regards the amount of this cash credit, the Treasury, as in all the negotiations to give the Peace Front a sound financial footing, has probably been unduly parsimonious, in view of the tremendous issues that hang upon this new departure in British diplomacy. But there have been two problems other than the amount of the loan: to what extent the cash could be spent in countries other than Britain; and whether any part of the loan could be withdrawn in gold. The former problem was apparently solved in a commonsense way. There are clearly many items of defence equipment that Poland could not readily obtain in Britain or France at the present time, and Sir John Simon stated on Tuesday that the British and French Governments had shown themselves quite willing for Poland to make purchases elsewhere. It is the second problem, that of the form of the cash credit, which has so far defied solution. The Poles have, it seems, asked for some part at least of the cash in gold, on the ground that, by the statutes of their bank of issue, they need gold to back the expansion of their silver currency which is now imperative because of peasant hoarding and the volume of mobilisation expenditure. On the facts as they are known, this request seems scarcely reasonable, and certainly affords no good ground for a deadlock in these vitally important arrangements. It would be a retrograde step to scatter the gold reserve of the Peace Front in small parcels over Eastern Europe; and, even if the Polish proposal was merely to earmark gold in London, the disadvantages of dissipating the Peace Front's ultimate reserves are only slightly lessened. The alteration in their banking statutes to permit the use of foreign exchange in place of gold should not surely present any insuperable obstacles. For the greater part of these negotiations it has been the undue rigidity of the British attitude that has probably been responsible for their slow progress. But on most matters the British representatives have now very sensibly given way; and it is apparently the Poles themselves, despite their claim that they have been rebuffed, who are to blame for the present untimely impasse.

**The Debate on Palestine.**—The Government's announcement of its intention to suspend the immigration quota into Palestine, for the six months running from the beginning of next October, gave rise to a lively but not very conclusive debate in the House of Commons on Thursday of last week. The ground for the Government's decision is the present volume of illegal immigration, and the figures of this are certainly as startling as the consequent decision is drastic. Some 1,300 illegal immigrants are known to have entered Palestine between the 1st April and the 24th May. Since the latter date 3,507 illegal immigrants have been intercepted by the Palestine Government's patrols at sea and on land. During the same period, between 500 and 1,000 are believed to have successfully made their way in through the cordon. And about 4,000 intending illegal immigrants are now in ships on the sea approaching the coast of Palestine in order to force their way into the country. In fact, something like 8,000 illegal immigrants have either entered Palestine already, or set out to make their way in, since the beginning of the present six months' period—compared with the current half-year's quota of 9,050 and the approximately equal figure which it had been hoped to authorise as the quota for the six months running from October, 1939, to March, 1940. Most of Mr MacDonald's critics in the House had no positive alternative to offer to the Government's present policy. But Mr Duff Cooper frankly

proposed that we should denounce our past promises and "say now that it was our policy first and foremost to make a real home for the Jews in Palestine. . . . and to make there an autonomous State where the Jews shall control their own immigrants." Presumably Mr Duff Cooper wanted the whole of Palestine to be embraced in his Jewish State. On the other hand, Captain Cazalet proposed a return to the Royal Commission's policy of partition, while Sir Arnold Wilson suggested the re-union of Palestine with the Lebanon and Syria into a federation of three States, of which one would be Jewish, one Christian, and one Arab. Sir Arnold Wilson did not specify whether his Jewish State was to be of Captain Cazalet's or of Mr Duff Cooper's dimensions. In short, though the Government's policy holds the field, it finds no assured support in public opinion, here or elsewhere.

**An Empire on the Cheap.**—An Empire, like a garden, is a costly amenity. When too little labour and money is spent on a garden in proportion to its size, the weeds spring up and the flower-beds grow shabby and the best plants run to seed. There is danger that a similar degeneration may overtake the British Colonial Empire, if the British Parliament, representing the British taxpayer, is unready to spend more on its needy areas. In 1938-39, according to the latest report of the Advisory Committee to the Colonial Development Fund, grants of £625,000 were recommended to be advanced from the fund. The richer colonies are self-supporting financially and never smell money from the Imperial Exchequer; the Colonial Development Fund acts as a kind of Queen Anne's Bounty for the poor parishes of the Empire. It is not used, however, to subsidise their general budgets, but to promote special schemes of medical or economic research and development which could not otherwise be undertaken. The principle is sound; the trouble is that the fund is not large enough. And the proof of that is the sub-standard economic condition of many colonial peoples. The report of the Committee of the Economic Advisory Council on nutrition in the Colonial Empire, also published this week, reveals a serious state of malnutrition in many communities, resulting in economic inefficiency, prevalence of deficiency diseases, and proneness to general ill-health and early mortality. This undernourishment is partly due to barbarian ignorance and superstitious custom, partly to wasteful and inefficient traditional forms of husbandry from which it is hard to shift native peoples; but one cannot but believe that a more comprehensive and vigorous—and necessarily more costly—campaign of scientific development would do much to remedy the scandal of the Empire's slum parishes, and would be repaid a hundredfold in economic prosperity and human welfare.

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**Obscurities of Civil Aviation.**—The British Overseas Airways Bill was read a third time on Wednesday. Its unpopularity was not lessened by the answers given to some searching questions in the Select Committee. Inquiries as to the basis of valuation of the assets of the two constituent companies met with replies which, although accepted, did not remove the impression that the expectation of continued subsidies has in fact been allowed to inflate the purchase price. An impression which has unfortunately overhung the entire negotiations for a merger has been that the information on which a judgment of its merits may be based has been provided through the persistence of inquirers rather than by the free volition of its promoters. It is still necessary to repeat that a scheme involving so considerable an expenditure of public money must not be framed in obscurity. But there is still no evidence of willingness to enlighten the public. The sudden announcement on Tuesday of a scheme for joint services and the pooling of receipts between Imperial Airways and Air France aroused new misgivings. It has hitherto been possible to rebut the assertion that the formation of the British Overseas Airways Corporation will lead to a reduction of healthy competition by pointing to the continued stimulus of rivalry with foreign lines. But the formation of so close an association between the two undertakings working the Paris route removes that stimulus in a very important section of the field. At the moment Imperial Airways and Air France provide equally efficient services. The new agreement has made it dangerously possible for both of them to be equally inefficient in a few years' time. When so little is being done to clear the atmosphere of suspicion, the announcement of the formation of a London Civil Airports Joint Committee to plan the allocation of air traffic between Croydon, Heston and the new airports at Fairlop and Lullingstone comes as welcome news. The new committee, which is representative of the Air Ministry and the Corporation of London, will advise the Minister on matters affecting terminal airport administration and organisation in the London area. It is evidence of a willingness on the part of the Government to take a positive part in one section of the civil aviation field. Such a willingness would be welcome in other sections.

**Europe, America, and the Refugees.**—A further meeting of the Inter-Governmental Committee on Refugees which was first convened at Evian was held at the Foreign Office last week, and this time there has been some progress to report—though there is still a tragic gap between the openings for the re-settlement of refugees and the number who are in desperate need of help. As regards the openings, the report on British Guiana had been published before the Committee reassembled, and steps have already been taken, thanks to American aid, to arrange for the experimental settlements which the report recommends. Last week the Inter-Governmental Committee had before them further reports on possibilities in Northern Rhodesia, San Domingo and the Philippines; and reports on Dutch Guiana and New Caledonia are also expected. It is estimated—but not certain—that these possibilities in themselves may provide for as many as 100,000 refugees. The average cost per family will be high, for these territories are necessarily all of them on the margin of suitability. Otherwise, it may be presumed, they would have been occupied already. Governmental aid is therefore indispensable, and it is good news that the British Government have been converted to this view, and intend to give direct financial assistance for the permanent re-settlement of refugees. It is even better news that President Roosevelt has invited the officers of the Committee to confer with him at Washington early in September. Settlement will, no doubt, take different forms in different areas and the non-Jewish refugees—both "Aryans" and "non-Aryan" Christians—will perhaps most easily be provided for by being absorbed into one or other of the existing nations of European origin in the overseas world (e.g. the British overseas Dominions and the Latin-American Republics). On the other hand, for Jewish refugees who have not adopted any other religion in

exchange for their ancestral Judaism, it is to be hoped that it may be found possible to arrange for the establishment of new, compact and homogeneous Jewish communities overseas which might rank as annexes to the Jewish National Home in Palestine and might incidentally help to relieve the pressure of Jewish immigration upon Palestinian politics. Such overseas branches of the Jewish National Home might conceivably be established both in the Guianas and in Northern Rhodesia.

**Doctors in War.**—The critical importance of thoroughly organised hospital services in war time is obvious. Both the doctors and the Ministry of Health have now given evidence of their willingness to deal with the problem. It was announced in the course of the week at the annual meeting of the British Medical Association that 96 per cent. of the profession had co-operated in the preparation of a voluntary register of doctors. Local emergency committees have also been set up, whose duty it will be to see that the local civilian services are maintained; and it has been provided that doctors may only be allocated to special duties through the central committees. The scheme has been evolved in consultation with the Ministry of Health, which has also announced the scales of remuneration for hospital medical officers on war work. A scale of charges for doctors employed on a sessional basis has also been fixed. Progress towards the completion of a shadow scheme for dealing with war casualties is now possible. Preliminary arrangements are already being made for expanding the casualty staffs of hospitals and bringing the new machinery into operation immediately on the outbreak of war. The local emergency committees of the B.M.A. are also dealing with the problem of maintaining the private practices of doctors who are allocated to war time duties. War needs are the origin of the scheme, and plans are quite rightly focused on that point alone. But each forward step that is made must strengthen an increasingly widespread opinion that if efficient hospital services can be achieved for war purposes it should be possible to provide them for the less exacting demands of peace time. Every advance towards co-ordination and a rational scheme of finance is a demonstration that the existing chaos is unnecessary.

**Spain Divided.**—It is no less true of civil wars than of wider conflicts that they settle nothing. The differences, ideological, regional, economic, political, social and religious, which rent Republican Spain, remain to vex the victorious Franco, and it does not need the brutal terror and purge reported from Catalonia to underline this fact. There the object of the present repression is to root out Republicanism, Socialism, trade unionism and separatism with equal force. But in high quarters elsewhere, much nearer to the direction of national policy, there are acute divisions. In the space of only a few days one general has been dismissed his command, another has been reported imprisoned and two others have reputedly fallen into disfavour. In each case the alleged offence seems to have been outspoken hostility to any firmer adherence by Spain to the Rome-Berlin Axis; General Queipo de Llano criticised Germany and Italy in a speech at Seville; General Aranda insisted in an interview given to a Lisbon paper upon the need for a neutral policy of no commitments; and the other two generals have seemingly been similarly uncompromising in their opposition to the desire of the Falangists and Señor Suñer to link Spain more closely to the Fascist Powers. The disfavour of the generals need not, perhaps, be given too much weight. Many of the details rest upon rumour, and General Queipo de Llano has been appointed Ambassador in Buenos Aires. But it is not without significance that these comings and goings followed the recent visit to Spain of Count Ciano, reputedly alarmed about the independent attitude being assumed by the Spanish Monarchists; and it is noteworthy, too, that a number of editors and journalists, also

supposed to be against dependence on the Axis, have been dismissed. It is probable that the position now is precisely what it has always been in modern Spain. All the various parties and groups believe in "Spain for the Spaniards," national independence and the neutrality in war that the country's interests and its geography alike advise. But, in their struggle with each other, they look to their affiliations abroad, and a great deal now depends upon two things. Where will Franco Spain finally look for the financial aid urgently needed for the sweeping economic reconstruction that has not yet been begun? And what will be the policy adopted by the victors in the present struggle for control in Spain. Probability, despite the recent tightening of the screw from Rome, is still on the side of Spain's neutrality—although the strongest party organisation at the moment is the pro-Italian directed Falange.

**The New Cabinet in Holland.**—Dr Colijn has at last succeeded in forming a new Government at the Hague. This is good news both for Holland and for Europe. No country would care to find itself without a government during the next two months, and in July, 1939, Holland is in as perilously exposed a position as Belgium was in July, 1914. Dr Colijn is therefore to be congratulated, but it does not look as though he would have a much easier passage with his new Ministry than he had with his last. The new Ministry is a "business cabinet," which is a euphemistic way of saying that it rests on an uncomfortably narrow parliamentary basis. The Catholics and Socialists find themselves bedfellows in opposition—solely on account of their mutual unwillingness to become partners in office, which they could have assumed jointly if they had been willing to go into coalition with one another. No less than five members of the new Ministry have risen to eminence in Netherlands India; and, at a time when Japan is on the warpath in Eastern Asia and in the Western Pacific, it is natural that the Dutch Colonial empire should be strongly represented in the Government at the Hague. Holland is building three battle cruisers for the defence of her possessions in the Far East; but more immediate menace to her security may arise on her eastern frontier in Europe. Jonkheer O. C. A. van Lidth de Geude, who is Minister for Waterways in Dr Colijn's new Ministry, as he was in the one before the last, may yet turn out to be the key member; for a minister whose normal function is to keep the water from invading the dry land may be called upon one day tragically to reverse his normal efforts by letting loose the waters in order to keep at arm's length the even greater scourge of a human invader.

**Local Reserves of Labour.**—The latest regional unemployment percentages for June reveal a striking variation between different parts of the country. In London, the Midlands, the South-East and the South-West the general unemployment percentages were less than 7, in the South-West alone 4.8. But in Northern Ireland the percentage was as high as 20.7, in Wales 16.5 and in the Northern region 14.7. In a leading article in last week's *Economist*, it was shown that, even in industries where the national unemployment percentage was very low, the percentages unemployed in the North of England and in Scotland and Wales were often high. The conclusion was reached that, while full employment was being rapidly attained in the South and Midlands, there were still labour reserves elsewhere. Now, a Ministry of Labour inquiry into the distribution of the registered unemployed by age and duration of unemployment at the beginning of May provides new information about the actual make-up of these reserves. From the results of this inquiry it is possible to calculate the numbers of men who would have been unemployed in each of the five least prosperous regions of Great Britain, if the rate of unemployment and the distribution of the unemployed by age and period of unemployment had been the same there as in the South-Western region; and then to show

the differences between these figures and the numbers actually unemployed and so get some idea, not only of the size, but also of the composition of the "local" reserves of labour available in the regions enumerated. The results of these calculations are shown in the table below:—

"LOCAL" LABOUR RESERVES AT BEGINNING OF MAY, 1939.  
NUMBERS OF MEN IN THOUSANDS

|                                            | Divisions where the percentage of men unemployed exceeded 8 |          |               |          |       | Total |
|--------------------------------------------|-------------------------------------------------------------|----------|---------------|----------|-------|-------|
|                                            | North-Eastern                                               | Scotland | North-Western | Northern | Wales |       |
| Unemployment %                             | 11.9                                                        | 15.0     | 15.5          | 17.8     | 20.0  | ...   |
| Unemployed less than a year                |                                                             |          |               |          |       |       |
| Aged 18-24 .....                           | 7                                                           | 14       | 15            | 9        | 7     | 52    |
| " 25-44 .....                              | 20                                                          | 29       | 43            | 23       | 22    | 137   |
| " 45-64 .....                              | 11                                                          | 5        | 20            | 8        | 12    | 56    |
| Total .....                                | 38                                                          | 48       | 78            | 40       | 41    | 245   |
| Of which Unemployed less than 3 months ... | 24                                                          | 18       | 45            | 14       | 20    | 121   |
| Unemployed a year or more                  |                                                             |          |               |          |       |       |
| Aged 18-24 .....                           | 1                                                           | 4        | 3             | 2        | 1     | 11    |
| " 25-44 .....                              | 6                                                           | 21       | 21            | 14       | 11    | 73    |
| " 45-64 .....                              | 12                                                          | 19       | 24            | 18       | 21    | 94    |
| Total .....                                | 19                                                          | 44       | 48            | 34       | 33    | 178   |
| All unemployed ...                         | 57                                                          | 92       | 126           | 74       | 74    | 423   |

The total number of men constituting "local" labour reserves in the five regions is 423,000, a large number. But 42 per cent. of them have been out of work for a year or more and only 29 per cent. have been out of work for less than three months, while in the South-Western region only 9 per cent. of the men unemployed have been out of work for over a year and 67 per cent. have been out of work for less than three months. In general, men who have been without work for long periods cannot be readily and rapidly re-absorbed into industry. Of the 423,000 apparent "local" labour reserves, probably not more than 245,000, those who have been out of work for less than a year, and not fewer than 121,000, those who have been out of work for less than three months, are available for immediate re-employment. The situations of the five regions are not homogeneous. The North-Western region contains the largest reserves. The least prosperous, Wales and the Northern region, contain comparatively small reserves due to the efflux of young men to other parts of the country. The total of these "local" reserves, though not as large as appears from a comparison of regional unemployment percentages, is equal to about six months' labour supply from school-leavers and other entrants into unemployment insurance. The soundness of a policy of distributing work regionally so as to absorb local reserves of labour is confirmed by this analysis, but their rate of absorption is likely to be more rapid than might at first sight appear.



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## THE WORLD OVERSEAS

## South American Economy

IN South America economic regions bear little relation to the political map. The largest of the ten Republics, the United States of Brazil, is simply the successor to the Portuguese Empire. Spanish America came to be divided during the Wars of Independence, not for racial, national or economic reasons, but as a result of the difficulties of uniting settlements scattered at great distances without effective means of inter-communication. The six new Republics of 1826 were little more than old administrative areas with new names. Of the three Republics that had yet to come, two, Venezuela and Ecuador, themselves old Spanish administrative divisions, were breakaways from the greater Colombian Republic, and Uruguay came into being as a compromise after a war between Argentina and Brazil.

From the standpoint of demography and economic development, therefore, the political map is deceptive. The map on this page shows those parts of the continent where the density of population exceeds 10 per square mile. Vast areas are about as thinly peopled as the Sahara Desert. The only parts of South America that matter at all in population are within 500 miles of the sea; and within two hundred, a hundred or even fewer miles from the sea lies a very large proportion of the continent's ninety million odd inhabitants.

The only well-developed regions are the rich-soiled pampas of Argentina and Uruguay, with at least ten million inhabitants, and the south of Brazil. Most of the 43 million inhabitants of Brazil live along or near the Atlantic coast, and many between Rio and the borders of Uruguay. Two-thirds of the population of the continent live East of the Andes. The remaining third live either on the plateaux, as in Bolivia, along central valleys between the watershed and the Pacific Ocean, as in Chile or Colombia, or along the coast itself. Contrary to general belief Colombia in the North-West with 8½ million inhabitants, and Peru with 7 millions have larger populations than Chile, with only 4½ millions (largely clustered in the Mediterranean region around Valparaiso and Santiago).

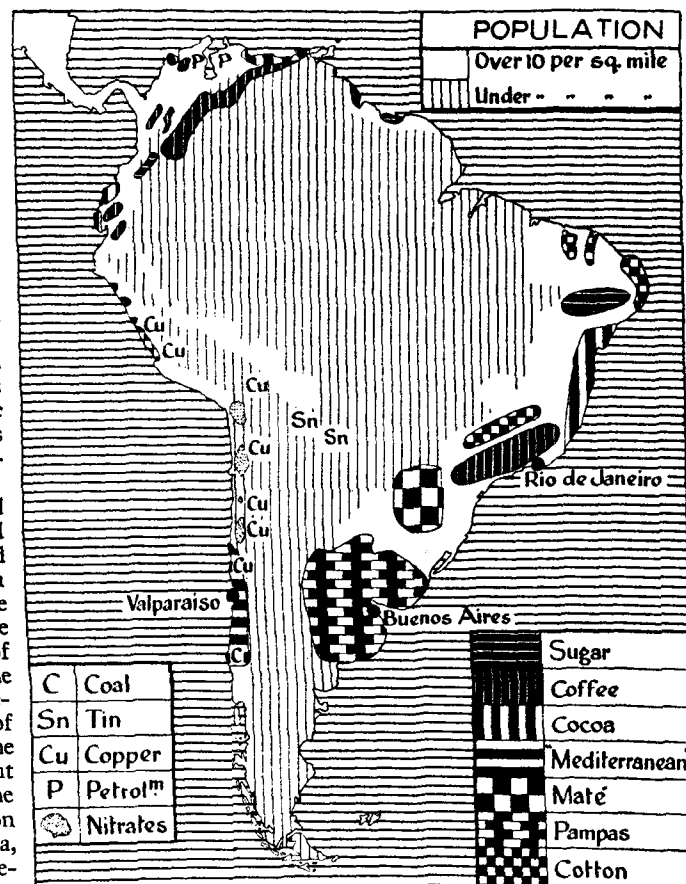
The prime and common feature of all South America's economic regions is that—despite the existence of great modern cities like Rio, Buenos Aires and Valparaiso (ten

million South Americans live in towns of more than 200,000 inhabitants)—none have yet passed the "colonial" stage of development. Only a small part of domestic consumption and no machinery are home produced, while exports, almost without exception, consist of either raw foodstuffs or raw industrial materials.

It is even more important that these products are few in number. It is not merely that the prosperity of each Republic depends on the export of one or two or occasionally three commodities. On the basis of the three years 1935, 1936 and 1937, Argentina—with the widest range of exports—depends on wheat and maize to the extent of 40 per cent. and meat to the extent of 15 per cent. On the same basis, Uruguay depends on wool and meat to the extent of two-thirds of her exports; Brazil on coffee and cotton (nearly two-thirds); Chile on copper and nitrates (70 per cent.); Bolivia on tin (over 70 per cent.); Peru on petroleum, cotton and to a lesser extent copper (three-quarters in all); Colombia on coffee, petroleum and gold (90 per cent.); and Venezuela to the extent of 90 per cent. on petroleum alone. But in addition the exports of the Republics vary greatly in value. Last year more than a third of South America's total exports, or about £100 millions, came from Argentina and Uruguay, and mainly from the region of the pampas; a fifth, or about £60 millions, from Brazil; and not much under a fifth consisted of petroleum from Venezuela. All the other Republics together accounted for only a quarter of the exports of the continent. One-half of the continent's exports is made up of cereals, petroleum and coffee. Another quarter, or a little over, is constituted of meat, linseed, cotton, wool and copper.

This list is not the same as it was before the war, or even in 1929. In Brazil rubber has been replaced by cotton. In Chile nitrates have yielded first place to copper. Sugar has ceased to be important and petroleum, once very small, now vies with cereals to be the most important export of the continent.

But these changes have not expanded the number of export commodities; and since 1929 this paucity has proved a dangerous weakness. The Great Depression was followed by a failure of international trade to revive to the same



PRODUCTION IN SOUTH AMERICA \*

|                       | 1913  | 1929   | 1937   | 1938   |                       | Pre-war average† | Pre-depression average† | Recent average† |
|-----------------------|-------|--------|--------|--------|-----------------------|------------------|-------------------------|-----------------|
| 000's omitted         |       |        |        |        | 000's omitted         |                  |                         |                 |
| Petroleum metric tons | 303   | 26,094 | 35,545 | 35,927 | Wheat ... metric tons | 4,912            | 7,970                   | 7,476           |
| Nitrates ... do.      | 2,772 | 3,165  | 1,438  | 1,405  | Maize ... do.         | 9,078            | 13,120                  | 15,260          |
| Copper ... do.        | 72    | 382    | 453    | 390    | Coffee ... do.        | 903              | 1,663                   | 1,814           |
| Tin ... do.           | 27    | 47     | 27     | 29     | Cocoa (E) do.         | 87               | 114                     | 144             |
| Gold ... kilos.       | 94    | 18     | 42     | 45     | Sugar ... do.         | 763              | 1,931                   | 2,093           |
| Silver ... do.        | 408   | 911    | 900    | ...    | Cotton ... bales      | 120              | 198                     | 501             |

\* Ten Republics and the Guianas.

† In the case of agricultural products the figures are as nearly as possible averages of the five years ended 1913, 1929 and 1937, respectively. Meat production of Argentina, Brazil, Chile and Uruguay rose from about 2,880 thousand tons in 1929 to 3,420 thousand in 1937. (E) Exports.

## French Taxation and Borrowing

[FROM OUR PARIS CORRESPONDENT]

TAXATION receipts in June were 4,393 million francs or 1,085 million francs more than in June, 1938. The turnover tax produced 1,118 million francs, or 336 million francs more than a year ago and 109 million francs more than the estimates. For the first six months of 1939, receipts thus amount to 24,927 million francs, that is 5,150 million francs (or 25 per cent.) more than for the same period of 1938. These results, which take into account the produce of new taxes, including the armament tax, explain the recent declaration of M. Reynaud that the ordinary Budget was at last balanced.

The Minister of Finance has also published particulars of the situation at the end of March of the Equalisation Fund, which show that the stock of gold rose from 34,776 kilograms or 2,067 million francs in October, 1938, to 495,942 kilograms or 18,835 million francs now, after a cession to the Public Funds Equalisation Fund of 50,000 kilograms or 2,000 million francs gold.

Repatriation of capital, good fiscal returns and the progress of industrial production seem to have left the Stock Exchange quite indifferent during the past six months as the following index shows:—

|                                        | July 16, 1938 | Dec. 31, 1938 | July 15, 1939 |
|----------------------------------------|---------------|---------------|---------------|
| French stocks .....                    | 207           | 244           | 231           |
| Public funds and debentures .....      | 76.1          | 88.3          | 84.4          |
| Stock market activity (turnover) ..... | 38            | 46            | 12            |

The markets are, in fact, overshadowed by the fear of new international troubles, a sentiment which appears still more marked in Paris than in London and New York.

This double conjuncture—stability of the franc and equilibrium of the ordinary Budget on the one hand, and stagnation on the Stock Exchange on the other, has resulted in the accumulation of fresh capital in the money market, which should facilitate the financing of re-armament by short term borrowing. Borrowing will reach this year nearly 50,000 million francs, the effort towards budgetary amelioration having been balanced by an increase of war expenditure. It has nevertheless been possible to obtain the amount required without any increase of the rate of interest. There has even been a successful lengthening of the average term of Treasury borrowing.

After the creation of the 3-year National Defence Bond a two-year Armament Bond has been launched by M. Reynaud. The first, which carries 4 per cent. interest, seems to have a special appeal to private investors, who prefer middle-term to long-term investment. The appeal is strengthened by the fact that it is exempt from income tax and offers a good refuge against Government demands at a time when the control of incomes has been reinforced by the last decrees. The Armament Bond, on the contrary, will be subscribed from the funds of private companies. Its characteristics are very reminiscent of those of the former 2-year Defence Bond. It is actually a Treasury bond, and its produce goes direct to the Treasury. There is no maximum issue as in the case of the Defence Bonds.

So long as there is no new attraction towards foreign markets and no accelerated rise in French prices, the financing of re-armament is thus secured. The first eventuality is excluded as long as the fear of international complications persists. If hopes of peace should revive, on the other hand, the French market would no doubt benefit at once from the huge sums which still remain inactive and an entirely

extent as production. Expressed in pounds sterling, South America's exports last year were 37 per cent. lower than in 1929; and the trend of the terms of trade in the last decade has been decidedly unfavourable. The output of most of South America's agricultural products, and also of copper and petroleum, has continued to expand, as is shown by the table, but the prices of all the important commodities were lower in 1937 than in 1929. In the case of coffee, the demand is so inelastic that the increase of 40 per cent. in the volume of Brazil's exports in 1938, compared with the previous year, caused such a fall in price that the total value of Brazil's exported coffee was actually reduced by 10 per cent.

The exceeding vulnerability of the South American economy, based as it is on a limited range of exported commodities, has been a powerful stimulus to the development of new lines of production—particularly those with markets at home or in the United States. The means to do this are largely lacking. The unfavourable trend of the terms of trade has already made it difficult for South America to pay interest on foreign capital and a fortiori the prospects of floating new loans abroad are poor. The shortage of capital is rendered acute by the poorness of communications. South American railways are for the greater part at a very early stage of development. The pampas and South-Eastern Brazil are well served, but over the rest of the continent railways—largely isolated from each other—are not independent means of communication, but rather perform the function of "feeding" ports on sea and river. By far the greater part of goods transport proceeds by water.

## Industrial Development

The resources of the interior of the continent are therefore difficult of access, and the growth of industry catering for domestic requirements is retarded by the need to import coal from abroad. Yet considerable industrial progress is now being made in the ABC States, Argentina, Brazil and Chile. Brazil is now self-supporting in cotton goods; Chile, aided by a coal output which reached two million tons last year, produces at least a half of her requirements of cotton goods, possesses one of the most modern cotton mills in the world and, from her own wool supplies, manufactures her entire needs of the finished product. Argentina, with a much larger population than Chile, has not reached this stage, but now possesses a quarter of a million cotton looms, compared with sixty thousand in 1930, and supplies a quarter of her own requirements of cotton goods. In Brazil, an iron and steel industry has been started on the basis of the vast supplies of iron ore in the State of Minas Geraes. But here, as everywhere in South America, development is retarded by inadequate railways.

The expansion of industries catering for domestic requirements is sound policy at the moment. But, in the long run, the progress of the continent depends on the revival of international trade and the availability of new capital. Germany's barter agreements may prove attractive to the smaller Republics for short periods. But the commodities are few of which German purchases constitute a large proportion of the total supply. The importance of the German market for raw cotton, equal to the British market and taking a third of the continent's exports, partly accounts for German trade influence in Brazil and Peru. But no trading methods can drag the Republics into the German economic *Lebensraum*, for Germany has no capital to spare. Nor, in less degree, has the United Kingdom or any other European State. That is why economic relations with the United States are now of first importance to South Americans.

The United States has for long enjoyed close relations with the non-competitive tropical regions of South America. Before the war the trade was largely triangular and typified by that with Brazil. The U.S.A. took coffee from Brazil and sent wheat and cotton to Great Britain, and the triangle was completed when Great Britain sent manufactures to Brazil. After the war, Great Britain, no longer a large-scale lender of new capital, was gradually eliminated, and United States manufactures replaced British. Even more recently, the United States has started to develop relations with the temperate parts of the continent. The import of Argentine chilled meat is still prohibited on hygienic grounds, but recently President Roosevelt directed the Navy to buy Argentine corned beef. A good deal of American capital has found its way to Chile, and the U.S.A. is becoming an increasingly important market for the subsidiary products of the temperate regions. Moreover, the United States is in a position to supply capital. The recent credit to Brazil is a sign of the times. So long as Europeans are fully employed in preparing for war, the effective development of South America must depend on close economic co-operation with the great North American democracy.

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new situation would be created. Industrial progress as shown, for example, by the increase of exports of metallurgical products in the first six months of 1939 (pig iron: 3,745,000 tons against 3,178,000 in 1938; steel: 3,964,000 tons against 3,230,000 tons, that is the highest since 1931) would certainly provoke a new interest in this group.

As to the second danger—the rise of prices—new decrees will be passed this week and will include notably a reform of the Wheat Office. If this move has any marked effect it may be followed by a very important reorganisation of the Administration and economy. But every one knows that periods of easy money are not in this country favourable to audacious reforms.

July 27th.

## America's Lack of Capital

[FROM OUR NEW YORK CORRESPONDENT]

THE multiplicity of statistical series available in the United States, instead of facilitating the description of our economy, complicates it, and it is increasingly doubtful whether the index of production, which is generally cited as a pointer to the state of business, is an adequate representation of the general economy.

### BUSINESS INDICES

(1923-5 = 100 : adjusted for seasonal movements)

|                                      | May, 1938 | April, 1939 | May, 1939 |
|--------------------------------------|-----------|-------------|-----------|
| Industrial production (total) .....  | 76        | 92          | 92        |
| Manufactures (total) .....           | 73        | 92          | 91        |
| Durable .....                        | 51        | 76          | 72        |
| Non-durable .....                    | 93        | 105         | 107       |
| Minerals .....                       | 91        | 95          | 98        |
| Construction contracts (total) ..... | 51        | 67          | 61        |
| Residential .....                    | 37        | 58          | 55        |
| All other .....                      | 62        | 74          | 66        |
| Factory employment (total) .....     | 83.7      | 90.9        | ...       |
| Durable goods .....                  | 74.1      | 83.2        | ...       |
| Non-durable goods .....              | 92.9      | 98.2        | ...       |
| Factory payrolls (total) .....       | 72.9      | 84.9        | ...       |
| Durable goods .....                  | 64.2      | 80.2        | ...       |
| Non-durable goods .....              | 82.6      | 90.2        | ...       |
| Freight car loadings (total) .....   | 58        | 60          | 62        |
| Miscellaneous .....                  | 61        | 70          | 70        |
| Department store sales .....         | 78        | 88          | 85        |
| Department store stocks .....        | 69        | 67          | 66        |

\* Data not yet available.

The influence of the coal strike is still visible in the May figures. It does not appear that the cessation of coal production was sufficiently protracted to cause any actual shortage, but the quick rebound in production in June suggests that the preceding rather wide-spread slowing-down of industry was induced by a threatened coal scarcity. Our economy has since last October hovered above and below an axis approximating to the level of October, 1938, when the production index was at 96—that is, for about half a year, there has been no distinct trend, but production has stayed on a level mid-way between prosperity and semi-depression, which is not inaptly called stagnation.

Moreover, wide local or regional variations in business activity make any simple picture of the American economy almost impossible to draw. There are parts—and considerable parts—of the country that are undoubtedly more prosperous to-day than they were in 1929, which was a period of perhaps exceptionally diffused prosperity. Other parts—and New York is one—have had little recovery from the depths of the depression; and New York opinion on the general state of the economy, however objective, can hardly help but be coloured by this state of affairs.

But one fact seems to be applicable to the whole economy. If economic saving is defined as the accumulation of a surplus of capital over and above immediate consumption—a surplus utilised or utilisable for increasing future consumption—then our economy has had almost no net saving for ten years. Indeed, it is not impossible that it has actually consumed a part of its pre-existing capital plant. It is computed that when the national income was about \$80 billions the United States maintained a fairly high level of individual and family consumption and “saved” about 20 per cent. to provide for future consumption. With the national income in the vicinity of only \$65 billions, individual consumption has been maintained at a fairly high level, but apparently at the expense of savings. This absence of savings is statistically visible in the figures of new capital issues, which, even including the issues of the Federal Treasury, are far below

the averages of the '20's. To some extent this lack of capital has been made up by the substitution of bank credit—as especially in the financing of the Federal deficit.

It was quite natural that, in the early days of the depression, the emphasis in economic comment should have been laid upon the maintenance of “consumer purchasing power.” With the national income below \$50 billions, as it was in 1932, this problem took precedence in popular thinking over any more general considerations. But, in recent months, it has been more clearly recognised that our economy cannot be maintained exclusively by concentration on consumer purchasing power—if for no other reason than that the annual increment of the population cannot be provided with the tools of productive employment if almost all the national income is devoted to individual consumption.

The next phase is beginning—the phase of emphasis on the need to put “idle” money to work in investment. This rests on the hypothesis that there is an untapped supply of idle money or inactive savings. That there is an unused potential of bank credit is obvious; that there is an uncertain amount of idle capital is suggested by the ratio of bank debits to demand deposits—which is only about half what it was in the feverish days of 1929. But that there is any substantial formation of capital in the economy at present, or that there has been, on an annual average, during the past ten years, is not positively demonstrable by statistics. Further, such data as are available—and they are by no means so adequate as could be desired—suggest that the outstanding fact of our economy is, and has been, an actual scarcity of capital, or absence of savings; and that this absence of savings is intimately related to the problem of so-called “permanent” or “irreducible” unemployment as contrasted with “cyclical” unemployment.

July 18th.

## Argentina and the Fall in Wheat

[FROM OUR CORRESPONDENT IN BUENOS AIRES]

THE Argentine Government's message to Congress announcing the Budget for 1940 was prepared before the recent heavy fall in the price of wheat, but the weakness of cereal prices is cited as one of the most serious preoccupations of the Government. What was said then is even more true now. The Budget deficit for next year is estimated at 167,200,000 pesos, or 27,200,000 pesos more than that expected in the present year. As the Government buys wheat from the producers at the basic price of 7 pesos per 100 kilos and sells it at the market price, the loss on the enormous amount of Argentine wheat still to be shipped is likely to be greater than was expected a short time ago.

The Message says—

“At present it is very difficult to foresee an economic improvement next year in the position of this country. At the best the 1939/40 harvest will find a more regular market, but without any appreciable improvement in value; and it would be rash to attempt to estimate the influence of the future maize crop. The volume of exports has increased compared with last year, but the general fall in prices, especially wheat, has largely neutralised the advantage which would otherwise have been obtained. While the tonnage of agricultural and pastoral products exported has risen by 58 per cent. and 11.2 per cent., respectively, compared with last year, the corresponding values have been higher by only 5.4 per cent. and 5.2 per cent. Furthermore, the position of the international wheat market does not promise an improvement in the rest of this year.”

In 1940 the Government expects general revenue to be 922,700,000 pesos, or 44.2 million pesos more than is expected in the current year—excluding profits from exchange control. The Message quotes from the report of the Minister of Finance for the year 1938:—

“The prosperity of 1937, thanks to the extraordinary volume of exports and to the good prices obtained in the international market, produced a very big surplus in our balance of payments, thus partly offsetting the effects of the poor harvest of 1938 and maintaining unchanged the consuming capacity of the population. Hence, excepting customs and port dues, proceeds of taxation maintained in general a high level.”

Expenditure in 1940 estimated at 1,089,900,000 pesos is considered to be the maximum amount possible and every effort will be made to keep it below this figure. But it would

be vain to hope for any considerable reduction, because excessive economy would only create new problems, such as unemployment and a lower standard of living for the poorer classes, and the remedy might be worse than the disease.

Shortly before the publication of next year's Budget, the Minister of Finance stated that the deficit on the current year, estimated at 140 million pesos, could be covered almost entirely by funds derived from differences in the Free Exchange Market. Although these were reserves accumulated over a period of years, he said, it was quite justifiable to use them for this purpose, as they were intended for times of emergency. This was not including the profits obtained in the Official Exchange Market which were intended to provide for the needs of the Grain Regulation Board.

Since wheat is quoted locally at the basic price of 7 pesos per 100 kilos, and the Grain Regulation Board is secretive about the prices which it actually realises, the recent fall in value is not apparent in figures published here, and can only be diagnosed from the prices in foreign centres. But the influence of the weakness of wheat on the price of maize is very striking.

The price of maize has fallen in one month from 6.30 pesos to 5.50 pesos per 100 kilos, while the price of linseed has declined from 15 pesos to 13.85 pesos, and of oats from 4.20 pesos to 3.90 pesos.

The free market value of the peso has not declined appreciably—doubtless owing to the intervention of the Central Bank.

The volume of Argentine exports in the first half of 1939 amounted to 6,705,852 tons against 4,228,230 tons in the same period of 1938—an increase of 58.6 per cent. Owing to smaller prices the value rose only from 712,522,731 pesos to 802,598,949 pesos—an improvement of no more than 12.6 per cent.

July 22nd.

## German Steel

[FROM OUR BERLIN CORRESPONDENT]

UNDER the influence of armaments, steel production in Germany continued to increase greatly in 1938. The production of crude steel reached about 23 million tons (including 673,000 tons from Austria), and was thus 18 per cent. above the 1937 figure and 25 per cent. above 1929. The Four Year Plan quota for 1940 was already attained in 1938. This progress in Germany was the more noteworthy because world crude steel production last year was 20 per cent. below the 1937 level.

The export picture is less bright. German exports of rolling-mill products fell by 25 per cent. in 1938 compared with 1937. This was partly due to a sagging market, as a result of general economic recession, and partly to intensified competition. New rolling mills have been constructed or enlarged in the Northern States of Europe, in Holland and in Australia, and these are now competing with the concerns associated in the International Crude Steel Export Association; and the agreement between the latter and the American producers was not entirely effective. The Cartel had to agree to price reductions in almost all markets.

Domestic sales of semi-finished products have also increased as a result of armaments and the Four Year Plan; but here again export business was injured by the falling-off of English demand and export prices were appreciably lower than in 1937. Total sales of semi-finished goods amounted to 1.43 million tons, against 1.19 million tons in 1937, and 84,800 tons were exported, against 116,700 tons in the preceding year. The output of railway overhead construction material rose by about 30 per cent. to 1.14 million tons, but only 171,600 tons, against 195,800 tons in 1937, were exported. The prices for heavy railway ties remained unchanged; for light rails they fell. Although new iron-saving methods have been introduced in construction generally, domestic deliveries of wrought iron remained last year at the 1937 level, because a large quantity was needed for fortification works. Export prices for wrought iron fell, and total output was about 1,000,000 tons, of which 106,800 tons, against 140,700 tons in 1937, were exported.

The decline in exports of bar iron was more than equalled by greater domestic demand. Total sales rose from 4.23 million tons to 4.64 millions, but only 490,000 tons were exported, against 660,000 tons in 1937.

The export contracts of the crude sheet metal group declined as a result of the Far Eastern conflict, because of the erection in Sweden, Finland, India and South Africa of similar works, and because of the generally uncertain political situation. Domestic demand, however, particularly for

machinery, boilers, containers and ships, remained as high as ever, and total deliveries rose from 1.39 million tons to 1.72 millions: of this total only 148,800 tons, against 192,800 in 1937, were exported, and prices fell. Exports of fine sheet metals declined by a third, from 125,500 tons in 1937 to 80,300 last year, but domestic demand was so great that a stop had to be put to acceptance of new contracts, and total deliveries rose from 1,240,000 tons to 1,280,000 tons.

### Raw Material Stringency

In the first half of this year German pig iron production (including Austria) has risen to 9,830,000 tons, compared with 8,960,000 tons in the same period of 1938. The raw material situation of the iron industry, however, is still very precarious. According to figures issued by the Reich Bureau for Business Expansion, between 65-70 per cent. of the iron is made from foreign ores, and only about 15 per cent. from domestic ores. The rest is derived from scrap.

Iron ore imports require a yearly sum of Rm. 250-300 millions in foreign exchange, of which Sweden gets the main share. British competition is becoming increasingly strong in the Swedish market, especially since Great Britain has been using the Thomas process, for which it buys yearly about 4,000,000 tons of Swedish ore. Research into domestic ores in the Salzgitter section, where the Goering works are being built, has shown that the mines there contain about 250 million tons. They would last for about 42 years if they were to be used to cover 30 per cent. of the pig iron used in Germany, but the percentage is to amount to only 15 at present. The prime costs of the Goering works for the production of iron from domestic ores should not be higher than the costs of other domestic foundries as long as coal can be delivered cheaply. It should be remembered, however, that the Goering works are burdened with capital costs four to five times higher per production unit than other similar undertakings.

July 24th.

## Crops and Contracts in Canada

[FROM OUR OTTAWA CORRESPONDENT]

ALL reports agree that, owing to the continuance of an adequate rainfall throughout June, Western Canada is now assured of a good wheat crop. Optimists expect that results may even equal the record of 1928, when the total yield was 544 million bushels. In practically every section of the prairie wheat belt moisture conditions are far better than in any summer of this decade. Saskatchewan has received since seeding began 50 per cent. more moisture than in the average year. Moreover, the abnormal wetness has effectively held in check the annual plague of grasshoppers and other pests.

On June 28th the Searle Grain Co. of Winnipeg placed the condition of the wheat crop of the three prairie provinces at 123 (base=100 for the average year) compared with 86 at the same date in 1938. The harvest promises to be late. A large proportion of the Western wheat acreage is planted this year with Thatcher and other rust-resistant types, and the danger of damage by rust on the scale on which it has occurred in previous wet years is therefore small. The expectation of a large crop has led to the re-opening of several hundred country elevators which had been closed down during the lean years. All that is necessary now to assure a bumper crop is warm weather accompanied by good showers at intervals. The favourable crop news had a depressing effect

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Reserves: D. Gulden 3,591,961.10

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Vice-Chairman: Sir William Max-Muller, G.B.E., K.C.M.G., C.B., M.V.O., London.

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INQUIRIES SOLICITED



upon wheat prices in Winnipeg, and a week ago new seasonal lows were reached when the July "future" dropped to 58½ cents per bushel, but disturbing news from Europe in the past week has brought prices up again.

### Arms Contracts

There is considerable dissatisfaction in manufacturing circles that Canadian firms have not secured a larger number of contracts for armaments from the British Government. Apart from the contracts placed for aeroplanes, with which progress so far has been disappointingly slow, only a few orders for shells and some forms of equipment have been received. The Canadian Manufacturers' Association has attributed a large proportion of the blame to the failure of the King Ministry to give any assistance towards the securing of armaments orders from Britain. Recently this body addressed a letter to the Premier suggesting that a delegation of Canadian manufacturers should proceed to London with the backing of the Canadian Government to explore the situation.

Following a conference at Ottawa between a deputation from the C.M.A. and a sub-committee of the Cabinet, Mr King issued a statement to the effect that his Government was both willing and anxious that Canadian industries should obtain armament orders from Britain, but that they must deal direct with the British Government. He declared that, if the manufacturers nevertheless decided to send a mission to London, it would have the blessing of his Government. A mission will probably be sent. In view of recent signs of greater interest by the British Government in the possibilities of Canada, such a visit would have considerable importance. It is understood that orders from the British Government for processed aluminium products are behind the recently announced programme of plant extension by the Aluminium Company of Canada, and will contribute appreciably to the capital cost of the extensions. The programme, which will cost \$7 millions, includes a completely new plant at Kingston, Ontario.

June 20th.

## Denmark's Balance Sheet

[FROM OUR DANISH CORRESPONDENT]

A RECENT official survey discloses the balance on capital account between Denmark and foreign countries at the end of 1938. In the course of that year two important loans were raised abroad: one in Sweden by the Government for 30 million Swedish kroner; and one in Holland by the municipality of Copenhagen for 8 million Dutch guilders. Below is given the last three years' estimate of the capital balance. When comparisons are made it has to be remembered that fluctuations are constantly taking place in the various rates of exchanges, and in 1938 the fall in the gold value of the pound resulted in a corresponding drop of about 6 per cent. in the gold value of the Danish krone, and this drop has to a certain extent influenced the position. The figures are as follows:—

#### Capital balance between Denmark and foreign countries

| Liabilities                                                    | At the end of |              |              |
|----------------------------------------------------------------|---------------|--------------|--------------|
|                                                                | 1936          | 1937         | 1938         |
| (In million kroner)                                            |               |              |              |
| Danish bonds abroad .....                                      | 756           | 768          | 785          |
| Mortgage Bank of Denmark and other State institutions .....    | 145           | 170          | 176          |
| Municipalities' consolidated debts .....                       | 395           | 390          | 422          |
| Credit Association bonds and other mortgage bonds abroad ..... | 130           | 125          | 120          |
| Other Danish securities abroad .....                           | 210           | 195          | 190          |
| Other consolidated debt .....                                  | 30            | 30           | 35           |
| Current debts .....                                            | 399           | 394          | 404          |
| <b>Total debt .....</b>                                        | <b>2,065</b>  | <b>2,072</b> | <b>2,132</b> |
| <b>Assets</b>                                                  |               |              |              |
| Foreign securities in Danish possession .....                  | 310           | 315          | 315          |
| Other long-term credits outstanding .....                      | 35            | 35           | 35           |
| Current credits .....                                          | 366           | 467          | 584          |
| <b>Total credits .....</b>                                     | <b>711</b>    | <b>817</b>   | <b>934</b>   |
| <b>Net indebtedness .....</b>                                  | <b>1,354</b>  | <b>1,255</b> | <b>1,198</b> |

The net indebtedness has thus dropped from 1,255 million kroner to 1,198 million kroner.

July 5th.

## Unrest and Activity in Palestine

[FROM OUR CORRESPONDENT IN JERUSALEM]

It is just over three years since the Arab riots in Palestine began. This seems an appropriate occasion to attempt to assess the influence of the disturbances on the economic life of the Holy Land, or at least on its Jewish section.

There is no need, nor indeed is it possible, to belittle the damage that has been done. But the following figures—mostly unpublished hitherto—go far to show the astonishing resilience of Jewish economy in Palestine. To take agriculture first. In 1936 there existed 197 agricultural settlements with about 94,000 inhabitants. In the last three years (that is, from April, 1936–December, 1938) 36 new settlements have been founded, and the 233 settlements now in existence muster a population of 125,000 souls, with an increase in cultivated acreage of about a quarter. Nor have the Jews alone benefited. The Arab population has been able to turn this development to account. Citrus exports have risen from 5.9 million cases in 1935–36 to 15 million in 1938–39, and (according to reliable estimates) the Jewish share of total exports has remained unchanged. At most it has risen by only 6–8 per cent., which means that the Arabs have undoubtedly gained from this increase in trade.

Building, too, shows that Jewish efforts have not been abandoned during the disturbances. In the four biggest cities the following area of new buildings was authorised:—

|                  | (In square metres) |        |           |        |
|------------------|--------------------|--------|-----------|--------|
| Monthly average: | Tel-Aviv           | Jaffa  | Jerusalem | Haifa  |
| 1935 .....       | 37,392             | 16,152 | 15,200    | 32,473 |
| 1936 .....       | 21,769             | 5,330  | 11,716    | 23,572 |
| 1937 .....       | 15,062             | 2,983  | 12,288    | 17,782 |
| 1938 .....       | 12,583             | 1,405  | 6,694     | 7,843  |

Tel-Aviv is an entirely Jewish city, Jaffa one with an overwhelming Arab majority; and Haifa has lagged behind in the last year in spite of its international business importance and the special incentive arising out of its character as a naval port.

It is possible to review the Jewish community more directly. The Jewish authorities have taken several censuses. According to these, the following changes took place between 1930 and 1937:—

|                                | 1930             | 1937              |
|--------------------------------|------------------|-------------------|
| No. of Jewish undertakings ... | 6,100            | 13,800            |
| No. of persons employed .....  | 19,000           | 53,400            |
| <b>Capital</b>                 |                  |                   |
| .....                          | £P 4.3 millions  | £P 21.14 millions |
| <b>Turnover</b>                |                  |                   |
| .....                          | £P 11.8 millions | £P 32.55 millions |

And the large new investments of 1935–37 have so far influenced turnover only partially. During the three years of unrest (1936, 1937, 1938) estimated new investments in the Jewish sector amounted to about £P17½ millions, of which about 50 per cent. went into buildings, etc., and about 25 per cent. into agriculture and land. During the same period the revenues of the Jewish National Funds (Jewish National Fund, Palestine Foundation Fund, etc.) totalled about £P5½ millions, of which nearly a million was raised during the last six months of 1938.

The influx of Jewish capital is coupled with immigration. But the growth of the Arab population has been no less important than the influx of Jewish immigrants. Figures compiled by the Government Office of Statistics of the settled population at the beginning and the end of the period under review give the following picture:—

|                   | Moslems | Jews    | Grand Total |
|-------------------|---------|---------|-------------|
| End of 1935 ..... | 770,000 | 355,000 | 1,242,000   |
| End of 1938 ..... | 834,000 | 411,000 | 1,354,000   |

The growth of Arab population in these years was about equal to Jewish immigration.

The net capital influx itself can only be roughly estimated. The most reliable calculation at hand places it at about £P6 millions for each of the last three years, and this estimate is corroborated to some extent by the trade and banking statistics. And there has been a rising demand for goods from the armed forces. According to official statistics, in 1938 about 19 per cent. of total imports were military stores, and many local industries have been occupied extensively for military purposes. Last year the share of the building co-operatives alone in military work was valued at about £P400,000, and other trades—such as canning, breweries and foundries—have been working for the armed forces.

July 7th.

## Letter to the Editor

### England and Eastern Europe

TO THE EDITOR OF THE ECONOMIST

SIR,—Your article of July 8th on "England and Eastern Europe" represents a clear and, I must say, convincing account of an opinion which seems to have gained wide currency in England to-day. My purpose in writing in reply to it is to draw attention to what in my opinion is the tragedy of present-day British policy which you have epitomised by reference to Mr Churchill's comment that "an Anglo-Russian agreement presents the best chance of avoiding a war and the virtual certainty of winning it if it cannot be avoided." Indeed, I would like to replace Mr Churchill's contention with the assertion that a Russian alliance would go a long way towards making a conflict inevitable, while its existence would render victory at best problematical.

It is almost forgotten that the pattern of European alliances to-day bears to an increasing extent the character of that formidable alignment of the Powers at the time when the world drifted into chaos in 1914. The Anglo-Russian Convention of 1907, originally designed to normalise relations on the Indian frontier and in Persia, developed into an instrument for resisting German aims in south-eastern Europe, soured by the embitterment of the relations of both Powers with Austria-Hungary after 1908. France hoped for security against Germany through the Entente Cordiale. German talk of encirclement was at that time spoken of in London and St. Petersburg as a "myth," while the meeting of King Edward and the Russian Czar at Reval in 1908 led the Kaiser to comment on the former's policy with the words: "He wants war, only another is to wage it, and I am to begin it, so that he doesn't get the odium." To-day many Germans are feeling the same about our Government in spite of reiterated assurances that none of the present treaties will enter into force in the absence of aggression.

Wars are waged because Governments and peoples are prepared to appeal in the last resort to the arbitrament of war. There is no doubt that all Governments and peoples, including the German, are far more reluctant to-day than in 1914 to resort to this desperate expedient. Yet the present is the more dangerous because we have for twenty years failed to realise the implications of the severance of the nations into the "haves" and "have-nots." It is strange that we have learned so little from history that is still memory to many as to repeat within the same century the mistake of seeking security against Germany in an alliance between the nations to her east and her west.

The present dangerous inflammation of British public opinion dates from the brutal annihilation of the Republic of Czechoslovakia. Yet we forget that there was a French military mission in Prague which directed the building of the line of forts on the Northern Czechoslovak frontier. We have forgotten the phrase which was so often heard in England only a year ago, that "the real defence of Britain is in Bohemia." We ignore the abortive French attempt to encircle Germany through the Franco-Czechoslovak, the Czechoslovak-Russian, the Franco-Soviet and the Franco-Polish alliances. In other words, we ignore the Franco-British share in the responsibility for the tragedy of the Czechs.

Ignorance of Germany and of the problems of eastern Europe has led to ignorance of the extreme dangers of the policy of the Peace Front. Ugly though we feel the idea of German ascendancy in eastern Europe to be, we prefer to forget the lessons of the past and to place our faith in policies whose consequences may well be far more desperate, not only for the peoples we hope to protect but for Germany and ourselves. And because our face is set in the direction of "security" through hostile alliances, we have given up the task of exploring patiently the real thoughts and aspirations of the German people or of attempting diagnosis of the fell disease which holds Europe in its grip.

Society of Friends,  
Berlin.

J. ROGER CARTER.

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## Books and Publications

## Shorter Notices

"British Far Eastern Policy." Information Department Paper No. 24 of the Royal Institute of International Affairs. Oxford University Press. 53 pages, 2 maps. Price, 1s.

Mr G. F. Hubbard, writing under the auspices of the Royal Institute of International Affairs, has produced a study of British policy in the Far East that is as valuable as it is brief and to the point. He summarises the main trends since the establishment of official contact between Great Britain and China in 1834, and brings the story right up to date with a reference to the Singapore military conference of the British and French Far Eastern commands last month. It is of some comfort to Western readers to see set down in such manageable compass the essential difference between the old regime of commercial, but not exclusive, intervention by the Western Powers in the affairs of China, and the new regime of exclusive control which it is the aim of the Japanese to establish. Mr Hubbard bears witness to the continuity of British foreign policy, and sketches the way in which that policy has been modified to changing circumstances but never fundamentally altered. He has wisely included as appendices extracts from several important documents; among these is included the correspondence in *The Times* newspaper which cleared the British Foreign Office of the implication of having refused to co-operate with Mr Stimson early in 1932.

"The Plough-up Policy and Ley Farming." By Sir George Stapledon. London. Faber and Faber. 169 pages. 2s. 6d. net.

This book provides a farmers' guide to ploughing up grass land. When to plough, how to cultivate, what seeds to sow, these and other matters are explained by Sir George Stapledon, the pioneer in the cause for better cultivation of grasslands.

"The Agricultural Register 1938-39." Agricultural Economics Research Institute, Oxford. 359 pages. 5s.

The newest issue of this most valuable reference book follows the lines of previous volumes. It summarises the year's events in agriculture, legislation and marketing, import regulation and supplies and prices of farm products and requirements. It is sad to learn that the continuation of this annual is doubtful, but it is to be hoped that larger sales of this year's Register will ensure the appearance of future issues.

## Books Received

*Revolutions and Dictatorships.* By Hans Kohn. (London) H. Milford. 437 pages. 15s. net.

*L'Agricoltura Italiana e l'autarchia.* By A. Mareschalchi. (Turin) Giulio Einaudi, Editore. 140 pages. L.12.

*Studies in Early French Taxation.* By J. R. Strayer and C. H. Taylor. (London) H. Milford. 200 pages. 6s. 6d. net.

*Europe Overseas.* By S. J. B. Whybrow and H. E. Edwards. (London) J. M. Dent and Sons. 180 pages. 5s. net.

*Man's Estate.* By A. M. Bingham. (London) Allen and Unwin. 480 pages. 12s. 6d. net.

*Six Years of Hitler.* By G. Warburg. (London) Allen and Unwin. 317 pages. 7s. 6d. net.

*Income Tax in the Napoleonic Wars.* By A. Hope-Jones. (London) Cambridge University Press. 145 pages. 7s. 6d. net.

*Oil and Petroleum Year Book, 1939.* Compiled and published by Walter E. Skinner. (London) 416 pages. 10s. 6d. net. The 1939 issue of this expert work of reference will be appreciated no less than its predecessors by investors. In addition to information about 850 separate companies, the book contains useful lists and tables relating to the oil industry in general.

*La Planification Soviétique.* By C. Bettelheim. (Paris) Marcel Rivière & Cie. 335 pages. 45 frs.

*Insurance Shares as an Investment, 1939.* Compiled and edited by T. Wheelock. (London) P. W. Cooper & Co., 11 King Street, Cheapside, E.C.2. 85 pages. 5s. net.

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## THE BUSINESS WORLD

## The Glut of Wheat

WHEAT is now changing hands in Liverpool at the lowest price ever recorded since futures trading was established there in 1883; its price in a free market (as little as 3s. 4½d. per 100 lbs. was accepted last Tuesday for July futures) is now barely one-third of what it was two years ago. This unprecedented slump is causing no little anxiety in the great wheat exporting countries. What are its causes, and how can the problem be solved?

The two diagrams accompanying this article provide a clue to the answers to both questions. The first diagram shows changes in the world's area sown to wheat (excluding the U.S.S.R., China, Iran and Iraq), together with production and the yield per acre during the past ten years; the second shows variations in the world's carry-over at the end of the season and in the United Kingdom import price averaged over each wheat year ended in July. With the exception of the index of prices, which has been calculated from the monthly trade returns, the figures are based on the estimates of the International Institute of Agriculture.

As the first diagram clearly shows, the prime cause of the instability of wheat prices is to be found in the annual fluctuations in the yield per acre. Man can control the area sown to wheat, but he cannot yet influence the weather, which largely determines the yield per acre and, hence, the size of the world's crop. The abnormally low yields per acre in 1934-36, by lifting prices, encouraged the extension of the total area sown to wheat. A year or two of normal yields, which has to be expected sooner or later, was therefore bound to upset the market and lead to another wheat crisis. Indeed, between 1936 and 1938 the yield per acre sown rose by 21.9 per cent., from 12.8 bushels to 15.6 bushels. Small changes in the supply of wheat have large reactions on prices, since the volume of demand is very insensitive, at least in the short run, to changes in price. Even if there had been no increase in the total area under cultivation after 1936, the resulting increase in production would have been big enough to under-

mine prices on the free market. The second diagram shows that the world's carry-over at the end of the 1938-39 season is expected to be as high as five years ago. And when reports pointed to another heavy crop in 1939-40 the bottom seemed to drop out of the market. The ultimate size of the new crop is of course still unknown, but it is unlikely to yield as much as last year's. Production in the United States, for example, is expected to be 275 million bushels smaller than last year, while Canada's harvest is estimated to yield 100 million bushels more. Reliable estimates from the other major producing countries especially from Argentina and Australia, are not yet available, but, in the view of *The Corn Trade News*, yield in Europe are expected to be lower than last year.

There is a second factor on the supply side which has aggravated the wheat problem in recent years. The Governments of the chief importing countries have encouraged the extension of the area under wheat by means of subsidies while those in the great exporting countries have, under political pressure, made deficiency payments to their farmers in years of low prices to prevent their impoverishment. This action has tended to hinder reduction in the world's area sown to wheat in times of falling prices. Thus, between 1927 and 1935, when the area sown to wheat in the exporting countries fluctuated between 199 and 206 million acres, it was increased from 60.5 to 67.1 million acres in the importing countries. Between 1935 and 1938, under the influence of higher prices, the area under wheat in the exporting countries rose from 200.9 to 223.7 million acres, but declined from 67.1 to 65.0 million acres in the importing countries.

This is, in a true sense, the fundamental cause of the wheat crisis. The world has extended its wheat fields until, in a year of normal yield, it is growing more than it will buy at a price sufficient to cover the cost of production. But though the rise in the wheat acreage is the more fundamental and long-term cause of the present situation, the immediate circumstances of any one year

CHART I

The World's Wheat Area, Production and Yield per Acre.

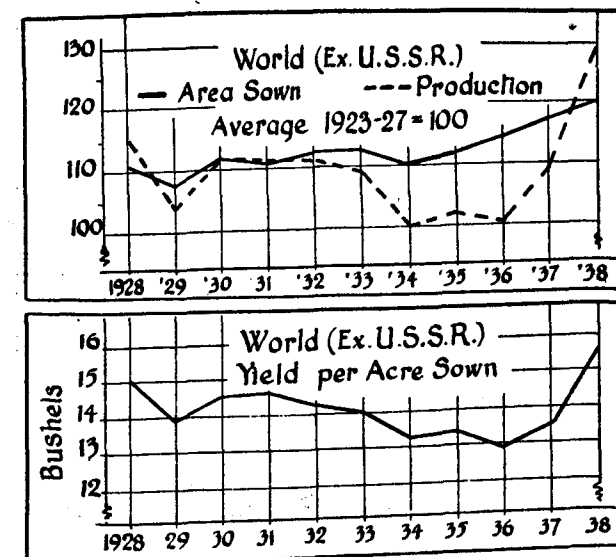
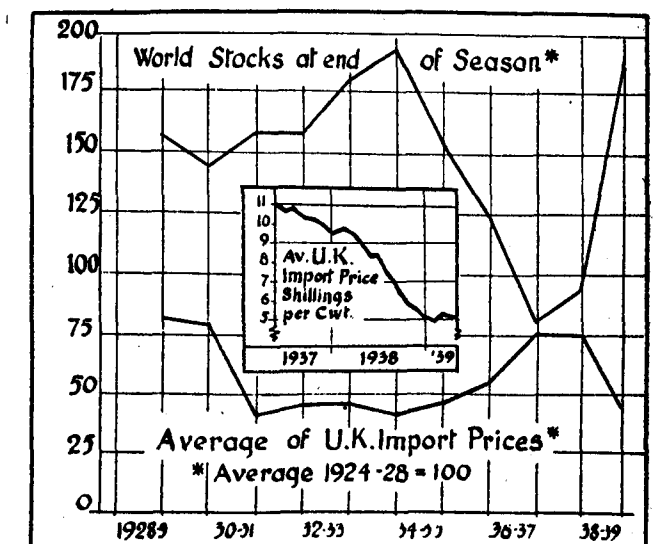


CHART II

The World's Carry-over and Average U.K. Import Prices.





are more likely to be influenced by the yield per acre than by the acreage. Thus, in 1936-37 and in 1937-38 the average import price of wheat in this country was almost as high as before the Great Depression. If the area under cultivation had not then been appreciably larger than ten years earlier, there might have been a scarcity of wheat.

If any attempt were made to put the wheat industry on a satisfactory basis, it would consequently have to move along two lines. In the first place, the world acreage sown to wheat would have to be limited to the figure which, given a normal yield, would just supply the demand at a price no higher than would remunerate the producer. For political and strategic reasons, it is highly unlikely that the wheat importing countries could be persuaded to reverse their present policies of encouraging wheat production. But if they would not reduce their present acreage, they might be persuaded not to permit any further increases. To ask, for example, for the abandonment of the British guaranteed-price system would be politically unrealistic; but it is wholly reasonable to suggest that the new agitation for a further increase in the guaranteed price, which would further stimulate production, should be rejected.

Secondly, if the total acreage could be fixed at the appropriate figure, arrangements would have to be made to secure that the amount of wheat marketed in any year should be approximately equal to the average (say the ten-year average) yield on the standard acreage. In bumper crop years the surplus would go into stock; in low-yield years the deficit would be drawn out of stock. And since the maintenance of these stocks would be for the benefit of consumers and producers alike, the costs involved should be shared between importing and exporting countries. In particular, there is every reason of self-interest for Great Britain to hold considerably higher stocks of wheat in this country than has hitherto been usual.

This is the barest outline of the possible shape that an international wheat control scheme could take if any prospect were to appear of securing the agreement of the large number of countries involved. Obviously there would be

very difficult technical problems to be solved. Yield per acre, to quote only one example, varies not only from year to year but from country to country. To limit the sales of a country where cultivation is intensive and yields high by calculating its quota on the basis of the world-wide average yield, would be most unjust. Countries must be allowed to apply their own yield figures. Moreover, provision must be made for developments in the technique of production. But these technical difficulties do not at first sight appear to be greater than those that have been surmounted in the case of other control schemes.

Mention of other control schemes, however, raises the largest hazard in the way of a wheat control scheme. Would it be in the general interest? Many—perhaps most—of the earlier commodity control schemes were merely devices to raise prices at the expense of the consumer. The latter-day schemes have followed a more moderate course, though whether that is due to a fuller realisation of the factors involved or merely to lack of opportunity it is difficult to say. The whole notion of commodity control is hardly yet out of probation, and to apply it to wheat might savour of a gamble with the traditional staff of life. On the other side, it can be urged that the case of wheat seems to be designed by Nature for control. Inflexible demand on the one hand and a production which cannot by any means be prevented from the widest fluctuations, on the other, are a challenge to human powers of organisation. The political difficulties of restricting the production of grain in any country are sufficient guarantee that the consumer would not be fleeced. On a balance of considerations, it would appear that an attempt to construct the framework of international control would do more good than harm. And there is no reason why the attempt should be confined to the producing countries alone.

Some of the leading exporting countries are known to be in favour of a co-ordinated effort to restore order to the wheat industry, and the possibility of convening a world wheat conference is now being canvassed. It is to be hoped that the low level to which prices have fallen will act as an inducement to co-operation.

## New Zealand's Refunding

WITH the opening on Thursday this week of the lists for £16 millions of 3½ per cent. New Zealand stock, 1939-44, Mr Nash's mission to this country has reached a successful conclusion. After several weeks of discussion, the New Zealand Finance Minister has obtained a £5 million credit for defence purposes; an export credit for £4 millions; and the conversion of the £17,172,191 of 3½ per cent. stock which is due for repayment on January 1st next year. New Zealand may have asked for more; indeed, trade credits of £10 millions, with additional sums for the development of secondary industries, appear to have been contemplated by the mission. But her Government can hardly be dissatisfied with what has been obtained to assist her over a time of pressing need.

There is little to add to the summary of the two credits, which was given on page 173 of last week's issue of *The Economist*. The defence credits will not, presumably, be called upon extensively in the near future, while the export credits, in Mr Nash's view, should tide the Dominion over the current year. For the future, it appears that the British Government has agreed to renew the credit facilities, if necessary, for a further period, but the full total is apparently needed to cover import licences granted to New Zealand importers for the second half of this year. It is plain, indeed, that without assistance on this scale—which itself is just adequate rather than lavish—New Zealand's sterling funds would have been in danger of exhaustion by the end of this year. It is estimated that the current total of her London funds is £12 millions; in view of the customary heavy import demands in the second half of the calendar year, and of the necessity to provide approximately £10 millions annually for debt service, New Zea-

land's sterling resources now stand at a critically low level. The arrangement of credits was an essential, but not the most difficult, part of Mr Nash's negotiations. For months past investors have shown growing concern regarding the prospects of a successful refunding of next year's large maturity. Since the 5 per cent. loan of 1946 stood as low as 94 at one time this year, while long-term rates or New Zealand issues were running well over the 5 per cent level, it was clear that refunding could only be achieved by one of two methods—a British Treasury guarantee or an "ultra short" bond issue. The first alternative was ruled out at an early stage; hence the second alternative has been adopted, but in distinctly unusual form.

The new loan, which has not been underwritten, is for £16 millions, since £1,172,191 of the existing loan is to be repaid from accumulated sinking funds. The absence of underwriting is in itself a commentary on the state of New Zealand's credit in the London market. In fact, the conversion loan could only be issued under the tutelage of the Bank of England itself. Mr Nash may regard the refunding of the existing 3½ per cent. loan at the same nominal rate of interest as a useful achievement; doubtless it will make the stiff—though by no means harsh—conditions attaching to sinking fund provisions the more palatable to his colleagues in the New Zealand Government. The latter have undertaken to provide for the redemption of the stock sufficient sterling to repay £2 millions of the issue in 1940 and £3½ millions in the four succeeding years, the whole loan thus being repayable by January 1, 1945. On this basis the average life of the stock, making allowance for the half-yearly application of the sinking funds, is just over three years. It would be difficult to find a precedent for

redemption by sinking fund of so large an issue in so short a period as five years.

Such sinking fund provisions may seem draconian, but it would have been impossible, for two reasons, to grant New Zealand a loan running for a longer term—say, up to a decade. In the first place, the rate of interest would necessarily have been higher, and possibly prohibitive. Secondly, the repayment time-table of New Zealand's existing obligations is already full for the only relevant period, between 1944 and 1949. Without including optionally redeemable stocks (which at present prices could not be converted at the earliest date) there are no fewer than six issues, repayable at fixed dates in this period, for a nominal amount of as much as £56,185,763. At present, these issues, on which interest ranges between 3 per cent. and 5 per cent., stand well below par. It is not too early for New Zealand to begin to consider these future obligations.

Cash applications at £99 per cent. and conversion applications (which will receive £1 per cent. cash payment) will be open until August 5th—immediately before the Bank Holiday. Although calls are payable £5 per cent. on application, £44 per cent. on August 15th and £50 on September 15th (the latter date, incidentally, may have some bearing on the timing of defence borrowing), the new stock will carry a full half-year's interest on January 1, 1940. Making allowance for this factor, and for the short average life, the stock offers a redemption yield of £3 19s. 11d. per cent. gross. Direct comparison with existing stocks is difficult, but (British) Conversion 4½ per cent. offers a redemption yield of £2 5s. 8d. per cent., assuming redemption next year, while five- and seven-year stocks like Conversion 2½ per cent. and National Defence 2½ per cent. offer redemption yields of £3 2s. and £2 19s. 3d. per cent. respectively. Possibly the nearest comparison in the Dominion list is Australia 2½ per cent. stock, redeemable 1941-43. This stock now stands at 94, and its redemption yield taken to the latest date, is exactly £5 per cent. gross.

None of these comparisons can be pressed. The new loan is not a British Treasury obligation; nor are the circumstances of New Zealand and Australia parallel. But they do at least suggest that New Zealand should not be dissatisfied with her bargain, for the new rate on the conversion stock is appreciably lower than had been generally estimated. It may be assumed that the authorities in London will ensure that full subscription, either by conversion or cash applications, will be obtained for the loan, and that large holders of the existing 3½ per cent. stock have been approached with a view to conversion.

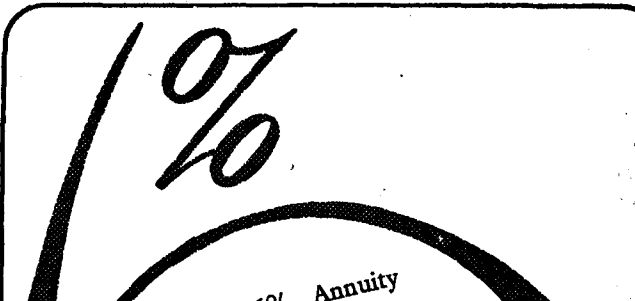
In effect, the new loan will give New Zealand an opportunity to spread the repayment of the existing loan by deferred instalments over the next five years, instead of a single date next year, which would have proved beyond her present capacity. That concession imposes upon the Dominion the corresponding responsibility of tightening her belt to provide the large sinking fund instalments as they fall due. But it is a concession which imperial interests clearly demanded; the possibility of default would have been anathema both to New Zealand's creditors and to her citizens.

The way has, in fact, been cleared for a material strengthening of New Zealand's financial position. The necessity for the maintenance of import control has been recognised in this country; and the New Zealand mission has undertaken to relax the restrictions whenever possible. At the moment, however, the need is to make import restrictions really effective—indeed, it can hardly be said that they will become effective until 1940, in view of the extensive forestalling which has already occurred, and of the Government's liberal granting of import licences for the remainder of this year to encourage secondary industries. These are luxuries which New Zealand cannot, at the moment, afford, quite apart from their questionable economic justification in the long run. Including provision for the new loan, the Dominion must find sterling exchange of between £12 and £13½ millions, approximately, to cover her debt service. The export surplus for 1938, however, was £NZ9,477,000, and for the first half of this year £NZ8,595,000, compared with £NZ10,198,000 for the first half of 1938. Provided that a substantial reduction in

imports is effected next year, as was originally intended this year, a satisfactory surplus should be obtained. Obviously, a corresponding expansion of exports would be preferable, but world prices and British agricultural policy make it a slender hope at the moment.

Subscribers to the new loan will have options to convert the stock during the periods June 5th to 20th and December 5th to 20th in each year from 1940 into equal parts of 3½ per cent. stock, 1949-54, and 3½ per cent. stock, 1955-60. The value of these options cannot be established at this stage; rates of conversion will be published from time to time, and in any event their attractiveness will depend upon New Zealand's success in rectifying her present financial weakness. With the successful conversion of next year's maturity now virtually assured, this opportunity has been presented to New Zealand. In proportion as it is seized, the burden of the new loan will be reduced by voluntary conversions into the longer-dated options by investors.

The opportunity, however, has been associated with a tacit warning. The days have passed when a self-governing Dominion could be dragooned, and the close Imperial ties between this country and New Zealand would themselves rule out any suggestions of that type. But the mission must be aware of the definite views which prevail in London regarding the dangers of New Zealand's financial policy. They stop well short of the point of interference in the Dominion's internal affairs, but they are closely concerned with the position of her external finances. It is now for Mr Savage's Government to associate internal policy with the economic facts of a larger world. New Zealand, least of all countries, can afford a policy of economic self-sufficiency and a level of internal costs divorced from her trading position. But if these points have received scant emphasis by the New Zealand Government during the past year or two, it is not for any want of fundamental honesty on the part of the New Zealand people. The way is now open to the Dominion to restore her credit to its traditional high level.



The 6% Annuity Scheme solves the difficulty for those of advanced years of the loss of capital experienced with an ordinary Annuity: on capital invested there is allowed 6% interest for the life-time of the Annuitant and at death a generous return is made. Ask for particulars.

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## ABRIDGED PROSPECTUS—FOR INFORMATION ONLY

## NEW ZEALAND GOVERNMENT

## £3½% CONVERSION STOCK, 1939-1945

Interest payable Half-yearly at the Bank of England on the 1st January and the 1st July

## ISSUE OF £16,000,000 STOCK

Authorised to be raised under the New Zealand Loans Act, 1932

A first payment of £1 : 15s. per £100 Stock, being a full six-months' interest, will be made on the 1st January, 1940

The Government of New Zealand have observed the conditions prescribed under the Colonial Stock Act, 1900, as notified in the "London Gazette" of the 14th December, 1900, and Trustees may invest in this Stock under the powers of the Trustee Act, 1925, subject to the provisions of Section 7 of that Act and unless expressly forbidden in the instrument creating the Trust.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND give notice that, on behalf of the Agents appointed for raising and managing Loans under the New Zealand Loans Act, 1932, they are authorised to receive applications for the above Stock.

Holders of New Zealand Government £3½ per Cent. Stock, 1940, which is due to be repaid on the 1st January, 1940, may surrender their holdings in sums of £100 and receive in exchange for each £100 Stock surrendered, £100 New Zealand Government £3½ per Cent. Conversion Stock, 1939-1945, together with a Cash Payment at the rate of £1 per Cent.

Cash applications will be accepted in accordance with the terms set out herein to an amount sufficient to make up with the Stock issued in conversion the above total of £16,000,000 New Zealand Government £3½ per Cent. Conversion Stock, 1939-1945.

The proceeds of Cash applications will be applied towards the redemption at par on the 1st January, 1940, of New Zealand Government £3½ per Cent. Stock, 1940, which has not been converted.

Transfers will be free of Stamp Duty and will be made on the ordinary common form of transfer.

The Stock will be convertible in due course into Stock Certificates to Bearer of the denominations of £100, £500, and £1,000, with Coupons attached, without payment of any fee.

The Stock will be redeemed by purchases at or under par exclusive of accrued interest or by half-yearly drawings at par, in sums of £100, commencing 1st July, 1940.

The New Zealand Government pursuant to an order of the Governor General in Council dated the 21st July, 1939, have undertaken to provide for the redemption of the Stock by making available in London out of funds accruing from exports from the Dominion or otherwise sufficient sterling to repay by instalments as set out below the whole of this issue by 1st January, 1945:—

| In the Year ending 31st December, 1940 | ... | £         |
|----------------------------------------|-----|-----------|
| " " " 1941                             | ... | 2,000,000 |
| " " " 1942                             | ... | 3,500,000 |
| " " " 1943                             | ... | 3,500,000 |
| " " " 1944                             | ... | 3,500,000 |

These instalments will be made available by two equal payments in each year on or before the 30th June and the 31st December, respectively, commencing 30th June, 1940. Half-yearly payments will be reduced by the nominal amount of drawn Stock converted under the option set out below in the half-year to which such payments respectively relate. Half-yearly payments will also be proportionately reduced as conversions of undrawn Stock or partial redemptions of Stock are made under the options set out below but so that such proportionate reductions will not affect the proportion of outstanding Stock to be redeemed in any half-year, nor the repayment of the whole of the Stock by the 1st January, 1945.

During the periods 5th-20th June and 5th-20th December in each year, commencing in 1940, holders of Stock, including holders of Stock drawn in accordance with the above provisions, will have the option of converting such Stock in sums of £100 as to one half into New Zealand Government £3½ per Cent. Stock, 1949-1954, and as to one half into New Zealand Government £3½ per Cent. Stock, 1955-1960, at rates to be published from time to time.

The New Zealand Government reserve the right on, or at any time after, the 1st July, 1941, on giving not less than three months' notice to redeem at par, together with accrued interest, the whole of the Stock or any part thereof not being less than the nominal amount of £1,000,000 sterling at any one time.

By Act 40 and 41 Vict. Ch. 59, the revenues of the Dominion of New Zealand alone are liable in respect of the Stock and the interest thereon and the Consolidated Fund of the United Kingdom and the Commissioners of His Majesty's Treasury are neither directly nor indirectly liable or responsible for the payment of the Stock or of the interest thereon, or for any matter relating thereto.

CASH APPLICATIONS  
PRICE OF ISSUE £99 PER CENT.

| PAYABLE AS FOLLOWS:             |     |          |           |
|---------------------------------|-----|----------|-----------|
| On Application ...              | ... | £ 5 : -  | per Cent. |
| On Tuesday, 15th August, 1939   | ... | £ 44 : - | "         |
| On Friday, 15th September, 1939 | ... | £ 50 : - | "         |
|                                 |     | £ 99 : - | per Cent. |

Copies of the Full Prospectus, on the terms of which alone Applications will be received, and Application Forms may be obtained at the Bank of England, London, E.C.2, or at any of the Branches of the Bank of England; of Messrs. Mullens & Co., 13 George Street, London, E.C.4; at the Bank of New Zealand (the Bankers to the Government of New Zealand in London), 1 Queen Victoria Street, E.C.4; of Messrs. J. & A. Scrimgeour, 3 Lothbury, London, E.C.2; at any Stock Exchange in the United Kingdom; or at the

Office of the High Commissioner for New Zealand, 415, Strand, London, W.C.2.

The Lists of Conversion and Cash Applications will be opened forthwith, and will be closed on Saturday, 5th August, 1939.

BANK OF ENGLAND, LONDON,  
26th JULY, 1939.

## Stocks for War

THE table appended to the article with the above title in *The Economist* last week contained a typographical error which made the figures of stocks incorrect. The corrected table is printed in full below:—

CONSUMPTION AND STOCKS IN U.K.  
(In thousands of tons.)

|                                  |   | Consumption     |            |         |        | Stocks                              |           |                       |      |      |
|----------------------------------|---|-----------------|------------|---------|--------|-------------------------------------|-----------|-----------------------|------|------|
|                                  |   | Average 1934-36 |            | 1937    | 1938   | Description                         | Date      | 1937                  | 1938 | 1939 |
|                                  |   | Amount          | % imported | Amounts |        |                                     |           | Amounts at given date |      |      |
|                                  |   |                 |            |         |        |                                     |           |                       |      |      |
| Wheat .....                      | S | 6,713           | 76         | 6,263   | 6,986  | Port                                | Beg. July | 287                   | 320  | 460  |
| Maize .....                      | S | 3,147           | 100        | 3,465   | 2,754  | "                                   | "         | 117                   | 95   | 97   |
| Barley .....                     | S | 1,610           | 53         | 1,517   | 1,897  | "                                   | "         | 41                    | 33   | 36   |
| Oilseeds .....                   | C | 1,452           | 100        | 1,622   | 1,630  | "                                   | "         | ...                   | ...  | ...  |
| Sugar (1) .....                  | C | 2,246           | 74         | 2,314   | 2,302  | In bond                             | End June  | 425                   | 348  | 348  |
| Molasses .....                   | S | 623             | 82         | ...     | ...    | "                                   | "         | ...                   | ...  | ...  |
| Meat .....                       | S | 3,086           | 50         | ...     | ...    | "                                   | "         | ...                   | ...  | ...  |
| Butter .....                     | S | 526             | 90         | 524     | 511    | Cold storage                        | Beg. July | 25                    | ...  | ...  |
| Tea .....                        | C | 195             | 100        | 194     | 193    | In bond                             | End May   | 67                    | 28   | 28   |
| Wool .....                       | S | 312             | 84         | 311     | 343    | Warehouses, rwy. and canal depots   | End May   | 47                    | 53   | 77   |
| Cotton (2) .....                 | C | 563             | 100        | 617     | 474    | Warehouses                          | Mid July  | 193                   | 243  | 148  |
| Iron ore .....                   | S | 15,884          | 29         | 20,136  | 16,347 | "                                   | "         | ...                   | ...  | ...  |
| Petroleum and products (3) ..... | S | 10,080          | 97         | 11,020  | 11,730 | "                                   | "         | ...                   | ...  | ...  |
| Rubber .....                     | C | 95              | 100        | 115     | 107    | Public warehouses and manufacturers | End May   | 66                    | 111  | 85   |
| Tin (4) .....                    | C | 21              | 91         | 26      | 18     | Stocks and landing                  | End May   | 3                     | 6    | 12   |
| Copper (4) .....                 | C | 270             | 100        | 335     | ...    | Official                            | End June  | 19                    | 36   | 30   |
| Spelter (4) .....                | C | 200             | 99         | 225     | ...    | warehouses                          | "         | 20                    | 23   | 22   |
| Lead (4) .....                   | C | 333             | 87         | 340     | ...    | "                                   | "         | 6                     | 9    | 12   |

Notes.—S—Available supplies, i.e. home production plus net imports. C—Consumption, i.e. available supplies and changes in stocks. (1) In terms of raw. (2) Converted into tons at rate of 1 bale = 5¼ tons. (3) Including also oil from coal. (4) Metal content.

## Finance and Banking

**More Bills, Lower Rates.**—The discount market persists in its paradoxical behaviour of lowering the bill rate in the face both of an actual and of a prospective increase in Treasury bills much above the normal seasonal rhythm. Last Friday it was announced that the bills to be offered this week would be £10,000,000 in excess of the corresponding maturities. At this time last year Treasury bill issues were running at £5,000,000 below maturities. Quite apart from this unescapable reality in the situation the market has this week been provided by Mr J. M. Keynes with visions of such an abundance of Treasury bills as to gorge the banking system with liquidity and so, *faute de mieux*, ensure the due absorption of the re-armament loans when these appear—long, of course, after the money has been spent. And yet the Treasury bills issued last Friday went about 1s. per cent. lower at 14s. 8d. per cent. and the trend of open market rates this week has been correspondingly weaker. One of the reasons for the pressure on bill rates has been the exceptional activity of the official buyer. On every day of the week the broker who normally acts for the authorities has been a buyer of mixed parcels of September and October bills at a rate of 21/32 per cent. Some of these purchases have been on account of the Bank of England and are reflected in the further increase of £1.4 millions in Government securities shown by the latest Bank return. It is customary for the Bank to increase its holdings of securities at this time of the year in order to offset the effect of the expanding note circulation on the volume of bank cash. This year the need for such neutralisation has been somewhat enhanced by the maintenance of public deposits at the Bank at an unusually high level.

**Public Departments' Policy.**—These operations do not anything like account for the activities of the "special buyer," and it is clear that most of his purchases have been for account of public departments. The current surplus of such "departments" as the Unemployment Fund is now running at sizeable figures. In the normal course it would be making its way to the gilt-edged market for investment in the appropriate type of security. The experience of the markets concerned, however, does not suggest that this practice is being followed. The departments in question are, it would seem, investing their current surpluses in bills. The arguments for such a course are self-evident. By keeping liquid these departments place themselves in the best tactical position to offer their help to the medium or long-term defence loan which will appear "at the appropriate time." Further, by taking tender rather than tap bills and thus directly influencing open market discount rates, the authorities are exerting a helpful influence on the gilt-edged market. The weight of these open market operations has stimulated the banks' appetite for bills, which has thus become exceptionally keen for this time of the year when taxation payments normally encroach on bank cash and when the increasing demand for currency also tends to restrict the funds available for bill purchases. With the special buyer and the clearing banks in full cry for bills it is therefore not altogether surprising that the market rate should be sagging despite the substantial expansion in the supply of Treasury bills.

**The Demand for Gold.**—The turnover in the London gold market has recently been increasing. This may not be the impression conveyed by the published amounts of dealings at the daily fixing, but the feature of recent activity in the market has been the growing importance of

dealings after the fixing or for some other reason excluded from the published figures. The Continent has been the principal buyer and has kept the price sufficiently above the American shipping parity to deter all arbitrage operators—except the few (and they are getting fewer) who are still prepared to ship gold to New York without covering the war risk. The bulk of the buying this week has come from Holland, and can be linked with the increasing forward business in gold which is being transacted by Dutch banks. The fears of unfavourable political developments in Europe during the autumn together with recent budgetary developments in Great Britain and Holland have combined to stimulate the demand for gold as a hedge against war risks and currency depreciation. Now that the London market is closed to forward gold operations, whether of speculative or of hedge character, a good deal of this business is being transacted in Amsterdam. The Dutch banks cover themselves against their forward sales of gold by spot purchases in the London market and such operations have provided much of the demand for gold during the past week. Another indication of the increased demand for gold is to be found in the rise of the premium quoted on gold coins. This now stands at 1 per cent. after remaining for several weeks at around par. In every country in Europe there is an increasingly active market for coins to be found at subterranean levels varying in depth with the degrees of control to which the exchange and capital markets of the country concerned are subjected. London has recently played an active part in satisfying this increased demand for coins.

**Silver Below Parity Again.**—The lack of substance beneath last week's recovery in the sterling price of silver has quickly been revealed. The market was weak from Monday to Wednesday and the spot quotation in London fell to 16½d., recovering 1½d. on Thursday. The immediate cause of the fall was the reversal of the attitude of Indian operators towards the metal. Last week, spurred by the abnormally large up-country offtake of silver from Bombay, they provided most of the support in the market. This week they have sold just as aggressively, prompted apparently by rumours that the United States Senate was about to give serious consideration to the Thomas Amendment resurrecting the bogey of a complete cessation of American purchases of imported silver. The interesting feature of this renewed drop in the sterling silver price is the fact that on Wednesday it brought this quotation below the "dead parity" of 35 cents per fine ounce. On Wednesday the London price of 16½d. gave a dead dollar parity of 34.63 cents, and on Wednesday evening it was with some anxiety that operators awaited the posting of the American price for imported metal, fearing that the U.S. Treasury might, in accordance with Mr Morgenthau's recent pronouncement, bring the dollar price down to the sterling parity. No change was made, and it is evident that for the time being the United States are prepared to allow their price for imported silver to remain at a ratio of 1 : 100 to the price they pay for gold. It should be added that the simplicity of this ratio of 35 cents to \$35 does not invest the silver quotation with enough permanence in the eyes of arbitrageurs to tempt them to ship silver to New York on an uncovered basis. The U.S. Treasury is therefore not likely to be called upon to buy arbitrage silver for some time to come. Meanwhile, a reassuring sign in the silver market was to be seen this week in American trade buying of forward silver—attracted no doubt by the substantial discount to which the forward price has fallen, but also indicating some confidence in the maintenance of the American Treasury's import price for at least another two months.



**Dutch Banking Merger.**—The most important merger in the annals of Dutch banking was announced this week. It involves the two largest Dutch banks, the Amsterdamsche Bank and the Rotterdamsche Bank, vereeniging. The provisional agreement (it has yet to receive the sanction of the banks' shareholders) follows rather unusual lines. It provides for the pooling of profits as from the beginning of next year, for a complete interlocking of management and direction and for a substantial deflation of both banks' capital structures. In each case the issued capital is to be reduced—by repayment to shareholders—to Fl. 35,000,000 from the present figures of Fl. 55,000,000 in the case of the Amsterdamsche and Fl. 45,000,000 in that of the Rotterdamsche. At the same time the published reserve of each bank is being adjusted to the figure of Fl. 20,000,000 by transfers to or from hidden reserves, and, in the case of the Amsterdamsche, by a small distribution of cash to shareholders. These steps are generally held to be the preliminary stages of a complete fusion of identity and capital. The reasons for the merger are to be found in the excessive liquidity of the Dutch credit system and in the inordinately low level of interest rates which has greatly diminished the profitability of Dutch banking. Under these conditions, from which there appeared to be little hope of early release, the two largest deposit banks in the Netherlands were naturally drawn to one another by the prospect of the considerable economies in overhead costs held out by their merger. Each bank was over-branched and over-capitalised in relation to current and prospective income, and the community of interests which is being arranged will allow both excesses to be remedied. The merger will create a new unit whose dominant position among Dutch deposit and trading banks may have very interesting repercussions both on the policy of the remaining independent banks and in the sphere of control over credit exerted by the central bank. It may in fact create those problems against whose possible emergence we in Great Britain have guarded by the rule established in 1918 which requires official sanction for any merger among British banks.

**Standard Bank of South Africa.**—A reduction of 1 per cent. in the bonus, making the total distribution 14 per cent. against 15 per cent., had indicated that the

Standard Bank's profits for the year ended March 31 last would show a drop. The results recently published show net profits of £573,147, compared with £621,633, and the reason for this fall may be deduced from the balance sheet. Advances, the chief earning asset, are down by £903,034 to £37,349,247, in spite of a rise in deposits of £825,270 to £65,974,635. Bills of exchange are also lower by £858,095, and although there is an increase in investments of £537,034, this does not even counter-balance the rise in deposits. The result is a big jump in cash (including cash at call and short notice) from £10,674,961 to £12,720,571. As Mr R. E. Dickinson pointed out in his speech at the annual general meeting, gold mining may mitigate the effects of an external depression, but the Union cannot hope to escape them altogether. The income of the farming community was lower last year owing to the weakness of overseas markets, and commercial and industrial activity generally showed a substantial decline. No real improvement can be expected until confidence abroad is restored; but the bank, which is in a very liquid position, will obviously be well able to take advantage of such improvement as does occur.

**National Bank of Australasia.**—In spite of the general depression in Australia, as in other primary producing countries last year compared with 1937, the National Bank of Australasia has been able to record a small increase in net profits from £347,401 to £351,245 in the year ended March 31st last. Deposits show a rise of just over £1 million to £44,057,573, and advances are about £1.5 millions higher at £36,403,779. The bank has also made small additions to its holdings, both of Commonwealth Treasury Bills and investments, which together amount to £7,843,699, compared with £6,787,998. These increases have been made at the expense of cash (including money at call in London), which is down by £728,072 to £5,251,307, and bills receivable in London, which have fallen from £4,130,723 to £3,152,272. The bank is therefore in a rather less liquid position than it was last year, and the ratio of advances to deposits has risen from 80.8 per cent. to 82.5 per cent. These increases in its earning assets explain the better profits, and the dividend is maintained at the 6 per cent. level to which it was raised last year.

## MONEY MARKET NOTES

### The Bullion Market

THE latest Customs returns show a big shipment of £1½ millions of gold from the Union of South Africa and the export of another large amount, over £7 millions, to the United States. The latter must again be almost entirely an official shipment as arbitrage business has been negligible. The

absence of a further reduction in the American price for imported silver, in spite of the fall in the London price, encouraged buyers on Thursday. Both spot and forward were raised by ½d., and after the fixing there was a little more inquiry from India at a slightly higher price.

conditions have been very easy this week. Bond money has been available at ½ per cent. from outside quarters, and the clearing banks have been ready lenders against bills at the ½ per cent. minimum.

### The Money Market

IN spite of the fall in bankers' deposits revealed in the Bank Return, credit con-

| Date        | Gold               |                |               | Silver price per oz. standard |           |
|-------------|--------------------|----------------|---------------|-------------------------------|-----------|
|             | Price per fine oz. | Prem. or Disc. | Am't dealt in | Cash                          | Two Mths. |
| 1939        | s. d.              | d.             | £'000         | d.                            | d.        |
| July 21 ... | 148 6½             | 1 pm           | 288           | 161½                          | 1658      |
| " 22 ...    | 148 6              | ½ pm           | 167           | 167½                          | 1658      |
| " 24 ...    | 148 5½             | ½ pm           | 206           | 161½                          | 1678      |
| " 25 ...    | 148 6              | ½ pm           | 594           | 169½                          | 1614      |
| " 26 ...    | 148 6½             | 1 pm           | 153           | 167½                          | 161½      |
| " 27 ...    | 148 6½             | 1 pm           | 258           | 161½                          | 1618      |

\* 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 18. 3d. per cent.  
† At fixing.  
The New York price for silver remained at 35 cents per ounce .999 fine during the week.

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

### The Bank Return

A RISE in the note circulation this week was expected in view of the approach of the end of the month; and it has brought the total to a record high level. Last year and the year before the corresponding increase was £6.2 millions and £5.2 millions respectively; presumably, the smaller increase this year is due to the lateness of August Bank Holiday. The special purchases of bills which have been a feature of the money market this week must have been mainly for the account of public departments, as Government securities are only £1.4 millions higher. Other securities and discounts and advances

(Continued on page 225)

## Investment

**Equities v. Gilt-edged.**—Further study of the Government's defence finance problem has brought no consolation to the gilt-edged market, which lacks the power even to respond to Mr Keynes' persuasiveness. Indeed, the past week has seen a clearer division of forces between gilt-edged securities and equities. The formal arguments in favour of equities, now that the early stages of inflation are approaching, promise to be translated into policy by investors, whose preoccupation in recent months has been not economic but political. It is generally conceded that the political crisis, if it comes, may occur during August or September, but having abstracted from this possibility, the superior claims of equities as against gilt-edged securities are acknowledged. The consequences have been seen this week in a rise in the *Financial News* index of ordinary shares from 79.2 on Friday last week to 80.9 on Thursday this week, while the fixed-interest securities index shows only a modest movement from 117.7 to 118.0. The market shows no disposition to expect an early defence issue, even of a special short-dated character for the money houses. Possibly the fact that the final call on the New Zealand loan (which is discussed on page 220) falls on September 15th may have some relation to the timing of defence borrowing. Nor is the movement in equities a consequence of general expansion in business, although turnover has tended somewhat to improve. And it has been encouraged by special features, such as the impressive rise in rayon shares, led by Courtaulds and British Celanese. Yet it must be admitted that the Stock Exchange is now acting in as logical a fashion as the underlying economic facts and the overriding political uncertainties of a near-war situation permit.

**London and Provincial Dealings.**—A circular letter and questionnaire sent out to all London brokers by the Committee for General Purposes uncovers the root problem which, for reasons elaborated in *The Economist* of April 22nd, has to be solved before any far reaching accommodation between the London and the Provincial Stock Exchanges can be reached. It is now frankly admitted that the loss of business to London caused by the growth of country jobbing is a major subject of the discussions now proceeding between representatives of the Associated Stock Exchanges and the Committee of the London Stock Exchange. The provincial spokesmen have suggested that more business would come to London if London brokers were allowed discretionary powers to vary their commission charges. Accordingly, the London Com-

mittee undertook to investigate the possibility of this step, as part of a joint and reciprocal arrangement with the Associated Exchanges for controlling and limiting the extent of country jobbing. The questionnaire poses one question of policy and two which are designed to provide the Committee with information regarding the composition and machinery of the business at present passing between London and the Provinces. On the question of policy, brokers have been asked to state whether they are in favour of a discretionary commission on business for members of Associated Stock Exchanges as part of a wider arrangement covering the scope of country jobbing. The two information questions, with their sub-divisions, are clearly designed to show the proportionate interest of London in two distinct types of country trade, namely, private clients' orders and professional inter-market business. Although both types are commonly lumped under the generic label of "the Country," there is, in fact, a sharp demarcation. The inter-market business is handled by a comparatively small number of firms, which carry a highly specialised organisation comprising staff, private lines and teleprinters designed for the purpose. It is a matter of substantial business done on very fine dealing margins on a highly professional basis.

**The "House" Reaction.**—The date for return of the questionnaires was Thursday last, July 27th, and it is understood that a large proportion of brokers have sent in replies. The nature of the answers will, of course, be kept entirely confidential, but the tenor of opinion in the "House" is clearly crystallising along certain lines. Among brokers handling a large proportion of professional business—the so-called "shunters"—there is general recognition of the need for some such treatment as suggested by the Committee's circular. But while their proportion of the total provincial business handled in London must be very high, their numbers are few by comparison with the very large majority of brokers whose relations with provincial firms consist exclusively of an ordinary agency investment business. The latter, it is clear, have little to gain and much to lose by any general scheme of discretionary commissions on country business. And the considerable number of brokers whose provincial trade is entirely negligible have a natural bias on principle against any proposal which has the appearance of reversing the minimum commission policy, the success of which for most business is undeniable. It may, therefore, be surmised that, merely on a poll, the majority answer to the Committee's policy question would

(Continued from page 224)

show falls of £3.2 millions and £1.1 millions respectively, so that bankers' deposits have declined by more than the rise in the note circulation. There

| Issue Dept.           | July 27, July 12, July 19, July 26 |        |        |        |
|-----------------------|------------------------------------|--------|--------|--------|
|                       | 1938                               | 1939   | 1939   | 1939   |
| Gold                  | £ mil.                             | £ mil. | £ mil. | £ mil. |
| Value per os. fine... | 326.4                              | 246.4  | 246.4  | 246.4  |
| Notes in circulation  | 85.1                               | 148.5  | 61.1   | 148.5  |
| Banking Dept.         | 493.3                              | 507.9  | 507.6  | 510.9  |
| Reserve               | 34.2                               | 39.1   | 39.4   | 36.1   |
| Public Depts.         | 11.2                               | 29.5   | 28.4   | 26.0   |
| Bankers' Depts.       | 116.4                              | 87.1   | 95.5   | 91.4   |
| Other Depts.          | 35.1                               | 36.8   | 36.4   | 36.7   |
| Govt. Secs.           | 115.8                              | 100.4  | 105.1  | 106.5  |
| Discounts & Advances  | 9.5                                | 9.2    | 9.1    | 8.0    |
| Other Secs.           | 21.3                               | 22.6   | 24.7   | 21.5   |
| Proportion            | 21.0%                              | 23.5%  | 24.5%  | 23.4%  |

is a small fall in public deposits, but the level is still very much higher than a year ago.

### Foreign Exchanges

GUILDERS and the Shanghai dollar have again provided the only features of interest in an otherwise lifeless foreign exchange market. After being as low as 8.73½fl. on Monday, when the formation of a Dutch Cabinet was announced, the rate rose sharply on bear speculation to 8.75½fl. the following day and at one time on Wednesday was quoted as high as 8.77fl. It is feared that the new Government will not be able to withstand strong opposition in the Chamber. Nevertheless, the forward guilder for three months is still quoted at a small premium. At the beginning of the week the Chinese dollar appeared firmer. The rate continued to be quoted at 4½d., but there was a certain amount of closing of speculative positions which were opened early in

June when the dollar first left its peg of 8½d. On Wednesday, however, there was another relapse prompted no doubt by Sir John Simon's statement of the day before, from which it was inferred that the resources of the Stabilisation Fund are virtually exhausted and that there was no prospect of further assistance from the British Treasury. On Thursday, quotations were very wide, and business was done at about 4d. Sterling opened the week with a firm undertone, but some selling on Continental account developed later and the sterling-dollar rate on Thursday was back to 4.68½-½. The Canadian dollar continues to appreciate against the pound and at 4.68½ is at a discount of only ¼c. over New York. The free rate for the Argentine peso is depreciating slightly, presumably in order to make up for the fall in the price of wheat.

be in the negative. Such a result, however, would not by any means settle the matter. The answers to the information questions will bring out the extent and nature of the interest of each broker in provincial business, and the Committee will obviously be guided by a quantitative and selective assessment of the opinions given. Indeed, there is every possibility that if the necessary dealing basis between London and the provinces can be established, a scheme might well be evolved which would meet the divergent requirements of all types of country business.

\* \* \*

**L.M.S. Economics.**—The hazards of estimating railway earnings could hardly find better illustration than the half-year's statement of the L.M.S. The company's results from all businesses show an increase in receipts of £25,000 for the half-year (compared with a traffic gain for the first 26 weeks of £110,000), but the company has actually achieved a reduction in total expenditure of £612,000. Net revenue thus shows an improvement of £637,000. A logical basis for estimating changes in expenditure, which was adopted in *The Economist* on July 8th, has proved wide of the mark—possibly because the effect of increased traffic upon expenditure has not become immediately operative. The board has adopted a cautious line, as was expected, in its dividend policy. Payments are confined to interim dividends on the 4 per cent. guaranteed and 4 per cent. preference stocks, and no declaration (as was the case a year ago) is to be made on the 4 per cent. 1923 preference stock. The board's statement makes the point that the reduction in expenditure cannot be regarded as indicative of the trend of the second half-year. In 1938, the last six months of the year provided a reduction in expenditure of £1½ millions, but the recent improvement in traffic will clearly involve an appreciable increase in the current half-year. The dramatic change in the railway trend during the past quarter has clearly upset precise calculation of the outcome of the full year. If traffic continues to advance at their recent rate, however, the marginal stockholder should obtain some benefit; this argument was the basis of the modest improvement in L.M.S. 1923 preference stock to 45 on Thursday.

\* \* \*

**Southern Railway Half-year.**—The market found the Southern Railway statement rather disappointing, for the directors maintained the preferred ordinary interim at 1 per cent., against hopes of 1½ per cent. Passenger traffic increased by £52,000 and goods takings by £40,000. Together with a rise in ancillary receipts of £62,000, gross revenues were £154,000 higher for the half-year, compared with a 26 weeks' traffic increase of £57,000. Working expenditure, however, increased by as much as £137,000, owing principally to increased prices, and consequently net revenue for the half-year is only £17,000 higher than for the first half of 1938. The additional interest charge on the new debenture stock itself absorbs £116,600 for the first half of 1939, so that available earnings for the preferred ordinary stock are nearly £100,000 lower than a year ago—a sum which is equivalent to one-third of one per cent. on the stock. Full interest on the new debentures in the second half of this year will require £150,000, but this period also carries the major portion of the company's important holiday traffic. The relatively sharp rise in expenses, however, is a factor for consideration by the preferred ordinary stockholder; as a result of electrification and the power of the coal industry to extract higher prices from electricity undertakers, the company appears to feel the effect of rising power costs more acutely than formerly.

\* \* \*

**Co-operative Chain Stores.**—Investors in the two leading fixed-price stores—Marks and Spencer and Woolworth—have seen imitators rise and fall. Despite the substantial profit-earning capacity of an established chain store

group, the need for comparably substantial capital resources has, more than any other factor, prevented any real challenge to the leadership of these two companies. The recent intimation that the co-operative societies are considering the possibility of entering the fixed-price store field, however, presents a rather different problem. The co-operative movement has experienced competition from the chain stores, particularly in the textile and grocery departments. The Co-operative Wholesale Society has reviewed this threat to the society's trade, and if their recommendations are confirmed by a referendum of the societies, the C.W.S. will be empowered to establish a subsidiary organisation with twenty chain stores in the near future. Estimates of "bazaar trading" given at recent co-operative meetings in Manchester have suggested that turnover amounts to £100 millions annually, compared with £38 millions for the dry goods departments of the co-operative retail societies. But apparently the comparatively recent growth of competition in foodstuffs causes the co-operative movement greater concern.

\* \* \*

The C.W.S. directors have computed that the capitalisation per store is £32,000 for Woolworth and £48,000 for Marks and Spencer. The size of the capital which would be involved in establishing even a moderate number of bazaar stores, coupled with the need for centralised direction, suggests that the C.W.S. would be the most appropriate body for managing the scheme, though it might be unable to keep average outlay per store as low as Marks and Spencer. Ten distributive societies have, in fact, experimented with bazaar stores in the past, but two have been abandoned, and average takings at other stores have ranged between £18 and £594. The average turnover in chain stores outside the co-operative movement, however, is substantially in excess of the maximum figure. Another point which may be noted by the chain-store shareholder is that the new co-operative stores do not propose to pay dividends on members' purchases—although this must be regarded as a startling development within five years of the centenary celebration of the Rochdale pioneers who founded the co-operative movement on the principle of equitable division of profits according to members' purchases. Moreover, the society may be involved in trade union negotiations to secure a new agreement covering wages and conditions in "bazaars," for the probability is that conditions in the existing co-operative stores are in advance of those in chain stores. Hence, the new co-operative proposals—even if carried into effect—will themselves raise many problems of a special nature. Shareholders in Marks and Spencer (which has 228 stores) and Woolworth (which has 737 stores) will probably not regard them as an immediate challenge to their companies' progress.

## Company Notes

**Distillers' Dividend Outlook.**—Lord Fortevior's eagerly awaited pronouncement, at last week's meeting, on the effect of the recent Distillers' capital bonus on dividend policy was guarded. Stockholders may well have been gratified by the chairman's optimistic review of the company's prospects, but the only clue to dividend policy is contained in the statement that the directors "cannot expect to maintain the present rate of dividend on the increased capital." Stockholders may define the limits of dividend policy, on the present level of profits and the increased amount of capital, as 16 per cent. on the new capital if the reserve allocation is maintained at £400,000, and 20 per cent. if no allocation is made. It is, in fact, plausible to assume that the rate will be reduced from the recent level of 22½ per cent. to somewhere between these two extremes. At the present price of 97s. 6d. for the ordinary stock (*cum* rights) a 5 per cent. yield basis would be secured with a dividend of 17½ per cent. The recent

satisfactory results in the home distilling market promise to continue, for aged whiskies still command high prices. Sales to the Empire and the United States throughout last year showed satisfactory results, and further benefit has been reaped from the Anglo-American Trade Agreement. Political difficulties have so far had little effect upon export turnover, for which prospects remain encouraging. Sales of industrial alcohol and yeast showed little change last year despite keen competition, and in Australia sales from the industrial alcohol factory continued to forge ahead. The acquisition of a majority holding in Commercial Solvents (Great Britain), Ltd., research work on various chemicals, and operation at full capacity at the two Gyproc plaster-board factories illustrate the progressive state of the group's secondary interests outside the potable spirit trade.

\* \* \*

### Furness Withy and Shipping Share Prospects.

Though the general difficulties of international trade are a fundamental cause of reduced shipping profits, Lord Essendon's survey at this week's annual meeting of Furness Withy illustrates the diversity of shipping experience on different trading routes. In the difficult circumstances of last year the New York-Bermuda service and the Shaw, Savill and Albion line did reasonably well, despite the need for exceptional chartering expenditure in the one case, and rising costs in New Zealand in the other. Again, the group's Mediterranean trade justified the new tonnage which had been introduced, while the Royal Mail Lines investment had "fulfilled expectations." On the other hand, the North Pacific service was affected by labour difficulties as well as the common problem of rising costs, while the Prince Line was affected by severe competition from subsidised lines in its trade between New York and Brazil and the Argentine, and also by import restrictions due to Argentine currency regulations. Lord Essendon anticipates some benefit from the Anglo-Romanian trade discussions although the Johnston Warren Line, trading to the Danube ports, had scarcely one profitable voyage last year. An important section of Lord Essendon's speech, however, was evidently addressed to a wider audience, for it consisted of a full explanation of the Government's various proposals for assistance to certain branches of shipping. Not unnaturally, Lord Essendon's comments were mainly favourable to the new schemes, though he explained that defensive measures for British shipping did not in themselves increase the total volume of trade available. He also reminded members that in the past he had been a friendly critic of T.F.A. loans on the ground that new ships were built unnecessarily and created additional competition. Shareholders will doubtless appreciate the chairman's disinclination to indulge in forecast regarding the future. Government assistance may help the industry, but it will not provide substantial dividends.

\* \* \*

**Victoria Falls Results.**—Except for companies on the fringe of the armaments industries, instances of increased dividends have been rare in recent months. But the increase in the Victoria Falls and Transvaal Power distribution from 13½ per cent. to 15 per cent., coupled with the recent satisfactory accounts, is fully in accordance with the company's progressive record. There have been phases of fluctuation in profits, for the company's success is closely bound up with mining enterprise, but the main trend has been upwards. Further expansion is in train. Ten out of twelve plants at the new Klip station (owned by the Electricity Supply Commission, but operated by the company) are actually working, and work has begun on the new Vaal station, which is to be run on a similar basis. Sales in the first six months of 1939 show an increase over the corresponding period of 1938. The profits record of the past three years is analysed in the next column.

|                                                       | Years ended December 31,<br>1936 | 1937      | 1938      |
|-------------------------------------------------------|----------------------------------|-----------|-----------|
| Net operating and other revenue                       | 1,473,097                        | 1,624,797 | 1,800,736 |
| Expenses.....                                         | 89,573                           | 90,948    | 96,075    |
| Depreciation, taxes, etc. ....                        | 797,159                          | 921,221   | 1,052,625 |
| Participating preference dividend (10 per cent.)..... | 176,916                          | 169,750   | 167,403   |
| Ordinary shares—                                      |                                  |           |           |
| Earned.....                                           | 409,448                          | 442,878   | 484,633   |
| Paid .....                                            | 255,000                          | 281,175   | 313,344   |
| Earned % .....                                        | 19.3                             | 21.3      | 23.2      |
| Paid % .....                                          | 12                               | 13½       | 15        |
| To reserve .....                                      | 100,000                          | 100,000   | 150,000   |
| Carry forward .....                                   | 135,832                          | 197,535   | 218,824   |

At last Tuesday's meeting, Mr Arthur Hadley considerably amplified the relatively limited information supplied by the accounts. As the business has developed, taxation and rebates have required larger provisions. Mr Hadley explained, for example, that the basis on which the company charges for power provide for a reduction in unit prices as sales increase, and a rebate is given on a basic price which varies with the amount of sales. In 1938, in fact, this rebate required £171,000 more than in 1937. Another factor is the renewals fund, which again received £230,000 from revenue. The company's existing licence expires in 1950, when there are powers to expropriate the undertaking, and provision for renewals is thus all the more necessary as the raising of new capital would become more difficult as 1950 approaches. In all respects Mr Hadley's survey of the position confirms the satisfactory impression left by the accounts. The £1 ordinary stock units provide a return of £4 6s. per cent. at the present level of 70s.

\* \* \*

**Richardsons, Westgarth Recovery.**—The first full year's operations to March 31st of Richardsons, Westgarth since the reorganisation scheme was carried through are as encouraging as the 7½ per cent. dividend announcement earlier this month suggested. At the beginning of 1938 an amalgamation was effected with the North-Eastern Marine Engineering Company and George Clark (1936), Ltd. Profits for the year to March 31, 1939, amount to £175,760 compared with £25,469 for the previous fifteen months. No information is provided in the directors' report, however, regarding the extent to which the North-Eastern Marine Engineering Co. and George Clark (1936), Ltd. have contributed to these results. Doubtless, however, rearmament orders have distributed their benefits over all sections of the business. Although the subsidiaries reported an aggregate profit, no dividends have been taken into the parent company's accounts. Thanks to accumulated allowances for losses and wear and tear, no provision for taxation

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is required this year, but £32,844 has been provided for depreciation. Under the agreement of 1938, the company issued £500,000 5½ per cent. first mortgage convertible debenture stock, on which interest and sinking fund requirements absorb £35,504. Bank interest, directors' fees and other charges require £2,980 compared with £10,822, so that net profit for the year amounts to £104,432, equivalent to ordinary earnings of 23.5 per cent., out of which the directors recommend a dividend of 7½ per cent., the first for many years. A welcome sign of financial consolidation is a first allocation to general reserve of £50,000. Amalgamation and issue expenses of £14,660 are to be written off, leaving a carry-forward of £11,862, against £5,412 brought in. The balance sheet reflects the improved trading position of the company. Creditors and accrued charges have fallen from £226,093 to £97,335 over the year. Though work in progress and stocks are somewhat lower at £227,021, the directors report a fuller order book than a year ago, and investments have increased from £21,862 to £41,117, and cash from £99,801 to £117,837. It is, perhaps, too early to judge how far this spectacular recovery is due to re-armament business and how far it results from economies of rationalisation. But it is encouraging to note that "uniformity of control" has made considerable progress during the year. The company's brighter prospects are reflected in the price of the 5s. shares, now quoted at 4s. 3d., to give a yield of £8 16s. 9d. per cent.

**South African Distilleries and Wines.**—Since the public issue of ordinary shares in June, 1934, this company's profits record has been satisfactory. Although certain legal claims against the E. K. Green and Company subsidiary caused concern for a time, the questions involved were substantially settled more than a year ago, when the claims were recovered from the original vendors. South African Distilleries' total income for the latest year, to June 30, 1939, however, shows a reduction from £256,526 to £230,421, and since South Africa has been no more exempt than other countries from the general fall in profits, this moderate setback cannot be regarded as a disappointment. It is, moreover, an accurate reflection of the results of the two subsidiaries, whose consolidated net profits fell from £289,458 to £265,712, though the description of these profits does not make it clear if the earnings of sub-subsidiary companies are fully included. In the parent company's accounts taxation absorbs £1,000 less at £24,500, and after providing £41,250 for preference dividend, earnings for the equity are £25,963 lower at £158,836, equivalent to 15 per cent. against 18½ per cent. The year's dividend rate is reduced from 18½ to 15 per cent., but the final dividend of 9 per cent. is payable on a capital increased by the issue last January of 100,000 £1 ordinary shares at 100 per cent. premium. In fulfilment of a promise made at last January's meeting, a statement of assets and liabilities of the two subsidiaries and their subsidiaries is given—a welcome step since the bulk of the assets of the parent company consists of shares in and net amounts due from the two subsidiaries. This statement shows assets of £32,071,900 less liabilities of £3,650,061, the largest single item being stocks of £3,840,565. The directors hold the view that a consolidated balance sheet incorporating book values of the operating company's assets and liabilities would be misleading, since on the parent company's formation valuations were made of certain assets (and formed the basis of the purchase price), although the assets were naturally not written up in the books. The statement thus shows fixed assets based on 1934 valuations with subsequent additions and

sales. The directors' implicit suggestion that a consolidated balance sheet would be a somewhat unrealistic document in these circumstances has some justification, but the consolidated figures given in the report would have been even more useful had they been divided to permit a direct comparison with the prospectus figures. At a current price of 42s. the £1 ordinary shares yield £7 9s. per cent.

**Rubber Profits and the Quota.**—Reports recently published by rubber companies for accounting years to March 31st last show no relief from the depression in profits and reduced dividends of many months past. Nor, except in occasional instances, are these reductions due to a more conservative dividend policy. For most companies, average realised prices per lb. in 1938-39 were slightly lower, but compared with earlier years, fluctuations in prices were relatively small, and reduced quotas are mainly responsible for the current depression in profits. The average export allowance in the year to March, 1939, was only 50 per cent., against 82½ per cent. a year earlier, and while some compensation was obtained from higher standard assessments, such slight benefits were more than offset by the increase in unit costs due to the heavy cut in output. In the following table, the results of six important rubber or mixed producers, whose reports have been issued recently, are summarised:—

| Company (years to Mar. 31) | Rubber sales* |            | Gross inc. | Earned for Ord. |      | Div. | Present |       |
|----------------------------|---------------|------------|------------|-----------------|------|------|---------|-------|
|                            | Amt.          | Price      |            | Amt.            | %    |      | Price   | Yield |
|                            | lbs. 000's    | d. per lb. | £000's     | £000's          | %    |      |         | %     |
| <b>Anglo-Java—</b>         |               |            |            |                 |      |      |         |       |
| 1937                       | 8,251         | 8.46       | 283.7      | 88.6            | 8.1  | 71.2 | } (1/-) | 3.0   |
| 1938                       | 11,475        | 7.92       | 354.4      | 80.9            | 7.2  | 3    |         |       |
| 1939                       | 7,084         | 7.82       | 228.9      | 34.8            | 2.8  | 2    |         |       |
| <b>Bentam Consol.—</b>     |               |            |            |                 |      |      |         |       |
| 1937                       | 2,460         | ...        | 91.9       | 51.0            | 14.6 | 14   | } 2/4½  | 5.9   |
| 1938                       | 3,462         | ...        | 110.2      | 49.2            | 14.4 | 12½  |         |       |
| 1939                       | 2,476         | ...        | 71.3       | 26.0            | 7.5  | 7    |         |       |
| <b>Bukit Mertajam—</b>     |               |            |            |                 |      |      |         |       |
| 1937                       | 3,631         | 9.15       | 139.0      | 63.1            | 13.6 | 12½  | } 1/9¾  | 4.4   |
| 1938                       | 4,427         | 7.93       | 146.1      | 39.5            | 9.1  | 6    |         |       |
| 1939                       | 3,805         | ...        | 104.3      | 27.2            | 6.3  | 4    |         |       |
| <b>E. Asiatic—</b>         |               |            |            |                 |      |      |         |       |
| 1937                       | 3,209         | 9.19       | 131.1      | 72.5            | 9.6  | 71.2 | } 1/6   | 4.0   |
| 1938                       | 3,563         | 8.75       | 145.2      | 71.6            | 8.9  | 10   |         |       |
| 1939                       | 2,258         | 8.63       | 99.3       | 35.6            | 5.0  | 3    |         |       |
| <b>Laras (Sum.)—</b>       |               |            |            |                 |      |      |         |       |
| 1937                       | 2,617         | 9.11       | 100.3      | Dr. 1.8         | Nil  | 5    | } -/0   | Nil   |
| 1938                       | 3,638         | 8.13       | 107.1      | Nil             | Nil  | Nil  |         |       |
| 1939                       | 2,621         | 8.18       | 74.7       | Nil             | Nil  | Nil  |         |       |
| <b>Merlimau Pegoh—</b>     |               |            |            |                 |      |      |         |       |
| 1937                       | 3,038         | 9.18       | 172.5      | 102.6           | 16.0 | 15   | } 2/3   | 6.7   |
| 1938                       | 3,829         | 7.63       | 173.8      | 87.9            | 13.8 | 12½  |         |       |
| 1939                       | 2,751         | 7.58       | 122.2      | 53.3            | 8.4  | 7½   |         |       |

\* Or crop, where sales not separately shown.

These companies show a rate of decline in gross proceeds over the past year varying between 30 and 35 per cent. throughout, but expenses have in most instances fallen in smaller proportion than output, and the effect on equity earnings is severe. Meanwhile, prospects for 1939-40 are somewhat better, for the commodity price has remained fairly steady, in the neighbourhood of 8d., while the raising of the quota from the beginning of the current quarter from 55 per cent. to 60 per cent. is welcome. But for the six companies shown above, even if the quota remains at 60 per cent. until the end of March next year, the 1939-40 average will be 57½ per cent., against 50 per cent. in 1938-39. This is a useful increase, though it cannot be regarded as decisive evidence of a substantial rise in profits. Meanwhile, current share values already look forward to an appreciable improvement in dividends.

**Rhokana Corporation Profits.**—The Rhokana Corporation profits estimate for the year to June 30th is the first of the Rhodesian copper announcements, and it will be found satisfactory. After providing for debenture interest, depreciation and development reserves and mine provident fund, net profits amount to £1,890,000, subject

to taxation, compared with £1,950,000 for the preceding year. Profits during the first six months of the year amounted to £896,000, so that the corporation did distinctly well in the second half of the year. The progressive reduction of quotas from 105 per cent. on December 15th to 95 per cent. from March 1st, however, was mitigated by an increase in the corporation's basic quota, and blister production rose from 44,247 long tons to 50,810 long tons, electrolytic output being slightly lower at 31,691 long tons against 32,028 long tons. The profits estimate does not include any dividend from Mufulira Copper Mines, Ltd., in which Rhokana has a 32.303 per cent. interest. Mufulira Copper net profits for the first three quarters of the latest year to June 30th amounted to £807,500, against £770,500 for the corresponding period of 1937-38. Hence, the prospect appears to be for a maintenance of the previous year's dividends, both for Mufulira and for Rhokana.

**The Week's Company Profits.**—The usual seasonal contraction in the number of reports issued has begun, and our table of profit and loss accounts, appearing on page 250, includes only 28 companies (other than banks) for which comparable figures are available. Net profits of these companies total £1,238,000 against £1,283,000, a decline of only 3½ per cent. Aggregate net profits of 1,638 companies whose reports have appeared this year to date are £209,469,000, or 8 per cent. below the total of £227,514,000 earned by the same companies a year earlier. The week's results are discussed in preceding Notes and on page 231 under the heading "Shorter Comments."

## THE STOCK EXCHANGES

### London SETTLING DAYS

TICKET ACCOUNT  
AUGUST 1 AUGUST 3

In the past week there has been no major change in the characteristic trend of the market—a small volume of business, a certain amount of irregularity as between different days and between individual issues. But the keynotes are the heaviness of gilt-edged stocks and the firmer prices for equities. Even the sag of gilt-edged issues, however, has been checked owing to the absence of further disturbing international news, and changes on balance have been small.

After a dull start through lack of support, gilt-edged stocks became steadier, and towards mid-week tended to rise slightly with a modest improvement in turnover at the same time. Dated stocks were rather more volatile than in recent weeks, and in mid-week tended if anything to gain more than the undated issues. Apart from New Zealand issues, Dominion stocks attracted little attention to start with, but immediately before the conversion loan there was a further advance in New Zealand stocks, which stimulated other issues in the Dominion list. Response to details of the loan was favourable. Among foreign bonds, Japanese stocks provided an important feature with a sharp rise in the earlier part of the week on the Tokyo agreement. The gains were reversed by the termination of the United States trade pact. Chinese issues were subdued. Though inactive, European stocks remained firm. Following Mr Cordell Hull's statement, Brazilian bonds advanced on hopes of negotiations for a debt settlement.

In home rails there was a bright start in anticipation of the half-yearly statements, but as Thursday approached, with the L.M.S. and Southern statements (discussed on page 226) there was a greater tendency to await developments. A moderate reaction occurred in mid-week on the disappointing traffics. After the L.M.S. dividend decision, the 1923 preference and ordinary stocks reacted temporarily, but the 4 per cent. preference rose to 62½. Among foreign rails, Argentine issues were steady at first, and then tended to drift.

The satisfactory trend among industrial continued, and the tendency towards firmer prices was particularly evident in mid-week. With few exceptions, however, turnover remained limited. Without showing great activity, iron and steel shares were firm, and, as the week proceeded, tended to improve. Stewarts and Lloyds and Neepsend were supported. The firm trend in coal shares, which had been in abeyance for some weeks, was resumed. More attention than of late was turned to electrical equipment issues, though less active conditions returned in mid-week. The trend in motor shares was uncertain. Conditions were quiet or irregular at first, but the tone was brighter on Wednesday. Business in aircraft shares remains restricted, but prices are steady. Textiles improved after an unexciting start, while rayon shares formed one of the most active sections of the whole market. Better trading reports and the agreement between staple fibre producers were mainly responsible, an additional fillip being given to British Celanese on expectations of the much-debated reconstruction scheme. Leading brewery and tobacco shares were in de-

mand. There was some improvement in the stores group, especially in Woolworth, which led to a little profit-taking in mid-week. Provision and catering issues were also firmer. Miscellaneous issues reflected the general trend, and the leaders improved, Dunlop Rubber being in demand. Shipping shares remained quiet.

Interest in oil shares was small on Monday, though "Shell," Royal Dutch and leading Trinidad issues were firm. The firm opening of Wall Street and some Continental support aroused interest on Tuesday, prices advancing under the lead of Anglo-Iranians and Lobitos. Later the advance continued with interest broadening into the speculative issues.

Rubber share movements have been governed by reactions to the quota decision. Prices were firm on Monday, and the negligible effect of the quota on the commodity price occasioned increased public interest with higher quotations on Wednesday. Tea shares were firmer in mid-week on public support.

Mining shares opened firm after the weekend. In a market short of stock, Government Areas were particularly prominent. In mid-week, local buying further assisted prices, with East Rand still prominent. Developing issues were active early in the week, Venterspost advancing in anticipation of the June quarterly report. After a lull on Tuesday, shares were again marked up in mid-week. West Africans were firm though rather featureless all week. Among Rhodesian coppers, Rhokana spurred on Tuesday, other shares hardening in sympathy.



"FINANCIAL NEWS"  
INDICATORS

| 1939            | Total<br>Bargains† | Corres.<br>Day<br>1938 | Security Indices   |                   |
|-----------------|--------------------|------------------------|--------------------|-------------------|
|                 |                    |                        | 30 ord.<br>shares* | 20 fixed<br>int.† |
| July 21         | 4,495              | 5,745                  | 79.2               | 117.7             |
| " 24            | 5,650              | 5,770                  | 79.4               | 117.6             |
| " 25            | 4,850              | 5,515                  | 79.5               | 117.6             |
| " 26            | 4,845              | 5,515                  | 80.7               | 117.8             |
| " 27            | 5,700              | 5,810                  | 80.9               | 118.0             |
| 1939<br>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. † 1938 = 100.

## ACTUARIES' INVESTMENT INDEX

In July there has been a tendency for gilt-edged prices to sag slightly, whereas changes in industrial share prices are slightly firmer at the close. Thus, as compared with a month ago, the Actuaries' index of the price of 2½ per cent. Consols has fallen by 2 points, but that for equity prices by less than ½ point. On Tuesday, July 25, the index of 160 industrial share prices stood at 61.4, against 61.8 a month ago, and 66.7 a year ago. The corresponding average yields are 5.64, 5.63 and 5.88 per cent. We give below a selection of the separate indices, and also the usual monthly particulars of fixed interest securities:—

| Group (and No. of Securities) | Prices<br>(Dec. 31, 1928 = 100) |               |               |
|-------------------------------|---------------------------------|---------------|---------------|
|                               | July 26, 1938                   | June 27, 1939 | July 25, 1939 |
| <b>Fixed interest:—</b>       |                                 |               |               |
| 2½% Consols. (1) ...          | 134.5                           | 120.0         | 118.0         |
| Misc. ind. deb. (14) ...      | 120.9                           | 115.7         | 115.0         |
| Misc. ind. pref. (26) ...     | 114.5                           | 106.7         | 106.4         |
| <b>Ordinary shares:—</b>      |                                 |               |               |
| Insurance (10) ...            | 119.7                           | 111.8         | 106.7         |
| Aircraft mfg. (5) ...         | ...                             | 74.2          | 72.4          |
| Building mfg. (6) ...         | 81.6                            | 65.9          | 64.2          |
| Elec. lt. and pow. (16) ...   | 122.4                           | 115.4         | 114.1         |
| Gas (8) ...                   | 116.7                           | 99.5          | 97.1          |
| Oil ...                       | 92.0                            | 74.0          | 75.9          |
| Home rails (4) ...            | 39.3                            | 42.9          | 45.0          |

† December 30, 1928 = 100.

| Group                    | Yield (%)     |               |               |
|--------------------------|---------------|---------------|---------------|
|                          | July 26, 1938 | June 27, 1939 | July 25, 1939 |
| <b>Fixed interest:—</b>  |               |               |               |
| 2½% Consols. ....        | 3.32          | 3.72          | 3.78          |
| Misc. ind. deb. ....     | 3.94          | 4.11          | 4.14          |
| Misc. ind. pref. ....    | 4.30          | 4.59          | 4.61          |
| <b>Ordinary shares:—</b> |               |               |               |
| Insurance cos. ....      | 3.56          | 3.84          | 4.03          |
| Aircraft manufg. ....    | ...           | 10.62         | 9.74          |
| Building materials ...   | 6.78          | 7.47          | 7.68          |
| Elec. lt. and power ...  | 4.57          | 4.75          | 4.80          |
| Gas ...                  | 5.08          | 5.97          | 6.14          |
| Oil ...                  | 6.52          | 6.39          | 6.24          |
| Home rails ...           | 8.65          | 0.39          | 0.36          |

## New York

DESPITE continued good domestic news and a more optimistic reading of the international situation, prices reacted fractionally at the opening of Wall Street on Monday, owing to profit-taking and technical adjustments. Utility issues were strong in early trading, but steel shares failed to respond to the reports of higher steel mill activity. Motor shares were under the shadow of labour unrest. By Wednesday, however, further satisfactory dividend announcements and encouraging industrial reports stimulated renewed interest. United States Steel, Du Pont and Chrysler encountered sup-

port, and were accompanied by chemical issues and utilities, the industrial average finishing within striking distance of Monday's close. The bond market was also firm, though rails received little attention. *Iron Age* reports steel mill activity at 60 per cent. of capacity, compared with 56.5 per cent. last week.

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

| WEEKLY AVERAGES  |               |               |               |               |
|------------------|---------------|---------------|---------------|---------------|
| 1939             |               |               |               |               |
| Low              | High          | July 12, 1939 | July 19, 1939 | July 26, 1939 |
| Apr. 12          | Jan. 4        |               |               |               |
| 347 Ind'ls. .... | 92.8          | 114.5         | 100.0         | 104.1         |
| 32 Rails .....   | 23.6          | 32.5          | 25.4          | 26.8          |
| 40 Utilities ..  | 77.8          | 88.5†         | 85.3          | 86.1          |
| 419 Stocks ...   | 79.3          | 95.6          | 85.7          | 88.8          |
| Av. yield* ...   | 4.34%<br>High | 3.31%<br>Low  | 4.16%         | 4.00%         |
|                  |               |               | 3.96%         |               |

\* 50 Common Stocks. † July 26th.

| DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100) |         |         |         |         |         |
|---------------------------------------------------------|---------|---------|---------|---------|---------|
| July 20                                                 | July 21 | July 22 | July 24 | July 25 | July 26 |
| 114.8                                                   | 117.0   | 118.3   | 117.3   | 116.4   | 117.4   |

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 |             |
| July 20                    | 810            | 4,290       | 115         |
| " 21                       | 1,270          | 7,590       | 178         |
| " 22*                      | 810            | 3,070       | 131         |
| " 24                       | 1,070          | 4,880       | 177         |
| " 25                       | 1,230          | 7,300       | 172         |
| " 26                       | 890            | 5,750       | 135         |

\* Two-Hour Session

## New York Prices

| Group                                  | Close Latest  |               |               |
|----------------------------------------|---------------|---------------|---------------|
|                                        | July 26, 1938 | July 27, 1939 | July 25, 1939 |
| <b>1. Rails and Transport</b>          |               |               |               |
| Atchafalaya .....                      | 2912          | 30            | 1114          |
| Balt. & Ohio .....                     | 518           | 556           | 1178          |
| Ches. & Ohio .....                     | 3578          | 3578          | 2614          |
| G.N. Ry. P. ....                       | 2614          | 2654          | 424           |
| Illinois Cent. ...                     | 13            | 1312          | 3712          |
| N.Y. Central .....                     | 1558          | 1678          | 1178          |
| Norfolk Pac. ....                      | 912           | 1034          | 1178          |
| Pennsylv. R. ....                      | 1838          | 1914          | 1178          |
| Southern Pac. ....                     | 1412          | 1518          | 1178          |
| Southern Ry. ....                      | 1712          | 1778          | 1178          |
| Union Pac. ....                        | 98            | 9912          | 1178          |
| Greyhound .....                        | 1912          | 1878          | 1178          |
| <b>2. Utilities and Communications</b> |               |               |               |
| Am. W'works. ....                      | 10            | 1134          | 1178          |
| Con. Edison .....                      | 3214          | 3358          | 1178          |
| Col. Gas & El. ....                    | 612           | 754           | 1178          |
| El. Bond & Sh. ....                    | 858           | 10            | 1178          |
| Nat. Pwr. & Lt. ....                   | 814           | 918           | 1178          |
| N. American .....                      | 2334          | 2458          | 1178          |
| Pac. Gas & El. ....                    | 3258          | 3314          | 1178          |
| Pub. Serv. N.J. ....                   | 3878          | 40            | 1178          |
| United Corp. ....                      | 234           | 314           | 1178          |
| Un. Gas Imp. ....                      | 13            | 1312          | 1178          |
| Amer. Tel. ....                        | 16512         | 16714         | 1178          |
| Inter. Tel. For. ....                  | 612           | 718           | 1178          |
| Westn. Union ....                      | 2514          | 2558          | 1178          |
| Radio .....                            | 614           | 614           | 1178          |
| <b>3. Extractive and Metal</b>         |               |               |               |
| Am. Rol. Mill .....                    | 1514          | 16            | 1178          |
| Beth. Steel .....                      | 6078          | 6312          | 1178          |
| Republic St. ....                      | 1758          | 1812          | 1178          |
| U.S. Steel .....                       | 5058          | 5358          | 1178          |
| U.S. Steel P. ....                     | 109           | 9918          | 1178          |
| Am. Metal ....                         | 30            | 2934          | 1178          |
| Am. Smelting ....                      | 4614          | 4612          | 1178          |
| Anaconda .....                         | 2634          | 2658          | 1178          |
| Cerro de Pas. ....                     | 3758          | 3754          | 1178          |
| Int. Nickel .....                      | 4958          | 5014          | 1178          |
| Kennecott .....                        | 3618          | 3658          | 1178          |
| U.S. Smelt. ....                       | 5134          | 5334          | 1178          |
| Phillips Petr. ....                    | 3612          | 3512          | 1178          |
| <b>4. Manufacturing</b>                |               |               |               |
| Briggs .....                           | 2212          | 2258          | 1178          |
| Chrysler .....                         | 8134          | 8278          | 1178          |
| Elec. Auto. ....                       | 36            | 3512          | 1178          |
| Gen. Motors .....                      | 4714          | 4778          | 1178          |
| Nash Keltmtr. ....                     | 634           | 678           | 1178          |
| Boeing Airplan .....                   | 2414          | 2358          | 1178          |
| Douglas Air. ....                      | 7278          | 7114          | 1178          |
| United Aircraft .....                  | 3918          | 3814          | 1178          |
| Allied Chem. ....                      | 170           | 1712          | 1178          |
| Dupont .....                           | 157           | 159           | 1178          |
| Un. Carbide .....                      | 8358          | 82            | 1178          |
| Allis Chalmers .....                   | 3712          | 37            | 1178          |
| Gen. Electric .....                    | 38            | 3858          | 1178          |
| West'n Elec. ....                      | 10714         | 109           | 1178          |
| American Can .....                     | 9718          | 98            | 1178          |
| Caterpillar .....                      | 45            | 45            | 1178          |
| Int. Harvester .....                   | 5718          | 5518          | 1178          |
| Johns Manville .....                   | 7912          | 79            | 1178          |
| Am. Radiator .....                     | 13            | 1258          | 1178          |
| Corn Prods. ....                       | 60            | 6212          | 1178          |
| Gl. Case & Co. ....                    | 77            | 76            | 1178          |
| Claisen .....                          | 1814          | 1912          | 1178          |
| Celanese of A. ....                    | 2518          | 2658          | 1178          |
| Eastm'n Kdk. ....                      | 169           | 169           | 1178          |
| Loews .....                            | 4554          | 4658          | 1178          |
| 20th Cen. Fox .....                    | 2058          | 2054          | 1178          |
| <b>5. Retail Trade, etc.</b>           |               |               |               |
| Mont. Ward .....                       | 5412          | 5314          | 1178          |
| Woolworth .....                        | 79            | 7934          | 1178          |
| Nat. Biscuit .....                     | 4814          | 4834          | 1178          |
| Nat. Dairy .....                       | 2712          | 2714          | 1178          |
| Am. Tob. B. ....                       | 8434          | 8512          | 1178          |
| Nat. Distillers .....                  | 2658          | 2554          | 1178          |
| <b>6. Finance</b>                      |               |               |               |
| Comel. Credit .....                    | 4812          | 4834          | 1178          |
| Com. Inv. Tr. ....                     | 54            | 5434          | 1178          |

\* ad

## Capital Issues

THE New Zealand conversion issue is discussed in a leading article on page 220. The offer of 449,446 Initial Services 5s. ordinary shares at 23s. does not provide new money for the company, since the shares have been acquired by Charterhouse Finance Corporation at an average cost of 22s. 7d. per share. The company has a record of steady expansion. *Simms Motor Units* 5 per cent. first debenture stock carries a conversion option up to July 31, 1944, to convert at par into ordinary shares, which may compensate for the somewhat low cover provided by profits in recent years. The purchase price for the net assets of *Engineering and Lighting Equipment* appears reasonable in relation to recent profits, although the latter have been increased by important Admiralty and naval shipbuilding business.

## CAPITAL ISSUE TOTALS

| Week ending                 | Nominal Capital | Conversions | New Money  |
|-----------------------------|-----------------|-------------|------------|
| July 29, 1939               | 16,344,861      | 15,840,000  | 749,362    |
| To the Public .....         | Nil             | Nil         | Nil        |
| To Shareholders .....       | 600,000         | 594,000     | 6,000      |
| By S. E. Introduction ..... | 156,667         | ...         | 224,481    |
| By Permission to Deal ..... | ...             | ...         | ...        |
| Saving Certs., week to      | ...             | ...         | ...        |
| July 22, 1939 .....         | Dr. 50,000      | ...         | Dr. 50,000 |
| Including Excluding         |                 |             |            |
| Conversions Conversions     |                 |             |            |
| Year to date                | 101,996,430     | 79,546,349  |            |
| 1939 (New Basis) .....      | 230,128,514     | 210,237,551 |            |
| 1938 (New Basis) .....      | 69,752,041      | 48,321,962  |            |
| 1938 (Old Basis) .....      | 170,072,859     | 151,131,991 |            |

| Year to date           | Destination |            |                           |
|------------------------|-------------|------------|---------------------------|
|                        | U.K.        | Brit. Emp. | Foreign ex U.K. Countries |
| 1939 (New Basis) ..... | 52,496,197  | 24,869,148 | 2,181,004                 |
| 1938 (New Basis) ..... | 162,570,408 | 45,237,916 | 2,429,229                 |
| 1939 (Old Basis) ..... | 32,161,871  | 15,840,091 | 320,000                   |
| 1938 (Old Basis) ..... | 128,897,726 | 20,035,141 | 2,389,124                 |

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.

## CONVERSION OFFER

**New Zealand Government.**—Issue of £16,000,000 3½ per cent. conversion stock, 1939–45, at 99. A trustee stock. Redeemable at par by half-yearly drawings from January, 1940, to July, 1945 (stock drawn 5–20 June and December each year may be converted as to one-half into 3½ per cent. stock, 1949–54, and one-half into 3½ per cent. stock, 1955–60, at rates to be published); or from 1941 on notice. Holders of £100 3½ per cent. stock due January, 1940, may convert into £100 new stock plus 1 per cent. cash. Total exports, 1938, £NZ58,376,000, of which £NZ48,899,000 to U.K.

## PUBLIC OFFER

**Simms Motor Units.**—Issue of £100,000 5 per cent. first mortgage convertible debenture stock at par. Redeemable at 102½ by 1954 by drawings from 1945, or on notice. Convertible by July, 1944, into ordinary shares at par. Makers of electrical equipment for motor vehicles. Excess of assets £192,194 (of which patents, etc., £13,334). Profits, after depreciation, before interest: 1936, £13,536; 1937, £14,330; 1938, £18,017.

## BY OFFER FOR SALE

**Initial Services, Ltd.**—Offer for sale of 449,446 5s. ordinary shares at (Continued on page 231)

## Industry and Trade

**Building Plans and Activity.**—The returns of the value of building plans passed by 146 local authorities have shown an almost uninterrupted decline during the past eighteen months. In June, for example, the value of building permits was 12 per cent. lower than in the corresponding month last year. As the unemployment figures show, however, constructional activity has not only failed to shrink but is now actually higher than a year ago. Thus, the percentage of insured persons unemployed in building fell from 12.6 in June, 1938, to 12.4 in May and 11.3 in June, 1939; during the same period the unemployment percentage in public works contracting declined from 36.1 to 31.7 and 29.3. Recent experience has thus shown that the returns of the value of building plans passed no longer provide a reliable guide to future building activity. This is probably due largely to the fact that they do not include direct Government contracts, which must have shown an appreciable increase in value since last year. If this conclusion is correct it suggests that private building has shown a downward trend, but that the decline in residential construction has been more than offset by an increase in other forms of building.

**Recovery in Car Registrations.**—The downward trend in the sales of new private cars was reversed last November, when for the first time registrations exceeded the level of the same month in the previous year. Since then, the improvement has been maintained, as is shown in the table given below:—

|                      | Private Cars |         |          | Commercial Vehicles |         |          |
|----------------------|--------------|---------|----------|---------------------|---------|----------|
|                      | 1937–38      | 1938–39 | % change | 1937–38             | 1938–39 | % change |
| October .....        | 21,036       | 20,033  | - 4.8    | 6,494               | 5,597   | -13.8    |
| November .....       | 20,645       | 23,588  | +14.3    | 5,224               | 5,030   | - 3.7    |
| December .....       | 25,795       | 26,018  | + 0.9    | 6,334               | 5,604   | -11.5    |
| January .....        | 24,858       | 27,326  | + 9.9    | 7,256               | 6,538   | - 9.9    |
| February .....       | 19,039       | 23,509  | +23.5    | 5,238               | 4,617   | -11.9    |
| March .....          | 35,470       | 39,267  | +10.7    | 7,871               | 7,304   | - 7.2    |
| April .....          | 25,649       | 25,645  | - 0.0    | 5,268               | 4,517   | -14.3    |
| May .....            | 24,589       | 28,268  | +15.0    | 5,455               | 5,430   | - 0.5    |
| Total 6 months ..... | 197,081      | 213,654 | + 8.4    | 49,140              | 44,637  | - 9.2    |
| June .....           | 22,640       | ...     | ...      | 5,419               | ...     | ...      |
| July .....           | 20,811       | ...     | ...      | 5,622               | ...     | ...      |
| August .....         | 14,593       | ...     | ...      | 4,458               | ...     | ...      |
| September .....      | 17,067       | ...     | ...      | 4,741               | ...     | ...      |

(Continued from page 230)

23s. Total assets, June, 1938: £1,615,006 (of which investments in subsidiaries, £574,200; goodwill, £160,000). Profits, years to June 30: 1936, £245,476; 1937, £276,693; 1938, £304,157. Charterhouse Finance Corporation take issue at 22s. 7d. including expenses.

**Engineering and Lighting Equipment Company.**—Offer for sale at par of 100,000 7 per cent. cumulative redeemable £1 preference and 325,000 2s. ordinary shares. Preference redeemable at 25s. by 1954, by drawings from 1942, or after 1941 on notice. Net assets, £200,000 (of which goodwill £82,452) bought for 100,000 preference and 1,000,000 ordinary shares. Profits before depreciation and directors' remuneration, years to March 31: 1937, £21,275; 1938, £39,228; 1939, £59,254.

## SHORTER COMMENTS

**Company Results of the Week.**—The £10,400 increase in THRELFALL'S BREWERY net profits to £358,924 is moderate, but satisfactory in view of the recent trend of brewers' profits. One of the outstanding results of the week is the sharp rise in AIRCRAFT COMPONENTS net profits from £23,124 to £70,134, coupled with an increase in the dividend from 7½ to 25 per cent. The first report of JAMES HOWDEN AND COMPANY since the company became public shows trading profits of £99,663 for 10 months. Increased profits are due to a high rate of production, and orders on hand assure full employment in the current year. Appreciable recovery has been experienced by MONTAGUE L. MEYER, whose dividend is doubled at 33½ per cent. Progress has been made by the NATIONAL CANNING COMPANY, whose latest net profits are £43,423, against £40,695. If any shares are issued to finance the growth of the frosted foods and

in the horse-power tax has not apparently checked the demand for new private cars, though it has stimulated the sales of the smaller cars at the expense of the larger models. But it is noteworthy that throughout the whole of the current season the sales of commercial vehicles have remained below the level of the previous year, though this discrepancy was much reduced in May. On the other hand, sales of miscellaneous vehicles are larger than last year.

**American Cotton Export Subsidy.**—After a considerable delay and many rumours, Mr Henry Wallace, the United States Secretary of Agriculture, announced at the end of last week the terms of the subsidy on the export of raw cotton



holidays fell in 1939. Comparing the total of the two months with the same period of last year, the daily value of retail trade was 2.3 per cent. higher in 1939, a slightly higher rate of increase than in the earlier months of this year. As in previous months, retail trade in Scotland and

INDICES OF DAILY VALUE OF RETAIL TRADE IN GREAT BRITAIN  
(Average Daily Sales in 1937=100)

|                  | Total | Food | Non-Food |         |           |
|------------------|-------|------|----------|---------|-----------|
|                  |       |      | Total    | Apparel | Household |
| 1937 March ..... | 97    | 104  | 90       | 85      | 96        |
| April .....      | 96    | 95   | 97       | 99      | 101       |
| May .....        | 108   | 107  | 109      | 119     | 98        |
| June .....       | 98    | 97   | 98       | 107     | 92        |
| 1938 March ..... | 93    | 102  | 84       | 81      | 87        |
| April .....      | 107   | 110  | 103      | 109     | 98        |
| May .....        | 101   | 103  | 100      | 108     | 94        |
| June .....       | 106   | 107  | 105      | 116     | 90        |
| 1939 March ..... | 96    | 105  | 86       | 83      | 86        |
| April .....      | 108   | 113  | 103      | 108     | 93        |
| May .....        | 111   | 112  | 109      | 123     | 93        |
| June .....       | 103   | 105  | 100      | 111     | 88        |

Southern England was better maintained than in Central and West London.

**Oil from Coal.**—While the authoritarian countries continue to expand their production of oil from coal, the development of the British industry appears to have been halted. The coal hydrogenation plant of the I.C.I. at Billingham is now working at approximately its full capacity of 45 million gallons per annum; so far the financial results have not been sufficiently attractive to stimulate the erection of other plants. The plant for testing on a commercial scale the Fischer-Tropsch process is still non-existent in spite of the recommendations of the Falmouth report. Further, Low Temperature Carbonisation, Ltd., the pioneer and the most important company operating this process, has had to suspend the payment of dividends. Its difficulties have been largely due to excessive extensions of capacity, with the result that more than half of its plant was idle last year. But as the British Government does not look to this new industry either to provide a market for the excess capacity of the coal industry or to supplant imported fuel, a period of consolidation may be preferable to a rapid and uneconomic expansion.

**Increase in Rubber Exports.**—It was generally expected in London that the International Rubber Regulation Committee, at its meeting on Tuesday, would fix the exportable percentage for the last quarter

of the year at 60 or possibly at 65 per cent. of the basic quotas. As a result of the excess of consumption over production during the current year, stocks of rubber have fallen very considerably, as is shown in the table which is taken from the Statistical Bulletin of the I.R.R.C. The Committee has decided to fix the exportable percentage at 60 per cent. of the basic quotas for the last quarter of the year, but it also decided to revise the quota for the current quarter from 55 to 60 per cent. It is probable that the main reason for this latter step was the undesirability of allowing stocks to fall further in the current quarter, since stocks at the end of May represented barely 4½ months' consumption at its present level. Even at the higher quota, however, production from the regulated area will only slightly exceed 250,000 tons per quarter, while consumption in the first half of the year totalled about 260,000 tons per quarter, and the seasonal fall in consumption in the latter half of the year is not likely entirely to make good this deficiency in supplies.

**Further Fall in Prices.**—The general trend of the prices of primary products was downwards during the past fortnight, both in this country and in the United States. The decline is reflected in *The Economist's* indices for primary products. In consequence, the more comprehensive *Economist* and Irving-Fisher indices are also slightly down. The latest indices for France and Germany show little change, but the figure for Italy is slightly lower.

SEPTEMBER 18, 1931 = 100

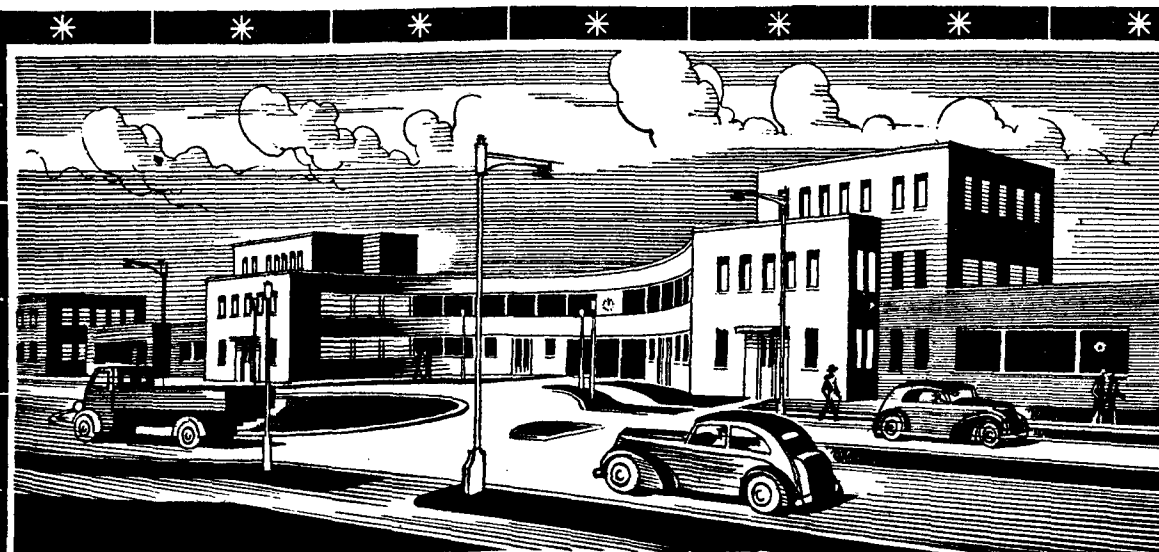
| Date         | The Economist Indices             |                    |                   | Price of Gold (sterling) | U.S.A., Irving-Fisher | France, Statistique Generale | Italy, Milan Chamber of Commerce | Germany, Statistisches Reichsanstalt |
|--------------|-----------------------------------|--------------------|-------------------|--------------------------|-----------------------|------------------------------|----------------------------------|--------------------------------------|
|              | British Complete Index (sterling) | Primary Products   |                   |                          |                       |                              |                                  |                                      |
|              |                                   | British (sterling) | American (dollar) |                          |                       |                              |                                  |                                      |
| 1936 Dec. 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 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                 | 153.5                        | 145.1                            | 97.9                                 |
| 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                 | 153.5                        | 145.1                            | 98.0                                 |
| Mar. 29      | 114.4                             | 133.9              | 123.5             | 174.9                    | 115.4                 | 153.1                        | 145.1                            | 98.0                                 |
| Apr. 19      | 114.5                             | 134.4              | 129.0             | 174.9                    | 116.4                 | 153.5                        | 144.9                            | 97.8                                 |
| May 3        | 116.2                             | 134.4              | 123.4             | 174.8                    | 115.9                 | 152.5                        | 145.4                            | 97.8                                 |
| May 17       | 116.0                             | 134.7              | 123.4             | 174.9                    | 115.5                 | 156.4                        | 146.4                            | 97.9                                 |
| May 31       | 116.7                             | 134.4              | 124.0             | 174.9                    | 115.6                 | 157.3                        | 146.2                            | 97.9                                 |
| June 14      | 115.4                             | 134.4              | 124.0             | 174.9                    | 114.8                 | 156.6                        | 146.5                            | 98.0                                 |
| June 28      | 115.6                             | 134.4              | 124.0             | 174.9                    | 114.4                 | 155.0                        | 146.9                            | 98.3                                 |
| July 12      | 115.6                             | 135.2              | 122.3             | 175.0                    | 114.3                 | 154.8                        | 147.1                            | 98.4                                 |
| July 26      | 114.7                             | 133.4              | 118.1             | 174.9                    | 114.1                 | 153.7                        | 146.2                            | 98.2                                 |
|              |                                   |                    |                   |                          | 113.8*                | 153.9*                       | ...                              | 98.4†                                |

\* These figures refer to July 22nd. † Monthly average.

Details of the component series of *The Economist* complete index are given below:—

|                     | Sept. 18, 1931<br>(1927=100) | July 20, 1938 | July 12, 1939 | July 26, 1939 |
|---------------------|------------------------------|---------------|---------------|---------------|
| Cereals and meat... | 64.5                         | 83.6          | 68.3          | 65.8          |
| Other foods .....   | 62.2                         | 58.1          | 62.8          | 61.7          |
| Textiles .....      | 43.7                         | 53.4          | 53.4          | 52.8          |
| Minerals .....      | 67.4                         | 93.1          | 92.3          | 92.5          |
| Miscellaneous ..... | 65.8                         | 75.3          | 75.5          | 76.2          |
| Complete index      | 60.4                         | 72.2          | 69.8          | 69.3          |
| 1913 = 100 .....    | 83.1                         | 99.3          | 96.1          | 95.4          |
| 1924 = 100 .....    | 52.2                         | 62.4          | 60.4          | 60.0          |

While the group indices for cereals and meat, other foods, and textiles are all lower than a fortnight ago, those relating to minerals and miscellaneous commodities show a slight rise. The sharp decline in the index for cereals and meat is due to falls in the prices of wheat, maize and beef.



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## INDUSTRIAL REPORTS

HERE is much less evidence this year than usual of the seasonal decline in industrial activity during the summer. The output of coal is practically as high as in June and appreciably higher than a year ago. Similarly, the iron and steel industry continues to operate at high pressure, and the volume of orders is abundant and sufficient to ensure the maintenance of output for many months to come. The constructional industries also remain very busy. The volume of new business in textiles has declined, but order books are still well filled. An element of importance to the rayon industry has been the conclusion of an agreement between producers of staple fibre in Belgium, Germany, Italy and the United Kingdom; the agreement is signed to ensure the "orderly development of world markets" for this product.

## Coal

**Sheffield.**—The market is rather more active than usual at this time of the year, due to industrial pressure and the accumulation of emergency stocks. Householders are also taking advantage of summer prices to lay in supplies.

Steam coal is in firm demand, and the railways are taking good deliveries of the best locomotive hards. Electricity and gas undertakings are responsible for the briskness in smalls. Coke demand continues to expand, both for domestic and furnace use.

Export business is moderate, but the undertone is firm. Yorkshire and Derbyshire hards are not fully taken up, but a steady demand exists for cabbles. Bunkering sorts are quiet. General heating coke is coming into better request.

★

**Newcastle-on-Tyne.**—The coal market in this area is quiet but firm, and supplies of the better known brands are scarce. Business in Northumberland and screened steam coals is quiet at present, but the outlook is good and considerable contract business has been arranged. Durham coking coal moves off as briskly as ever and only odd lots are available. Trade in prime bunkers is steady but ordinary brands are plentiful. Patent oven coke continues to be a firm market under a strong domestic and export demand.

★

**Glasgow.**—The market has remained inactive this week. Both Fife and Lanarkshire made a slow start after the holidays and one unfortunate effect of this was that household merchants were unable to secure their full requirements for "binging" purposes prior to the withdrawal of the summer-time price concession this week-end. The Lothian collieries are on holiday this week and stocks in that district have been well cleared. So far business generally has not yet got fully into normal stride, but the indications are that the recent improvement will be well maintained, with prices probably showing a rising trend. The London trade in nuts remains satisfactory.

★

**Cardiff.**—Orders recently placed by the French National Railways

amount to 416,000 tons of South Wales steam large and through coals. A small contract for 8,000 tons has also been placed by the Beira Alta Railways. There has been little other new business passing, and last week shipments in the foreign and coastwise trades dropped to 393,300 tons, compared with 400,529 tons in the corresponding period last year. During the next few weeks production will be substantially reduced by the August holidays, but colliery owners are becoming a little apprehensive of the market position in the autumn.

★

**Workington.**—The coal trade is brisk, except in the local landsale department, and collieries working full time are disposing readily of their outputs. Ulster and Eire are taking more than 10,000 tons weekly, and there are also shipments to the Scandinavian countries. Industrial fuel is in strong request, chiefly on account of the activity at the coking plants serving the hematite pig-iron smelters. Prices are firm.

## Iron and Steel

**Sheffield.**—The output of steel in the first half of 1939 reached the record of 868,300 tons. The June figures were 148,900 tons, exceeding those of the corresponding month of last year by 47,000 tons. Production is still insufficient to meet requirements, and additional melting plant is shortly to be brought into operation.

The iron and steel market continues very active, and it is impossible to place in full all the business offering in basic billets. Fair supplies of imported billets are becoming available, but they are insufficient to make up the shortage. Acid billets and small steel bars are strong features, and there is an insistent demand for strip and wire rods.

While there is only a weak demand for forge pig iron, business in foundry shows improvement. Most of the buying, however, is for near delivery. Basic pig iron remains in strong request, and good contract buying of hematites is reported. Finished iron business is unsatisfactory.

No great change has occurred in the iron and steel scrap market. For most descriptions there is a steady demand. Heavy basic steel melting scrap supplies are below requirements. Iron scrap supplies appear to be fairly adequate.

★

**Glasgow.**—Work has been resumed at the steelmaking plants in the West of Scotland and there is every prospect that work will be continuous and output at capacity till the end of the year at any rate. For every class of material there is a big demand, and that for shipbuilding material is particularly heavy. The bookings already made will be further increased as work progresses on the new orders on hand at the shipyards. Further Admiralty orders and also mercantile orders have been announced within the week giving more work to four of the Clyde shipbuilding

concerns. Marine engineers in this district are also exceedingly busy as the bulk of the Clyde built vessels are being engaged by local builders who have also been entrusted with the work for many vessels being built in other districts. Sheet makers and sheet galvanisers have also made a good restart and are looking forward to a very busy period for at least six months to come.

★

**Cardiff.**—All branches of the iron and steel industry in South Wales continue very busy, with the pig iron and melting furnaces and the sheet and tinplate factories operating well up to their current capacity. New orders for tinplates are not perhaps as numerous as they were in the June quarter, but there is a steady flow of business and unexecuted orders are about 4½ million boxes. Shipments are much heavier than they were a year ago, but the home trade, including Government orders, is absorbing the larger part of the output. Prices show no change.

★

**Workington.**—A great change has come over the North-West Coast hematite pig-iron trade. The reduction in the price by 5s. per ton induced a large volume of forward business and makers, booked ahead until October, have either eliminated or are fast getting rid of the formidable stocks accumulated in the early months of 1938. Local absorption is normal and there are heavy deliveries to the Midlands, Scotland and South Wales. Needs are still in excess of demand, but no immediate expansion of production is practicable, and it may be late in the year before a single additional furnace is put into blast. Prices are steady. Refined iron is in fairly good request, but malleable iron is still on the quiet side.

Steelmakers are booked up for months to come, but the rail-making season is all but completed and billets, hoops and strips are the chief products of the mills. Orders are numerous, and those already on the books justify working to capacity until the end of October. Native ore, at 24s. per ton f.o.t., is largely in local request. There are few independent producers, and as owners are conserving supplies for local smelters very few parcels are being sold to the East Coast or to Scotland.

★

**News from Abroad.**—In spite of the approaching holiday season the turnover on international steel markets has remained fairly satisfactory, although new purchases are substantially below those of a few months ago. Business with Scandinavia has recently been comparatively active, whereas the Far Eastern and the South American markets are quiet and the South African market is subject to American competition. Demand for semis has remained very keen; Great Britain and Japan are the chief buyers. It is expected that Great Britain will soon order more supplementary quantities of semis on the Continent. Requirements for thin sheets and wire products have perceptibly decreased and those for thick plates and sections to a smaller extent.

Prices have further tended to weaken; quotations on unorganised markets have

recently been reduced by about 2s. per ton by way of higher rebates on official prices. Official price alterations for particular markets and products have become very rare, and the consideration of a general revision of Cartel prices, which was to have taken place at the beginning of this month, has now been postponed until the autumn. This is in conformity with the desire of steel producers to maintain their present activity over the holiday period. Price cutting by outsiders is scarcely influencing the price policy of the Cartel, since the increased steel consumption in all parts of the world has greatly mitigated the disturbing effects of this competition.

The thin sheet Cartel will hold a meeting in the first half of September to discuss the situation arising from the unused export quotas of the British members.

## Textiles

**Cotton (Manchester).**—There has been little change in the volume of business. Export trade remains disappointing and a substantial part of productive capacity in Lancashire is engaged on Government contracts and on the manufacture of goods for home consumption. The outstanding event on the raw cotton market has been the announcement of the American export subsidy.

In the American section of the yarn market, the most active demand has again been on coarse counts. The recent advances for ring beams have checked business somewhat and a rather better turnover has been reported in mule descriptions. It has been decided to renew the Egyptian yarn price convention, but the de-control of prices for carded yarns will continue.

Manufacturers of cloth suitable for export have not been able to make very much headway. In certain fabrics the recent advance in finishing charges has had the effect of restricting sales. Some India shippers have put out more inquiry, and irregular scattered buying has taken place. Only isolated transactions have been reported for Egypt and the Near East. Some useful lines have been secured in poplins for South America. Certain fine cloths have been in request for Switzerland. Deliveries for the home trade have continued encouraging, but fresh buying has not been important. Further Government contracts have been placed.

## THE COMMODITY MARKETS

THE commodity markets have not yet responded to the revival of business activity in the United States and to the improvement on the Stock Exchanges in New York and London. During the week ended last Wednesday, Moody's index of the prices of sensitive commodities in the United States actually declined slightly from 142.2 to 141.5.

Wheat prices showed a further decline in the past week and reached a new low record. The causes of the slump are given on page 219. The market in raw sugar, on the other hand, was steadier. The introduction of an export subsidy on United States cotton, details of which will be found on page 231, had little effect on prices, as it had

been largely discounted. Rubber prices remained steady despite the increase in the current quarter's export quota, discussed on page 232. Non-ferrous metals are scarcely changed in price on the week.

## Metals

**Copper.**—Demand on the copper market was comparatively small, but sellers remained reserved and the price of standard cash copper closed on Wednesday at £43 per ton, a net gain of 2s. 6d. on the week. In the United States the market has quietened down, but the undertone remained firm and the domestic price was raised by another ½ cent to 10½ cents per lb. American producers have now to deliver over 250,000 tons of copper to domestic consumers within the next three months, a fact which may help to reduce United States stocks and thus improve the outlook in London. Stocks of copper in official warehouses of the L.M.E. fell by 1,115 tons to 28,894 tons last week and thus reached a new low level for the current year.

★

**Tin.**—The cash price remained unchanged at £29 17s. 6d. per ton, but the backwardation has again widened from £4 15s. to £5 2s. 6d., a sign that consumers' buying has declined. The pool has the market under complete control, but this week it has not been called upon to any great extent. The International Tin Research and Development Council's Statistical Bulletin gives world production in the first five months of this year at 54,100 (a year ago 70,400) tons, while absorption in the same period is given at 63,400 (69,700) tons. There was thus a considerable excess of absorption which has, no doubt, made headway in June and July.

★

**Lead and Spelter.**—The London price of lead lost 2s. 6d. to close on Wednesday at £14 13s. 9d. per ton, while spelter gained 3s. 9d. to close at £14 6s. 3d. per ton. The margin between the two metals has thus narrowed to 7s. 6d., the smallest for several years. In normal times spelter used to be the dearer of the two metals, but in recent years lead has always commanded a substantial premium over spelter, owing to the unfavourable statistical position of the latter. The market in lead was adversely affected by the unfavourable June building returns, while spelter derived some benefit from the expanding consumption, which appears to be catching up with production.

## Grains

WHEAT prices have declined further in the past week, demand remaining quiet. The American Government is pressing forward with its subsidy for wheat exports while the approach of the new crop in the Northern hemisphere has limited the off-take of Argentine wheat. Weather reports from Canada continue favourable and those from Europe, while mentioning the lack of sun, indicate average or only slightly below average yields. Mr Morrison stated in Parliament last week that the British Government had taken the opportunity of the low price level to augment its reserves of wheat and it is reported that the Government are seeking to store

## Other Foods

**Provisions.**—Unusually large supplies of home eggs have brought a fall in London prices but prices of other types have been little affected. Flour prices were reduced during the week by a further 6d. per sack. Colonial butter prices were also lower than a week ago.

★

**Colonial Produce.**—There has been little change in the futures market for raw sugar, but the sharp reduction in quotations the previous week was followed by a fall of 4½d. per cwt. in the prices for most types of refined sugar.

★

**Fruit and Vegetables.**—The cold weather has affected the demand for salads, although tomatoes continue to sell freely. English cherries are now arriving in bulk on the London market and are in good demand. The strawberry season is over, but large arrivals of other soft fruits continue.

## Miscellaneous Commodities

**Oils and Oilseeds.**—The poor outlook for grain prices continues to influence the market in these products, whose sales are also restricted by the usual seasonal decline of business. Plate linseed has fallen further in price and is now 20s. to 25s. per ton below the highest reached in June. Prices for Indian linseed are also lower, but buyers remain uninterested. Favourable reports continue of the new American crop of linseed, which may, it is thought, be nearly twice the size of last year's harvest. Shipments from the Plate remain small. Trade in cotton seed is very desultory at about £4 10s. per ton afloat to Hull, an almost record low price; later positions are at a good premium at £5 2s. 6d. per ton September to January. The spot price of linseed oil is steady, after a fall of some 5s. per ton, while cotton seed oil is cheaper by 20s. per ton.

★

**Rubber.**—The decision of the I.R.R.C. is discussed in a Note on page 232. The London market was idle until the decision was known, when there was a slight fall of ½d. per lb. in spot prices, but the market has since been steady.

★

**Furs.**—As was to be expected, prices showed considerable strength at this week's summer fur sales in London. Beaver and musquash gained on the average 7.5 per cent. compared with the prices paid at the spring sales in April. South-West African Persian lambs advanced by 5 per cent., but mink and Afghan lamb remained unchanged. The demand showed a satisfactory level and the bulk of the supply was sold. The attendance at the sale was good and France, the United States and Germany were well represented.



## COMPANY MEETINGS

## THE DISTILLERS COMPANY LIMITED

The sixty-second annual general meeting of the Distillers Company, Limited, was held in the North British Station Hotel, Edinburgh on the 21st instant, when the Right Hon. Lord Forteviot, O.B.E., M.C., chairman of the company, presided.

The Chairman said:—

I shall first deal with the accounts, which I presume I may take as read. On the assets side you will observe that the first two items, land and buildings, plant and utensils, amount to £650,077. These assets have been fully maintained out of revenue, and, in addition, ample depreciation has been provided in accordance with our established practice.

Sundry investments, at £6,133,111, show little variation from last year's figures, and, despite the fall in the market quotation of our holding of British Government securities which has taken place, the total value of the investments is considerably in excess of the figure at which they stand in the balance sheet.

Our investments in subsidiary companies receive individual scrutiny at each balancing period, and any fall in values is provided for to the extent considered necessary by your board. That policy has again been followed in preparing the accounts which are in your hands, and the figure of £16,825,923, at which investments in subsidiary companies appear, has been arrived at on the usual conservative basis.

The last item, cash in bank and on hand, at £3,239,713, shows an increase of over £1,400,000 on the corresponding figure last year, but it has to be borne in mind that your company acts as banker to the group, and has to be in a position to meet any calls for finance required to maintain and develop the widespread and comprehensive activities of the organisation at home and overseas. The cash balance will, of course, be reduced by £1,210,492, the amount required to meet the proposed final dividends and cash bonus.

On the liabilities side of the account, the reserve fund, the super-annuation and provident fund, and the fire insurance fund, are increased by the amounts shown in the directors' report. The increase in the first two items is on the same scale as in previous years. The addition to the fire insurance fund, however, is £150,000 as compared with £50,000 in each of the three previous years. At the present figure of £500,000 the fire insurance fund may appear disproportionately large compared with the figure at which the land, buildings, plant and utensils stand in the accounts, but the position falls into proper perspective when it is realised that the cost of replacement of our fixed assets is very much in excess of their book value, and when it is further borne in mind that the reserve is designed to cover not only actual damage to those assets, but the consequential loss that would result from any disturbance to the production of our large operating units. The factor of war risks, which cannot be excluded in the present disturbed international situation, has also to be reckoned with, and your board had this risk particularly in view when they increased the appropriation to the fire insurance fund from £50,000 to £150,000.

Reference is made in the directors' report to the proposal that £4,276,385 of the amount at the credit of the reserve fund should be capitalised and applied in paying up in full a corresponding number of ordinary shares for distribution to the ordinary stockholders in the proportion of two new shares for every £5 of stock held. We propose to call an extraordinary general meeting for Thursday, October 19th, for the purpose of passing the necessary formal resolutions for the increase of capital and capitalisation of reserves, and immediately thereafter to issue allotment letters to the holders of ordinary stock on the register at September 30th. The usual rights of renunciation and splitting will be conferred, and, after the final allotment has been made, the shares will be converted into stock, which will rank *pari passu* with the existing ordinary stock as from May 16, 1939, the beginning of the company's current financial year, and certificates for which will be issued as soon as possible. I have to explain that this issue is being made solely in order to bring the issued capital into closer relationship with the working capital actually employed in the business. It is intended at the same time to increase the authorised capital of the company by £5,000,000 to £20,000,000. If this proposal is approved, the company will still have £2,832,653 of capital for issue if and when circumstances require. I am not, of course, in a position to forecast the rate of dividend which the company will be able to pay in future, as the distribution will naturally depend on the position and prospects of the

business at the time, but your directors cannot expect to maintain the present rate of dividend on the increased capital.

The directors are giving serious consideration to establishing a central superannuation and provident scheme, to be vested in the names of trustees, and transferring to them the various funds which have been established in this company and the subsidiary and associated companies.

Another full year's production of both grain and malt whisky has been undertaken at our distilleries, filling orders being well maintained.

Market prices of whisky with age, especially eight years and older, have hardened considerably, indicating the continued scarcity of well matured stocks which are in great demand, and for the United States market in particular.

The policy of maintaining the company's plant and equipment in a thorough state of efficiency is ever in front of us. The blending and bottling establishments of several of our principal subsidiaries have recently undergone reconstruction, which brings them completely up to date, whilst other modernisations are in process or in contemplation.

During the past year in the home trade the brands of Scotch whisky sold by our group companies have again shown up well. Whiskies with age still command high prices, but your directors are satisfied they have nothing to fear on this point, having ample cover to meet all demands and to give continuity of quality and age, which is so essential.

Our export trade, for the period under review, has shown a steady increase in most of the foreign markets where Scotch whisky is consumed, and the existing trading conditions permit us to report that the perturbed European situation, up to the present date, has not adversely affected our sales to any appreciable degree.

Our Empire export trade has been regular throughout the year, and the closing figures reveal a very satisfactory result.

The American trade continues to expand, and the Anglo-American trade agreement—in which Scotch whisky figured as the largest item of British exportation—gratified both the importers and the exporters by permanently stabilising the rate of duty on this commodity in the United States of America for the term of the treaty, and we congratulate the representatives of the Board of Trade upon the satisfactory and fair manner in which these negotiations were carried through.

Taking a general survey we believe that, barring eventualities which may emanate from fluctuating world-economic conditions, prospects in the export market are encouraging.

Our gin companies continue to hold a leading position in both home and export markets, and a steady demand prevails for the well-known brands.

In these days of public proclamation of the indispensability of beverages, may I remind the stockholders of the wholesomeness and the palatability of our own products. The Scotch whisky and soda, and the various combinations of which gin is a component, retain as of old—in spite of the increase of price due to enhanced duty—their value as healthy and attractive beverages. May I ask the stockholders to recommend the commodities, on the sale of which their dividends so largely depend.

No doubt the stockholders will have noticed the recent decision of the Justiciary Appeal Court of Scotland on the question of what constitutes Scotch whisky. Your directors received with gratification the decision laid down, namely, that only whisky which is entirely distilled in Scotland has the right to bear the name of Scotch. This, of course, has always been the view of your board, and, in our opinion, of the consuming public. Our satisfaction in this respect is no doubt shared by the stockholders, and, in view of the world-wide distribution of our products, this is a decision of supreme importance to the Scotch whisky trade.

During the year The Distillers Company Limited continued the policy they have adopted over a considerable period in giving what they felt was a reasonable price for Scotch barley purchased for the use of their malt distilling interests. This was done in order to ensure a fair price to the home growers of barley, and with a view to encouraging them to grow a crop on which the prosperity of Scotland so largely depends.

The price which we paid last year was above what we would have been called upon to pay for imported barley, and was, in fact, in excess of what we would have paid had we obtained our

requirements from England. This action has cost the company this year over £100,000, but we were of opinion that the good relations, which have always existed between this company and the farmers, were worth maintaining, even at considerable cost to ourselves. We are confident that the policy we adopted obviated a debacle in Scotch barley prices, and we understand that the farming community generally appreciated our attitude. As the largest buyers of barley in Scotland, we were able to carry through this policy, but unfortunately our lead was not followed by all others, and therefore such other users were able to cover their requirements from cheaper sources. This situation is inequitable, and it is possible that we may have to review our attitude, unless every concern purchasing barley for malt whisky distilling is placed on the same basis. Several schemes have been put forward, and there is a parliamentary Bill on hand, from which something may develop on the lines indicated.

The industrial alcohol market during the last year has not varied very much, and the quantity sold is approximately the same as the year before. There has been keen competition, but we have retained our share of the business.

Owing to the imposition of a tax on industrial alcohol for motor fuel, the quantity sold decreased, but not to a very large extent, and it was made up for by other uses.

In Australia, the industrial alcohol factory had a good year, and it looks as if it were going to improve still further as the sales are steadily increasing. We hope some day, with the support of the Queensland Government, to be able to use up all the waste molasses produced in Queensland.

Our yeast business had a fairly good year, and the sales kept up well. We have kept our process of manufacture up to date, and have made many improvements. The quality has been very satisfactory.

Both in the industrial spirit and in the yeast business we have had to meet severe competition, but the results have been fairly steady for the last few years.

On the chemical side of our business we have been actively extending our interest in the manufacture of new products, the result, mainly, of work done by our own research department. We are neglecting no opportunity of investigating all possible methods for the manufacture of industrial alcohols and chemicals from such indigenous materials as coal or coke or waste industrial gases, should, at any future time, such methods become cheaper than those in use to-day. At present, our basic raw material, as is well known, is molasses, which has to be imported in very large quantities. In any case, it is essential to take a long view in development work of this kind.

We are actively developing synthetic resins with special physical properties which we anticipate will have extended uses in the future.

During the year in question we have acquired a majority holding in Commercial Solvents (Great Britain), Ltd., whose factory at Bromborough in Cheshire is making industrial alcohol and solvents by fermentation.

Our building supply department has continued to expand, and both our factories are working to capacity in manufacturing our gyproc plaster board and special plasters, which continue to find favour with the building trade.

Since our last annual meeting the directors have had in hand the serious problem of Air Raid Precautions. Every possible measure has been or is being taken to ensure the protection of our various works and the safety of our workers. Our employees have been classified into groups, so as to release as many as possible immediately for National Service, and to enable our various companies to retain those essential to the operation of the plants. This has involved considerable expense, but your directors felt that the best way to prevent hostilities is to be prepared, and it is considered that money spent in this way is in the interests of the stockholders, the staffs, and the country.

You will see from the annual report that Mr William Harrison does not seek re-election as a director, and our best wishes go to him in his retirement. His long connection with the company and the valuable services he has rendered during that time have earned him the gratitude of his colleagues and the stockholders. This created a vacancy on the management committee, and, in view of the continually expanding duties and responsibilities, it was decided to appoint an additional member thereto. Mr T. H. Board and Mr H. J. Ross, who are well-known directors of the company, have been elected.

Mr Hogarth during the year resigned from the board on his retirement from business, and I wish to confirm our appreciation of his long record of useful work.

In the course of the year Mr Alfred Adams, managing director of John Walker & Sons, Ltd., was appointed to the board, and his wide experience will be of great benefit to the company. This appointment falls to be confirmed at this meeting.

As at the last annual meeting, but with even greater emphasis, I refer to the invaluable services of the staff. They have worked efficiently and well, and are again largely responsible for our prosperity and progress. During the year great numbers of the employees throughout our whole organisation answered the national call, and their efforts have been encouraged by very generous treatment by your board, and of this no doubt you will heartily approve.

I have now much pleasure in moving the adoption of the report, which recommends payment of a final dividend on the Preference Stock of 3 per cent. less tax, making, with the interim dividend of 3 per cent. already paid, a dividend of 6 per cent. less tax, for the year; also a final dividend on the Ordinary Stock of 12½ per cent. less tax, making, with the interim dividend of 7½ per cent. already paid, a dividend for the year of 20 per cent. less tax; also the payment of a cash bonus of 2½ per cent. less tax, on the Ordinary Stock, and carrying forward to next year a sum of £436,898 7s. 8d.

Sir Alexander Walker, K.B.E., seconded the adoption of the report, and this was agreed to unanimously.

## VICTORIA FALLS AND TRANSVAAL POWER COMPANY, LIMITED

## A SATISFACTORY YEAR

## INCREASED DIVIDEND

At the ordinary general meeting of shareholders of the Victoria Falls and Transvaal Power Company, Limited, held on the 26th instant in London, the chairman and managing director, Mr Arthur E. Hadley, C.B.E., presented a satisfactory account of the company's business for the year 1938.

The net profit for the year, after providing for taxation and all other requirements, amounted to £652,035, against £612,628. The full dividend of 10 per cent. had again been paid on the Preference shares, and the dividend on the Ordinary shares had been increased from 13½ per cent. to 15 per cent. The reserve fund had been brought up to £650,000 by the addition of £150,000.

Notwithstanding the continued and increased political unrest in the world, with its disastrous effect on international trade, the position of gold had not been adversely affected and, in point of fact, it stood at a higher price in 1938 than in 1937, and the gold mining industry was continuing its active policy of expansion.

The maximum sustained load at power stations for electricity amounted to 508,000 k.w., an increase of 14 per cent. during the year, while that for compressed air increased to 74,000 k.w. Units of electricity and compressed air sold during the year exceeded 3,000 millions, and the load notified by the consumers exceeded the notifications outstanding at the beginning of 1938. An increase in sales resulted in a reduction in the price of a unit of power, and this was effected by a rebate on the basic price. In the year 1938 the rebate was £171,000 higher than for the previous year.

## KLIP AND VAAL STATIONS

The 400,000 k.w. Klip station, belonging to the Electricity Supply Commission, which the company was constructing and operating on their behalf, had now 10 out of 12 generating plants at work, while the eleventh set had been shipped, and the last was expected to leave the makers' works during this year. This station, when complete, would burn 2½ million tons of coal annually. The work on the first section of the new 100,000 k.w. Vaal station was proceeding satisfactorily. This station would be the property of the Electricity Supply Commission, and would be operated and the power taken by this company. The hydro installation at the Victoria Falls continued to operate quite satisfactorily.

Mr Hadley asked the shareholders to authorise him to convey their appreciation to the executive officers, staff and employees of their whole-hearted services in the interests of the company during the past year.

The report and accounts were adopted and the retiring directors, Sir Douglas Malcolm, K.C.M.G., and Mr J. B. Braithwaite, were re-elected, and Messrs Cooper Brothers and Company were re-appointed auditors.

# FURNESS, WITHY AND COMPANY, LIMITED

## SHIPPING INDUSTRY'S PROBLEMS

### LORD ESSENDON'S REVIEW

The forty-eighth annual general meeting of Furness, Withy and Company, Limited, was held, on the 26th instant, at Furness House, London.

Lord Essendon (the chairman), in the course of his speech, said:—When we met a year ago I expressed a hopeful view of the future on the ground that most of the elements needed to bring about a revival in international trade were merely waiting upon return of confidence in the political sphere. It is a matter of common knowledge and common regret that the political situation throughout the whole of the past year has continued in a state of vacillation between hope and uncertainty. In consequence, international trade has lacked the confidence which is essential for settled conditions, and the shipping industry has not enjoyed any improvement. The result is reflected in the accounts before us to-day, and in the circumstances I believe you will not find them unsatisfactory.

The profit and loss account, frankly, is somewhat of a disappointment to your directors, showing, as it does, a net credit balance of £505,121, which is £115,000 less than in the previous year. There was an amount of £211,681 brought in, and after paying the two half-yearly dividends on the preference capital, and transferring £300,000 to depreciation, it is recommended that a dividend of 4 per cent. be distributed on the ordinary capital, which will leave £188,428 to be carried forward to the current year's accounts.

#### CAUSE OF FALL IN PROFITS

The fall in our profits is a direct reflection of the difficult conditions which have applied to the shipowning industry, which has suffered in almost every sphere. The New York-Bermuda service has done reasonably well in the circumstances, but we incurred an unfortunate loss in complying with the request of the Bermuda authorities to provide eight additional sailings last Easter. This request necessitated chartering additional tonnage, for which arrangements had to be made a considerable time in advance, and in the result it proved to be impossible to secure sufficient additional traffic to justify this expenditure.

I have made reference to the effect of political uncertainty upon the shipping industry, and there is no doubt that that is the chief cause of the lack of confidence in international trade, but there is a host of other problems which we have to face in present circumstances. I have, on many occasions, mentioned the subsidised competition of foreign ships, but even more insidious forms of competition have gradually made themselves evident, as, for instance, Germany frequently provides that her purchases abroad must be shipped in German tonnage, no doubt in order to avoid having to find foreign currency for the payment of freight. Also certain descriptions of marks may only be used for the payment of freights to German ships.

Another country is known to have warned manufacturers who enjoy the benefits of Government contracts that unless they ship their exports as far as possible in ships of the national flag they will prejudice their prospects of securing further Government contracts. I can multiply such instances more or less indefinitely, and it is obvious that British shipping companies, operating as commercial undertakings and responsible for their results to a large body of shareholders, cannot cope with such methods unaided, nor can they be expected—as both the Government and the public expect—to maintain and expand their fleets in such circumstances.

#### GOVERNMENT'S SUPPORT

The Government are fully alive to the difficulties, and the President of the Board of Trade has expressed the Government's intentions in no uncertain language to give their support to British shipping in the most direct and effective manner. It will be recalled that the President of the Board of Trade invited the Chamber of Shipping and the Liverpool Steamship Owners' Association to report to him upon the situation of each section of the industry—tramps, liners, tankers, coasters, and so on—together with their recommendations.

A comprehensive report of this nature was submitted in January last, and in consequence of that report a sum of £2,750,000 is to be made available annually for a period of five years from January, 1940, by way of a subsidy for tramp ships in the deep sea and near trades, but not the coasting trade. Unlike most of the foreign sub-

sidies, this sum is only to be made available for British ships when the level of freight rates falls below a specified index. It should ensure a living standard, but no more.

The problem of the cargo liners is of a different character, and needs different treatment. Accordingly, the Government have determined to appoint a small committee to advise them as to the nature and extent of any assistance that may be found to be necessary, out of a fund of £10 millions to be set aside for that purpose.

#### IMPORTANCE OF BRITISH TONNAGE

This practical evidence of the Government's intention to support British shipping has possibly been accelerated by the knowledge that the British share of world tonnage has been gradually falling during the past few years; but strong as these defensive measures are, they cannot of themselves ensure the building of more ships, firstly, because such measures cannot increase the volume of trade available, and, secondly, because they are not designed to do more than give existing ships the possibility of competing with ships of other flags on something like level terms.

Consequently, the Government have gone further, and have devised means whereby, in spite of high building costs in consequence of the re-armament programme—which in itself was seriously retarding the placing of new orders—encouragement will be given to build new tonnage of the tramp and cargo liner type. For this purpose a grant not exceeding £500,000 per annum for five years will be made in respect of any ships of the appropriate type. This building grant is also to be linked up with freight markets and will only be paid provided the average freight index remains below a specified level.

The shipping industry felt that there were two very strong grounds in justification of the Government's proposals, viz., the necessity of providing sorely needed work for the shipyards and engine works, and the maintenance of their personnel, and, secondly, the urgent need of additional ships under the British flag for purposes of protection in national emergencies.

The only criticism that I venture to offer is an expression of regret that certain very important sections of the industry have been practically excluded from the advantages of the arrangements which I have outlined. I have no doubt, however, that the industry will give its full support and co-operation in order that the greatest possible benefits may be secured in the national interests.

#### THE OUTLOOK

It seems to be expected of chairmen of public companies to tell their shareholders something of the prospects for the coming year. It is exceptionally difficult to say anything in that respect on this occasion. In some of our trades, conditions have definitely improved within the past few months; in others the movement of both cargo and passengers is very restricted and subject to severe competition. It is a noticeable fact that even seasonal business, which in past years could more or less be relied upon—as, for instance, the various grain seasons—is thrown out of order by the modern practice of storage at the point of origin pending improvement in prices, or storage at destination in exceptional quantities for gradual release. I am not for one moment criticising these arrangements, I am merely stating what is a fact.

In present circumstances it is clearly a matter of policy that arrangements should be made for the storage of essential commodities to the greatest possible extent, particularly at a time when shipping space is plentiful and cheap, and the price of commodities generally is at a low level. There has been some correspondence in *The Times* on this subject wherein it was suggested that not only should foodstuffs be stored in preparation for a possible emergency, but also that other commodities which are almost equally essential, and which are not so liable to deterioration and also cost less to store, should be imported and laid in reserve, such as ore, timber, etc. It is not my province to comment on these suggestions, except to make the obvious remark that any such arrangements would be of benefit to shipping, which is in need of additional employment at the present time.

The report and accounts were unanimously adopted, and, the formal business having been transacted, a vote of thanks to the chairman, directors and staffs ashore and afloat terminated the proceedings.

# STANDARD BANK OF SOUTH AFRICA, LIMITED

## SOUND POSITION

The one hundred and twenty-sixth ordinary meeting of the Standard Bank of South Africa, Limited, was held, on the 26th instant, in London.

Mr Robert E. Dickinson, who presided, said that after making an appropriation to contingencies account there was a balance of profit of £573,147 as against £621,633 in the previous year. It was recommended that £150,000 be allocated to the officers' pension fund and that a final dividend of 7s. per share be paid, together with a bonus of 2s. per share, making a total of 14 per cent. for the year. Having regard to the quieter business conditions which had prevailed during the year, the figures would, he was sure, be regarded as satisfactory.

While the year under review had been characterised by political disturbances in Europe and universal decline of trade, business conditions in the Union, although quiet, had remained fairly steady. The prosperity of the country was dependent to a great extent upon external economic conditions, and it could not be expected that South Africa would escape repercussions of the depressed conditions caused by the unsettled state of international politics, but, by virtue of her geographical position and the continued expansion and prosperity of her most important industry, gold mining, the Union had suffered less in that respect than most other countries.

Some indication of the maintenance of a healthy position, notwithstanding adverse external influences, might be found in the figures given by the Minister of Finance when introducing the last Budget. In place of the deficit of £100,000 contemplated by the Budget for 1938-39, it was estimated that the actual receipts and expenditure for the year would result in a surplus of £1,650,000.

The value of the total mineral output of the Union for 1938, including the currency premium on gold, was approximately £98,000,000, an increase of £4,000,000 over the figures for 1937. The base mineral deposits had attracted increasing attention during recent years. Although the trend of prices in many instances had been less favourable, the expansion of armament programmes in Europe and the widening use of metals for general industrial purposes should ensure the maintenance of interest in the various deposits in the Union.

#### GOLD MINING EXPANSION

The establishment of fresh records in respect of the quantity of ore milled and the number and value of fine ounces produced afforded convincing evidence of continued expansion in the gold mining industry. The measure of progress during 1938 was especially noteworthy in that the high production figures had been achieved notwithstanding the fact that the average yield of 4.346 dwt. per ton of ore milled was the lowest on record. During recent months the steadiness of the price of gold at an average figure in the neighbourhood of the highest levels on record indicated that confidence in the position of gold and its future was being well maintained.

With regard to the farming industry, notwithstanding unfavourable weather conditions and an appreciable decline in export price levels for certain farm products, notably wool and fruit, progress had been made in the establishment of the industry on a firmer basis. That was due partly to the wider demand for South African raw materials on both local and overseas markets and partly to official measures, such as the prevention of soil erosion, the extension of irrigation facilities and agricultural research, designed with a view to the improvement of conditions.

He might summarise the position in the Union by saying that the decline in trade activity had been offset to some extent by the continued expansion and undiminished prosperity of the gold mining industry. It might reasonably be predicted, however, that an improvement in the external political and economic situation would react sharply in favour of South Africa.

As to Southern Rhodesia, in the absence of any further deterioration in world markets the general business progress made by the territory in recent years should be maintained. The decline in the total value of exports from Northern Rhodesia was attributable to the lower prices prevailing for copper. During recent months prices had shown increasing steadiness.

In conclusion, he thought shareholders would have been impressed by the sound and liquid position of the bank as evidenced by the accounts. They could not look for the return of normal business conditions until an improvement in world affairs brought about the restoration of confidence, but they might congratulate themselves that their business lay mainly in a country which had such great natural resources.

The report was adopted.

# CENTRAL COMMERCIAL PROPERTIES LIMITED

## STEADY EXPANSION CONTINUED

The eleventh annual general meeting of Central Commercial Properties, Limited, was held, on the 27th instant, at 80 Grosvenor Street, London.

Mr W. Stanley Edgson, F.S.I., F.A.I. (the chairman), said that the accounts showed a further string of records, for both the gross and net rental income and, if only by a few pounds, their net revenue from rents alone, all showed advances, and, finally, they were recommending a record distribution to the ordinary shareholders. Perhaps the most pleasing result was that their rental revenue, ignoring profits from resales, again showed an increase in cover to both the preference and ordinary shareholders. He was continually being asked by shareholders whether the company's steady policy of expansion was proving profitable. It would be seen that in addition to the present year's preference dividend being more than twice covered by the net rental revenue, the amount earned on the ordinary capital, ignoring scrip bonus issues, had risen from 17.9 per cent. in 1936 to 23.3 per cent. in the present year.

In addition to a substantially increased allocation for leasehold redemption they had transferred another £2,000 to the recently formed contingency reserve. That fund was being built up primarily to provide for any depreciation of their freehold properties and to meet any obsolescence of the structure, and they were hoping they would not have to draw upon it for some years to come. He would point out that again they were putting back into the company in one form or another over 10 per cent. of the net rental revenue in addition to the £14,010 placed to capital reserve. During the last five years they had placed to reserve, including premium on share issues, no less than £133,800, and also had increased the carry-forward by £3,400.

The report showed that in spite of difficult market conditions they had actually, or were in process of acquiring, some forty-three individual shop units, mostly freehold, at a cost of £178,000. The properties were extremely well spread, all let, mostly on full repairing leases, and producing an income of £11,000 per annum.

#### WAR RISKS

With regard to his views on the property market, his most definite reaction was the very slight fall that had been experienced in the value of their particular type of security. The best class of gilt-edged security had perhaps shown the greatest depreciation, but this he had anticipated and they had wisely changed a number of that type of security in 1937. The more normal well-let security, which had been their mainstay, had maintained its value remarkably well, perhaps because it was so widely held in strong hands by those who realised that over a term of years yield and capital value were more constant than those of practically any other type of security.

Speaking with intimate knowledge, he thought that the fear of damage by enemy aircraft to property, although perfectly justified, was grossly exaggerated by many. In his view workable schemes on a contributory basis, whether compulsory or voluntary, should be capable of creation within a very short period, and he would like covered everything that arose from the land and what it produced.

As far as their company was concerned, they were particularly well placed in respect of war risk—their properties were remarkably well spread, many in areas zoned as neutral or reception areas, and they were mostly in small units where the actual bricks and mortar were only the lesser part of the security, which was mainly comprised in the land. Similarly, the provisions of the Civil Defence Act to provide Air Raid Protection only applied to two or three of their properties and would not involve the company in great expense.

#### THE FUTURE

As to the future, the outlook was most obscure, and he refused to express any decided views. They had guarded, as far as they were able, against possible inflation by acquiring additional properties with early reversions. It might be that they would see some slight setbacks in their rental income and that for the time being development and expansion would become restricted, but he felt that they were holding a security less liable to violent reactions than any other, that they were well organised, and that they had built up a solid foundation which should enable them to continue to present shareholders with a creditable account of their directorship.

The report and accounts were unanimously adopted.



## CHUNGLOON RUBBER ESTATE (1932), LIMITED

PROPERTY IN GOOD CONDITION

DIVIDEND OF 2½ PER CENT.

### MR R. DE LA BÈRE ON THE OUTLOOK

The seventh ordinary general meeting of the members of Chungloon Rubber Estate (1932), Limited, was held on the 25th instant, at the registered offices of the company, 411/419 Salisbury House, London Wall, London, E.C., Mr R. de la Bère, M.P., presiding.

The representative of the secretaries and commercial agents (Messrs E. B. Ridsdel and Company, Limited) having read the notice convening the meeting and the report of the auditors,

The Chairman said,—Gentlemen, before proceeding with the business of the meeting, I should like to refer to the death, on April 2nd last, of our friend and colleague, Mr E. B. Ridsdel, and to say how sorry we all are that he is not with us to-day; we grieve his loss.

The report and accounts have been in your hands for the past week, and with your permission I will take them as read.

### CROP FIGURES

From the report it will be observed that during the year we harvested a crop of 283,138 lbs. of rubber. Of this quantity 191,747 lbs. were sold in London at an average price of approximately 7½d. per lb., the equivalent of a little over 8d. per lb. landed London. Sales in the East amounted to 26,084 lbs., and the balance, viz., 65,307 lbs., in stock on the estate as at March 31st last has been taken into the accounts at cost.

Compared with last year our sales in London represent a reduction of no less than 127,000 lbs., which, on the basis of the selling price, realised, viz., 7.47d. per lb., represents a loss of revenue equivalent to approximately £4,000.

Our f.o.b. cost of 2.978d. per lb. must be considered very satisfactory, especially in view of the smaller crop we were allowed to harvest. Our selling price, too, at the equivalent of a little over 8d. per lb. landed London, must also be considered satisfactory, as the average spot price in London for the twelve months ended March 31st last amounted to only 7.4d. per lb.

### RESULT OF YEAR'S OPERATIONS

From the accounts it will be observed that the profit for the year amounted to £1,295 15s. 6d., which, added to the balance brought forward from last year—after allowing for the payment of the final dividend for 1937/38—gives us a balance of £5,644 3s. to deal with. Out of this sum it is proposed to pay a dividend for the year of 2½ per cent., less tax, which will absorb £726 18s. 8d., leaving £4,917 4s. 4d. to be carried forward. It will be realised by shareholders that in view of the reduced crop harvested, and the fact that the selling price has not improved to any appreciable extent, it has been impossible to pay the same dividend as last year.

Turning to the balance sheet, it will be observed that our liquid position is reasonably sound, as cash in hand, rubber stocks and sundry debtors, less creditors, total £7,913 4s. 10d., which shows a slight improvement on the corresponding position last year.

### THE ESTATES

In view of the reduced export allowance, the system of tapping adopted on the estate during the year was to place 594 acres on A.B.C. rotational tapping and 234 acres on indefinite rest. The yield per acre obtained from the actual area tapped was 672 lbs. per acre per annum, and in the last report received from our visiting agent a few months ago he reported the property to be in very good condition throughout and economically managed.

Dealing now with our immature rubber, the young budded trees planted during 1936/37 are 1½ years old and show a good even growth throughout. As regards our 1938 planting, which was planted up in October last, 15 acres have been planted with clonal seed and 39 acres with seed at stake, which should be ready for budding by October this year.

Under the Rubber Regulation Enactment, the company, in common with others, received during the year new planting rights equivalent to 5 per cent. of its planted area, and in consequence of this it was decided by your board to take advantage of the opportunity to fell and plant up 37.2 acres of jungle reserve. This work is now in hand and the area should be planted up by September

next. No further replanting, however, is contemplated for the current year.

### CURRENT YEAR'S PROSPECTS

As regards the future it is, of course, impossible, in view of the present international situation, to prophesy what the result may be for the current year. Having regard, however, to the fact that world stocks have fallen to a little under 400,000 tons of rubber—which represents only about five months' supply and compares with approximately 550,000 tons a year ago—and the fact that the Governments of this country and the United States have entered into a barter agreement involving the supply of about 80,000 tons of rubber, I think it is probable that the Restriction Committee, who meet to-day, will increase the export quota by 5 per cent. at least, or possibly 10 per cent., which should prove helpful.

Before concluding, I should like to thank our Eastern agents, our visiting agent, and our management on the estate for the care and attention given to estate affairs during the past year, and I am sure all our shareholders will wish to be associated with us in this tribute to the Eastern officials.

I now move: "That the directors' report and accounts for year ended March 31, 1939, together with the auditors' report thereon, be and they are hereby approved and adopted." I will ask Mr Martin to second this resolution, but before putting it to the meeting, I shall be pleased to answer to the best of my ability any questions you may care to ask.

Mr W. E. Martin, J.P., seconded the resolution and, after the chairman had replied to questions, it was carried unanimously.

The dividend as recommended was approved; the retiring director, Mr W. W. Halliday, was re-elected; the auditors, Messrs Fitzpatrick, Graham and Company, were reappointed; and the proceedings terminated with a vote of thanks to the staff in the East.

## MERLIMAU PEGOH, LIMITED

### THE BARTER AGREEMENT

The twenty-ninth annual general meeting of members of Merlimau Pegoh, Limited, was held, on the 26th instant, in London.

Mr G. Kingsley (the chairman) said that, taking everything into consideration, it was not unsatisfactory that they were able to add £5,000 to their reserves, and to recommend payment of a dividend of 7½ per cent.

The profit and loss account clearly reflected the effect on their earnings of the drastic curtailment in crops during the year. In round figures, the rubber proceeds item fell by £33,000 against a reduction in expenditure of £14,000. Profit from their own estates was in consequence £19,000 lower, and dividends and interest, which consisted mainly of distributions from their subsidiary companies, declined by £18,000.

After dealing with the results of some of the estate companies in which they were interested, the chairman said with regard to the proposals to barter rubber for American cotton, whilst they appeared to present certain undesirable features from the point of view of rubber producers, he saw no object in cavilling at them. The agreement between the two countries had been signed for better or worse, and if its conclusion strengthened the bonds of friendship between this country and the United States of America and provided some added measure of security for them all, he felt they should accept with resignation any slight hardship which it might bring in its train. If the barter agreement resulted in Estates receiving a larger exportable allowance without any disturbance to the price structure, it would prove advantageous to producers at any rate for the short view. So far as the longer view was concerned, he saw little cause for anxiety regarding the possible effects of the agreement provided the present transaction was an isolated one, and provided that the stock was held solely for the purpose for which it was to be acquired. If, on the other hand, as seemed to be feared in some quarters, what was intended to be an emergency war stock should in practice be used as a buffer stock to manipulate prices to the advantage of the consumers, then any extension or repetition of the agreement would deservedly be opposed by the producing industry with all the influence and power at its command.

Referring to the current year, their results should be no worse, and might be better, than those which they were considering to-day.

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 Bowverie Street, Fleet Street, London, E.C.4.*

## CITY OF SAN PAULO IMPROVEMENTS AND FREEHOLD LAND COMPANY, LIMITED

### FAVOURABLE CONDITIONS

The twenty-seventh ordinary general meeting of this company was held, on the 27th instant, in London.

Mr Herbert Guedalla, F.C.A. (the chairman), dealing with the accounts, emphasised that the milreis had been converted into sterling at the rate of 6d. per milreis. In view of current fluctuations in the rate, and the possibility of improvement should there be trouble in Europe, the board had decided to submit accounts in the usual form, but they hoped in the course of the current year to adjust the Brazilian assets and liabilities to sterling figures which would show the true position; such adjustment would show a large deficiency on capital, which would have to be considered at the same time.

The profit for the year (taking milreis at 6d.) amounted to £117,175, after charging unpaid debenture interest amounting to £30,411. The profit of the subsidiary company, totalling £7,364, had been carried forward and no dividend had been declared.

The freehold land showed a continued increase in value in milreis. A new valuation made on November 30th disclosed a considerable increase, making a selling value (at 3d. per milreis) of £1,245,000, compared with the balance sheet figure of £1,750,000; 32 acres were sold during the year, leaving 353 acres of developed and 953 acres of undeveloped land to be disposed of. The building of the Stadium by the Municipality was progressing; negotiations for the sale of a further area for the Stadium approach were in hand, and a nearby estate had been purchased to replace the land sold.

The debtors, amounting to £951,937, represented amounts repayable over a term of years, and only a small proportion were in arrear with their payments. The cash in San Paulo (at present exchange about £60,000) and State and Municipal securities (worth about £20,000) were ample to meet the debenture interest liability as soon as remittances could be obtained. Conditions in San Paulo continued to be favourable to their business and they maintained their happy relations with the officials of the Municipality, which was actively improving the city in various directions and it was to be hoped that in time the sterling value of land and debtors would improve.

The report and accounts were adopted.

## TEA CORPORATION, LIMITED

### DIVIDEND OF 5 PER CENT.

The ordinary general meeting of Tea Corporation, Limited, was held, on the 25th instant, at 19 Fenchurch Street, London, Mr E. F. Slade, J.P. (chairman), presiding.

The Chairman, in moving the adoption of the report and accounts, said that, in common with most tea-producing companies, their profit for the year showed a falling off in comparison with the previous period.

The year's working resulted in a gross profit of £11,922, compared with £15,106 in the previous year, and, after making appropriations, there was a net balance of £6,211. The directors recommended that £1,000 be transferred to reserve account, increasing that account to £25,000, and that a dividend of 5 per cent. be paid, leaving £5,154 to be carried forward.

The Ceylon income tax actually amounted to over £2,000, being 15 per cent. of the company's profits, and was charged in the accounts as an expense. When the dividend was received share-

## SHORTER COMMENTS

(Continued from page 231)

**United States Steel Corporation.**—Net earnings for quarter to June 30, 1939, \$1,309,761 or 36c. per preferred share. For June quarter, 1938, loss was \$5,010,426, and for March quarter, 1939, profit of \$660,550. The regular quarterly dividend of \$1.75 on the preferred stock has been declared.

**Aircraft Components, Ltd.**—Total profit for year to March 31, 1939, £131,749 (£35,407). To tax reserve £55,000 (£10,650). Ordinary dividend raised from 7½ to 25 per cent. Carry forward £39,936 (£6,051). Stock, etc., £220,884 (£116,564). Debtors £173,334 (£65,192).

Amount due to bankers has increased from £50,824 to £108,210.

**Partington Steel and Iron Company.**—Net profit for year to June 30, 1939, £87,740 (£89,874). The 6 per cent. payment on the income debentures absorbs £40,994; £40,000 set aside for securing the income debentures. Balance of £6,747 reduces the debit-forward to £48,999.

**Shell Union Oil Corporation.**—Net profit for quarter to June 30, 1939, \$1,684,158, against \$2,922,990 for quarter to June 30, 1938, and \$478,266 for March quarter, 1939.

**Neepsend Steel and Tool Corporation.**—Net revenue for year to March 31,

holders would find that income tax had been deducted at the rate of 2s. 9½d., instead of 5s. 6d. in the £.

The company was the owner of six estates. Kuda Oya produced tea only, having 489 acres planted, and the visiting agent reported that all details on this estate were in really good order. Penylar comprised 408 acres planted in tea, and the tea there was reported to be in excellent condition. Springwood consisted of 771 acres of tea, 245 acres of rubber and 30 acres of cardamoms. The property was reported as improving, and that all that could be done for the welfare of the estate was being done. Kenilworth consisted of 808 acres planted in tea, and Arslena of 310 acres planted in rubber. Kaduwella, consisting of 96 acres in rubber and 93 acres in cocoa, was reported to be in good order and receiving every attention.

The output of tea to the end of June this year amounted to 415,642 lb., in comparison with 458,075 lb. in the previous year. Of this 287,525 lb. had been sold at an average gross price of 14.67d. per lb., as against 338,169 lb. at an average price of 14.58d. at the same time last year.

The output of rubber was 41,701 lb., compared with 43,425 lb. last year and the price realised to date was 8.25d. per lb.

The report was unanimously adopted.

## SOUTHERN KINTA CONSOLIDATED, LIMITED

### SUCCESS OF BUFFER STOCK SCHEME

The fifth ordinary general meeting of Southern Kinta Consolidated, Limited, was held, on the 27th instant, in London.

Captain Oliver Lyttelton, D.S.O., M.C. (the chairman), said that the two recent increases in quota had already had a marked effect in earnings and there was little doubt that the next interim dividend would be increased. Recent events had made it necessary for him to discuss the general tin situation again, and a little more fully. First he would point out that consumption had shown the expected improvement, the fall in visible supplies appeared likely to continue, and they might therefore look forward to higher quotas.

The buffer stock scheme appeared to be working satisfactorily and was confounding its critics. Nevertheless, a recent speaker wishing to restart the controversy had said: "Those sponsoring the buffer stock scheme placed a memorandum before Malay States producers in which, *inter alia*, the following claims were made: (1) Experience has shown that creation of a buffer stock would restore prices to their normal level; (2) The creation of a buffer stock would obviate the necessity for further reduction in quota and in the mining labour force employed; (3) Regulation by operation of the quota machinery had proved unsatisfactory." The fact was that the sense of the wording of the memorandum issued by the F.M.S. Chamber of Mines to any impartial judge was perfectly clear. No promise was held out that quotas would not be reduced. What was said most definitely was that the effects of drastic quota reductions would be mitigated by a special quota which would enable producers, if they so wished, to contribute to a buffer stock.

Other opponents of restriction, finding the buffer stock scheme a difficult subject upon which to exercise their critical abilities, had turned to the well-worn subject of outside production, and had put out figures and statements which could only be described as tendentious and misleading.

They were being asked in fact to follow the Gilbertian thesis that, in order to prevent an increase in the outside production of 9,000 tons, or less than 4½ per cent. of the total standard assessment, it would be worth while for the producers of upwards of 200,000 tons to accept from £80 to £90 a ton less for their output.

The report was unanimously adopted.

1939, £150,943 (£127,459). To investment depreciation £10,013 (£10,000); general reserve £29,247. Carry forward £11,984 (£7,885). Distribution on ordinary shares raised from 40 to 47½ per cent.

**Sir J. L. Hulett and Sons.**—Net profit for year to April 30, 1939, £174,406, against £81,270. Ordinary dividend and cash bonus raised from 7 to 7½ per cent.; also 25 per cent. capital bonus. To dividend equalisation £25,000; to reserve £50,000.

**The South Metropolitan Gas Company** is maintaining its interim dividend at 2½ per cent.

(Continued on page 246)

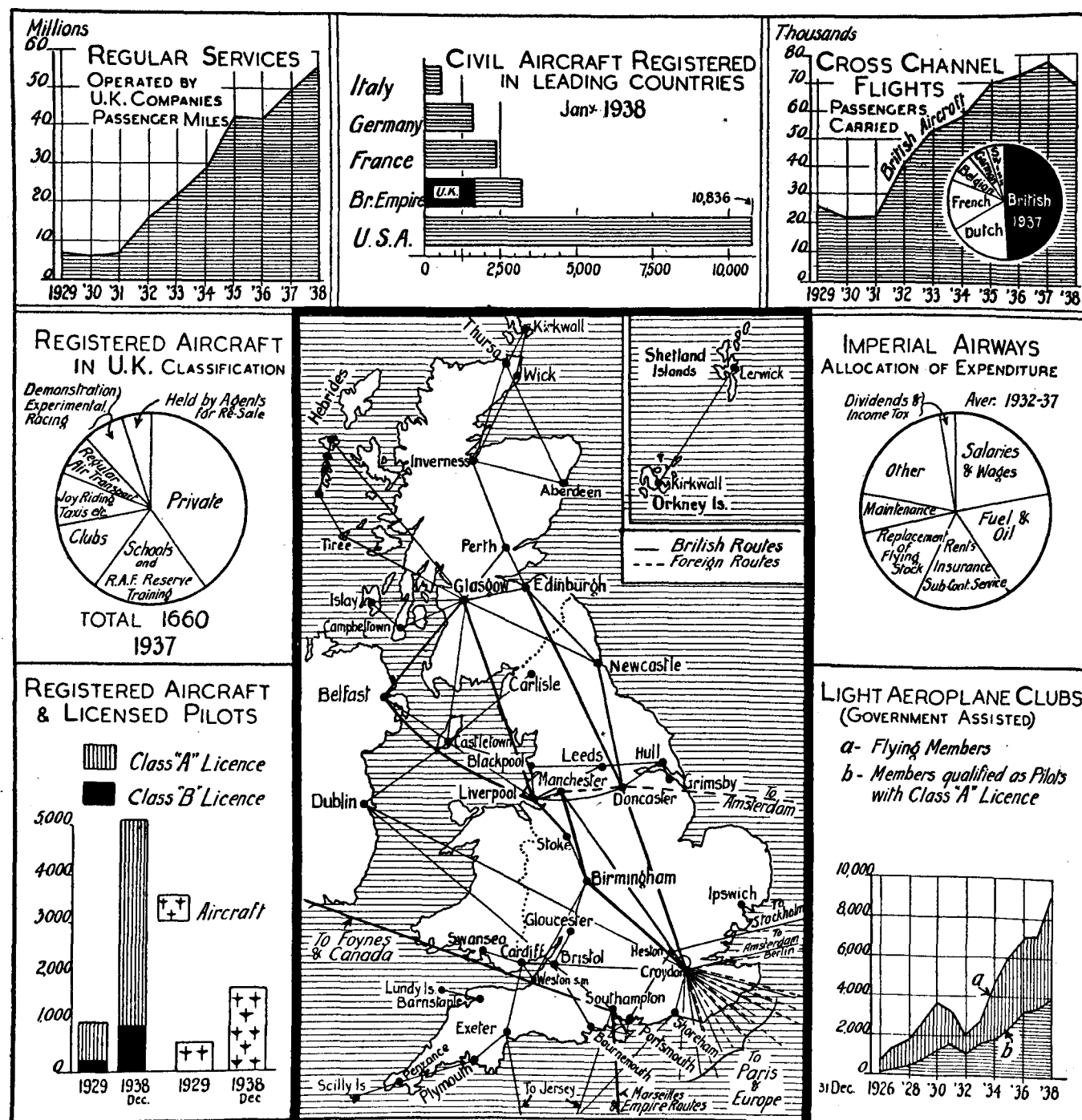
## CURRENT STATISTICS

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

## Civil Aviation



We are indebted to the Air Ministry for much of the information used in the above charts.

## Finance

## GOVERNMENT RETURNS

For the week ended July 22, 1939, total ordinary revenue was £20,395,000, against ordinary expenditure of £9,799,000, issues of £7,750,000 under the Defence Loans Acts, and a temporary advance of £2,500,000 to the Essential Commodities Reserves Fund. Thus, including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1 last is £140,363,000, against £114,781,000 a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                               | Apr. 1, 1938 to July 23, 1938 | Apr. 1, 1939 to July 23, 1939 | Week ended July 23, 1938 | Week ended July 23, 1939 |
|---------------------------------------|-------------------------------|-------------------------------|--------------------------|--------------------------|
| ORDINARY REVENUE                      |                               |                               |                          |                          |
| Income Tax                            | 24,681                        | 24,938                        | 2,516                    | 4,342                    |
| Sur-tax                               | 6,910                         | 7,490                         | 260                      | 190                      |
| Estate, etc., Duties                  | 25,240                        | 26,770                        | 2,000                    | 2,330                    |
| Stamps                                | 5,580                         | 5,110                         | 400                      | 200                      |
| Nat. Defence Cont.                    | 2,820                         | 6,640                         | 620                      | 400                      |
| Other Inland Rev.                     | 280                           | 290                           | 60                       | ...                      |
| Total Inland Rev.                     | 65,511                        | 71,238                        | 5,856                    | 7,462                    |
| Customs                               | 68,620                        | 77,381                        | 4,708                    | 5,101                    |
| Excise                                | 35,300                        | 35,920                        | 5,900                    | 6,580                    |
| Total Customs and Excise              | 103,920                       | 113,301                       | 10,608                   | 11,681                   |
| Motor duties                          | 5,771                         | 5,834                         | ...                      | 1,150                    |
| P.O. (Net Receipt)                    | 3,570                         | 4,114                         | 1,350                    | ...                      |
| Crown Lands                           | 520                           | 320                           | 240                      | ...                      |
| Receipts from Sundry Loans            | 1,522                         | 1,512                         | ...                      | ...                      |
| Misc. receipts                        | 1,830                         | 1,634                         | ...                      | 102                      |
| Total Ordinary Rev. SELF-BAL. REVENUE | 182,644                       | 197,953                       | 18,055                   | 20,395                   |
| P.O. and Broadcasting                 | 22,230                        | 21,936                        | 850                      | 900                      |
| Total                                 | 204,874                       | 219,889                       | 18,905                   | 21,295                   |

| Expenditure                            | Apr. 1, 1938 to July 23, 1938 | Apr. 1, 1939 to July 23, 1939 | Week ended July 23, 1938 | Week ended July 23, 1939 |
|----------------------------------------|-------------------------------|-------------------------------|--------------------------|--------------------------|
| ORDINARY EXPENDITURE                   |                               |                               |                          |                          |
| Interest & Management of National Debt | 87,131                        | 88,925                        | 824                      | 606                      |
| Payts. to N. Ireland                   | 1,880                         | 1,913                         | ...                      | 3                        |
| Other Consol. Fund Services            | 1,177                         | 3,186                         | ...                      | ...                      |
| Total                                  | 90,188                        | 94,024                        | 824                      | 609                      |
| Supply Services                        | 205,245                       | 242,246                       | 14,000                   | 9,190                    |
| Ditto, plus loans*                     | 205,245                       | 275,496                       | 14,000                   | 16,940                   |
| Total Ord. Expend.                     | 295,433                       | 336,270                       | 14,824                   | 9,799                    |
| Issues from Def. Lns.                  | ...                           | 33,250                        | ...                      | 7,750                    |
| SELF-BALANCING EXPENDITURE             |                               |                               |                          |                          |
| P.O. and Broadcasting                  | 22,230                        | 21,936                        | 850                      | 900                      |
| Total                                  | 317,663                       | 358,206                       | 15,674                   | 10,699                   |

\* Supply Services, after addition of issues under Defence Loans Acts.

After raising Exchequer balances by £166,932 to £2,641,182, the other operations for the week (as shown below, excluding issues from loans) reduced the gross National Debt by £180,000 to about £8,460 millions.

## WEEK'S CHANGES IN DEBT

|                   | NET INCREASES | NET REPAYMENTS, ETC.        |
|-------------------|---------------|-----------------------------|
| Treasury Bills    | 312           | P.O. and Teleg. ... 450     |
| Public Dept. Adv. | 40            | Nat. Sav. Certs. ... 50     |
|                   |               | N. At. Shipping ... 30      |
|                   |               | Ang.-Turk Arms credit ... 2 |

## AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to July 22, 1939, are shown below:—

| Ordinary Exp.                                       | Ord. Rev.             |
|-----------------------------------------------------|-----------------------|
| 336,270                                             | 197,953               |
| Issues under Def. Lns.                              | Gross bor. 176,255    |
| Loan Acts ... 33,250                                | Less—                 |
| Temporary Advance to Essential Commodities Reserves | Sinking fds. 2,046    |
| 2,500                                               | Net borrowing 174,209 |
| Fund ... 142                                        |                       |
| Inc. in balances ... 372,162                        |                       |

## FLOATING DEBT

| Date    | Treasury Bills | Ways and Means Advances | Bank of England | Total Floating Debt | Floating Assets |
|---------|----------------|-------------------------|-----------------|---------------------|-----------------|
| 1938    |                |                         |                 |                     |                 |
| July 23 | 568.0          | 304.1                   | 37.2            | 909.4               | 341.3           |
| 1939    |                |                         |                 |                     |                 |
| Mar. 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                   | 44.6            | 977.6               | 559.1           |
| " 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          | 539.3                   | 43.1            | 1,041.4             | 576.4           |
| " 10    | 464.0          | 539.3                   | 43.1            | 1,046.4             | 582.4           |
| " 17    | 469.0          | 541.9                   | 43.9            | 1,054.8             | 585.8           |
| " 24    | 479.0          | 540.4                   | 45.7            | 1,065.1             | 586.1           |
| " 30    | 493.0*         | 545.7                   | 37.5            | 1,076.2             | ...             |
| July 8  | 489.0          | 563.0                   | 45.3            | 1,097.3             | 608.3           |
| " 15    | 494.6          | 562.8                   | 43.1            | 1,099.8             | 605.8           |
| " 22    | 499.0          | 558.1                   | 43.1            | 1,100.2             | 601.2           |

\* 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 | Offered | Applied for | Allotted | Average Rate % | Per Cent. Allotted minimum Rate |
|----------------|---------|-------------|----------|----------------|---------------------------------|
| 1938           |         |             |          |                |                                 |
| July 22        | 45.0    | 88.3        | 42.0     | 10 5/32        | 32                              |
| 1939           |         |             |          |                |                                 |
| Mar. 31        | 45.0    | 55.8        | 42.0     | 25 6/32        | 71                              |
| Apr. 6         | 35.0    | 58.0        | 32.0     | 26 2/32        | 44                              |
| " 14           | 30.0    | 51.3        | 30.0     | 31 2/32        | 50                              |
| " 21           | 30.0    | 66.0        | 30.0     | 26 10/32       | 26                              |
| " 28           | 30.0    | 63.5        | 30.0     | 24 3/32        | 31                              |
| May 5          | 30.0    | 60.7        | 30.0     | 15 11/32       | 37                              |
| " 12           | 30.0    | 58.3        | 30.0     | 13 4/32        | 40                              |
| " 19           | 30.0    | 60.8        | 30.0     | 13 3/32        | 28                              |
| " 26           | 40.0    | 58.3        | 40.0     | 13 1/32        | 74                              |
| June 2         | 45.0    | 66.8        | 45.0     | 14 5/32        | 65                              |
| " 9            | 45.0    | 70.1        | 50.0     | 16 7/32        | 60                              |
| " 16           | 50.0    | 60.7        | 50.0     | 14 6/32        | 77                              |
| " 23           | 50.0    | 66.6        | 47.0     | 17 0/32        | 58                              |
| July 7         | 40.0    | 63.3        | 37.0     | 16 8/32        | 44                              |
| " 14           | 35.0    | 64.5        | 35.0     | 15 8/32        | 51                              |
| " 21           | 35.0    | 68.6        | 35.0     | 14 8/32        | 39                              |

Bills are paid for during following week, on any working day at applicant's option. When normal length is 91 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 July 21st applications at £99 16s. 3d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted at about 39 per cent. of the amount applied for and applications at higher prices in full. Applications at £99 16s. 4d. for bills to be paid for on Saturday were accepted in full. £40.0 millions of Treasury bills are being offered on July 28th.

## NATIONAL SAVINGS CERTIFICATES

| Sales in               | Number     | Purchase Price |
|------------------------|------------|----------------|
| Twenty-seven weeks to: |            |                |
| July 9, 1938           | 17,723,300 | 13,292,475     |
| July 8, 1939           | 16,613,125 | 12,459,807     |
| Week to:—              |            |                |
| July 9, 1938           | 617,325    | 462,994        |
| July 1, 1939           | 588,783    | 441,588        |
| July 8, 1939           | 577,711    | 433,283        |

## BANK OF ENGLAND RETURNS

JULY 26th, 1939

## ISSUE DEPARTMENT

| Notes Issued:                  | Govt. Debt.                                                             |
|--------------------------------|-------------------------------------------------------------------------|
| In circultn. 510,897,516       | Other Govt. Securities 288,244,250                                      |
| In Bnkg. Department 35,519,449 | Other Secs. 25,266                                                      |
|                                | Silver Coin 715,384                                                     |
|                                | Armt. of Fid. Issue 300,000,000                                         |
|                                | Gold Coin & Bullion (at 246,416,965 148s. 6d. per oz. fine) 546,416,965 |

## BANKING DEPARTMENT

| Props. cap. . . . .             | Govt. Secs. . . . .             |
|---------------------------------|---------------------------------|
| Rest . . . . . 14,553,000       | Other Secs. . . . . 106,491,164 |
| Public Depts.* 3,501,839        | Discs., etc., 8,049,258         |
| Other Depts. . . . . 26,010,357 | Securities.. 21,502,055         |
| Bankers .. 91,377,633           | Notes .. 29,551,311             |
| Other Acts. . . . . 36,742,241  | Gold & Silver Coin .. 623,146   |
|                                 | 172,185,070                     |

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

## THE WEEK'S CHANGES

| Both Departments                                        | July 26, 1939 | Compared with Last Week | Last Year |
|---------------------------------------------------------|---------------|-------------------------|-----------|
| COMBINED LIABILITIES                                    |               |                         |           |
| Note circulation                                        | 510,898       | + 3,260                 | + 17,586  |
| Deposits: Public .. 26,010                              | - 2,371       | - 14,824                |           |
| Bankers' .. 91,378                                      | + 4,142       | + 24,979                |           |
| Others .. 36,742                                        | + 319         | + 1,691                 |           |
| Total outside liabilities..                             | 665,028       | + 2,935                 | + 9,122   |
| Capital and rest .. 18,055                              | + 26          | - 27                    |           |
| COMBINED ASSETS                                         |               |                         |           |
| Govt. debt and securities                               | 405,751       | + 1,563                 | + 90,038  |
| Discounts and advances                                  | 8,049         | + 1,071                 | + 1,427   |
| Other securities .. 21,527                              | + 3,369       | + 2,221                 |           |
| Silver coin in issue dept.                              | 715           | + 4                     | + 705     |
| Gold coin and bullion                                   | 247,040       | - 36                    | - 80,442  |
| RESERVES                                                |               |                         |           |
| Res. of notes & coin in banking department...           | 36,143        | - 3,295                 | + 1,973   |
| Proportion of reserve to outside liabilities—           |               |                         |           |
| (a) Bank, dept. only ("proportion")                     | 23.4%         | - 1.1%                  | + 2.4%    |
| (b) Gold stocks to deposits and notes ("reserve ratio") | 37.1%         | + 0.1%                  | - 12.8%   |

## COMPARATIVE ANALYSIS\*

|                                | 1938    | 1939   |
|--------------------------------|---------|--------|
|                                | July 27 | July 5 |
| Issue Dept.:                   |         |        |
| Notes in circ.                 | 493.3   | 505.7  |
| Notes in banking dept. ....    | 33.1    | 20.7   |
| Govt. debt and securities ..   | 199.9   | 299.2  |
| Other secs. ....               | 0.0     | 0.2    |
| Silver coin ..                 | 0.0     | 0.7    |
| Gold, valued at 1s. per f. oz. | 84.96   | 148.50 |
| Deposits:                      |         |        |
| Public ..                      | 11.2    | 19.3   |
| Bankers' ..                    | 116.4   | 96.5   |
| Others ..                      | 35.1    | 37.6   |
| Total ..                       | 162.6   | 153.4  |
| Bkg. Dept. Secs.               |         |        |
| Government ..                  | 115.8   | 118.7  |
| Discounts, etc.                | 9.5     | 8.8    |
| Other ..                       | 21.3    | 22.5   |
| Total ..                       | 146.5   | 150.0  |
| Banking dept. reserve ..       | 34.2    | 21.4   |
| "Proportion" ..                | 21.0    | 13.9   |
| Reserve ratio ..               | 49.9    | 34.0   |

\* Government debt is £11,015,100; capital £14,553,000. † Gold stocks in both departments, no deposits and notes in circulation.



## OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of International Settlements and the Bank of Denmark appeared in *The Economist* of July 8th; Iran, Lithuania and Roumania, of July 15th; Argentina, Australia, Estonia, Java, Latvia, Poland, South Africa, Sweden, Turkey and Federal Reserve Reporting Members, of July 22nd.

## U.S. FEDERAL RESERVE BANKS

| 12 U.S.F.R. BANKS                             | July 28, 1938 | June 29, 1938 | July 27, 1939 | July 27, 1939 |
|-----------------------------------------------|---------------|---------------|---------------|---------------|
| RESOURCES                                     |               |               |               |               |
| Gold certifs. on hand and due from Treas.     | 10,633        | 13,506        | 13,651        | 13,709        |
| Total reserves                                | 11,064        | 13,881        | 14,015        | 14,089        |
| Total cash reserves                           | 421           | 367           | 356           | 371           |
| Total bills discounted                        | 7             | 5             | 5             | 5             |
| Bills bt. in open mkt.                        | 1             | 1             | 1             | 1             |
| Total bills on hand                           | 8             | 12            | 13            | 13            |
| Industrial advances                           | 16            | 16            | 15            | 13            |
| Total U.S. Govt. secs.                        | 2,564         | 2,551         | 2,515         | 2,488         |
| Total bills and secs.                         | 2,588         | 2,569         | 2,533         | 2,506         |
| Total resources                               | 14,303        | 17,142        | 17,370        | 17,338        |
| LIABILITIES                                   |               |               |               |               |
| F.R. notes in circ.                           | 4,110         | 4,449         | 4,509         | 4,499         |
| Aggregate of excess mt. bank res. over reqts. | 3,040         | 4,240         | 4,490         | 4,490         |
| Deposits—Member bank reserve account          | 8,188         | 10,116        | 10,412        | 10,436        |
| Govt. deposits                                | 732           | 962           | 764           | 742           |
| Total deposits                                | 9,303         | 11,755        | 11,810        | 11,869        |
| Cap. paid in and surplus                      | 309           | 311           | 312           | 312           |
| Total liabilities                             | 14,303        | 17,142        | 17,370        | 17,338        |
| Reserve to depts. and F.R. notes              | 82.5%         | 85.7%         | 85.9%         | 86.1%         |
| U.S.F.R. BANKS AND TREASURY COMBINED          |               |               |               |               |
| RESOURCES                                     |               |               |               |               |
| Monetary gold stock                           | 13,002        | 16,093        | 16,191        | 16,227        |
| Treasury currency                             | 2,719         | 2,879         | 2,890         | 2,893         |
| LIABILITIES                                   |               |               |               |               |
| Money in circulation                          | 6,416         | 6,962         | 7,022         | 7,002         |
| Treasury cash and deposits with F.R. Bks.     | 3,060         | 3,521         | 3,294         | 3,248         |

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

|                                      | July 28, 1938 | June 29, 1938 | July 27, 1939 | July 27, 1939 |
|--------------------------------------|---------------|---------------|---------------|---------------|
| RESOURCES                            |               |               |               |               |
| Total gold reserves                  | 4648.0        | 6514.7        | 6656.9        | 6708.9        |
| Total bills discounted               | 1.6           | 1.8           | 1.1           | 1.0           |
| Bills bt. in open mkt.               | 0.2           | 0.2           | 0.2           | 0.2           |
| Total U.S. Govt. secs.               | 780.1         | 716.9         | 739.7         | 729.6         |
| Total bills and securities           | 786.0         | 721.7         | 743.9         | 733.7         |
| Deposits—Member bank reserve account | 3907.1        | 5433.2        | 5651.5        | 5666.3        |
| Reserve to depts. and F.R. notes     | 87.0%         | 91.1%         | 90.9%         | 91.1%         |

## BANK OF FRANCE.—Million francs

| ASSETS                                       | July 21, 1938 | June 22, 1938 | July 20, 1939 | July 20, 1939 |
|----------------------------------------------|---------------|---------------|---------------|---------------|
| Gold                                         | 55,808        | 92,266        | 92,266        | 92,266        |
| Bills: Commercial                            | 6,278         | 9,687         | 9,208         | 9,275         |
| Bought abroad                                | 744           | 726           | 692           | 692           |
| Advances on securities                       | 3,589         | 3,404         | 3,493         | 3,461         |
| Thirty-day advances                          | 853           | 312           | 571           | 504           |
| 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                             | 5,574         | 5,470         | 5,470         | 5,470         |
| Sinking Fund Depts.                          | 3,935         | 4,305         | 4,371         | 4,396         |
| LIABILITIES                                  |               |               |               |               |
| Notes in circulation                         | 99,880        | 118,887       | 123,324       | 122,843       |
| Deposits: Public                             | 3,389         | 5,822         | 5,127         | 5,218         |
| Private                                      | 13,955        | 18,063        | 15,179        | 16,022        |
| Other liabilities                            | 2,892         | 2,974         | 3,019         | 2,920         |
| Gold to sight liabilities                    | 47.6%         | 64.1%         | 64.2%         | 64.1%         |

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

## REICHSBANK

| ASSETS                    | July 23, 1938 | June 23, 1938 | July 15, 1939 | July 15, 1939 |
|---------------------------|---------------|---------------|---------------|---------------|
| Gold & foreign currencies | 76.2          | 76.9          | 76.8          | 76.9          |
| Bills & id cheques        | 5526.7        | 7478.7        | 7804.1        | 7780.5        |
| Token money               | 215.7         | 209.3         | 164.3         | 184.5         |
| Renten bank notes         | 26.1          | 23.3          | 25.2          | 25.2          |
| Advances                  | 34.5          | 31.4          | 32.1          | 27.4          |
| Secs. for note cover      | 846.8         | 921.4         | 924.5         | 924.7         |
| Other assets              | 1147.7        | 1125.8        | 975.5         | 1079.6        |
| LIABILITIES               |               |               |               |               |
| Notes in circulation      | 5973.0        | 7895.5        | 8334.4        | 8228.1        |
| Daily maturing liab.      | 932.1         | 984.6         | 1036.4        | 1108.1        |
| Other liabilities         | 278.1         | 597.8         | 408.2         | 423.8         |
| Cover of note circulatn.  | 1.27%         | 0.97%         | 0.92%         | 0.93%         |

## NATIONAL BANK OF BELGIUM

| ASSETS                 | July 18, 1938 | June 13, 1938 | July 18, 1939 | July 18, 1939 |
|------------------------|---------------|---------------|---------------|---------------|
| Gold                   | 2,923         | 3,184         | 3,304         | 3,304         |
| Silver and other coin  | 46            | 57            | 49            | 48            |
| Foreign exchange, etc. | 817           | 695           | 787           | 810           |
| Bills and securities   | 740           | 756           | 647           | 610           |
| Advances               | 58            | 43            | 63            | 68            |
| LIABILITIES            |               |               |               |               |
| Notes in circulation   | 4,168         | 4,408         | 4,551         | 4,539         |
| Deposits: Govt.        | 16            | 12            | 12            | 13            |
| Other                  | 315           | 224           | 196           | 195           |

## NATIONAL BANK OF BULGARIA

| ASSETS                                 | July 7, 1938 | June 7, 1938 | July 7, 1939 | July 7, 1939 |
|----------------------------------------|--------------|--------------|--------------|--------------|
| Gold holdings                          | 1,994        | 2,006        | 2,006        | 2,006        |
| Balances abroad and foreign currencies | 863          | 791          | 757          | 757          |
| Discounts and advances                 | 943          | 976          | 975          | 730          |
| Advances to Treasury                   | 3,468        | 3,441        | 3,417        | 3,417        |
| LIABILITIES                            |              |              |              |              |
| Notes in circulation                   | 2,469        | 2,304        | 2,891        | 3,078        |
| Sight liab. and deposits               | 3,821        | 3,396        | 3,239        | 3,005        |
| Ratio, gold to sight liab. and notes   | 32.1%        | 32.2%        | 33.1%        | 33.4%        |

## BANK OF CANADA.—Million \$'s

| ASSETS                                    | July 13, 1938 | June 14, 1938 | July 12, 1939 | July 12, 1939 |
|-------------------------------------------|---------------|---------------|---------------|---------------|
| Gold coin and bullion                     | 204.5         | 247.8         | 239.4         | 239.8         |
| Securities                                | 181.2         | 205.6         | 205.7         | 205.6         |
| LIABILITIES                               |               |               |               |               |
| Note circulation                          | 156.9         | 165.6         | 168.6         | 168.9         |
| Deposits: Dom. Govt.                      | 12.6          | 32.5          | 24.8          | 22.5          |
| Chartered banks                           | 192.6         | 205.3         | 204.8         | 201.1         |
| Reserves to notes and deposit liabilities | 56.2%         | 60.7%         | 59.4%         | 60.3%         |

## BANK OF DANZIG

| ASSETS                            | July 15, 1938 | June 15, 1938 | July 15, 1939 | July 15, 1939 |
|-----------------------------------|---------------|---------------|---------------|---------------|
| Gold coin and bullion             | 28.95         | 24.85         | 24.44         | 24.14         |
| Danzig subord. coin               | 3.52          | 3.49          | 2.84          | 3.10          |
| Balances abroad and foreign bills | 7.27          | 2.95          | 2.66          | 2.03          |
| Discounts                         | 13.53         | 17.28         | 20.90         | 18.94         |
| LIABILITIES                       |               |               |               |               |
| Notes in circulation              | 34.11         | 42.56         | 46.82         | 44.26         |
| Deposits on demand                | 21.62         | 21.88         | 20.03         | 23.86         |

## NATIONAL BANK OF EGYPT

| ASSETS                  | June 30, 1938 | Apr. 30, 1938 | May 31, 1939 | June 30, 1939 |
|-------------------------|---------------|---------------|--------------|---------------|
| Gold                    | 6.24          | 6.24          | 6.24         | 6.24          |
| Brit. Govt. Secs.       | 12.86         | 15.36         | 14.66        | 14.36         |
| Egyptian Govt. Secs.    | 1.50          | 1.50          | 1.50         | 1.50          |
| Cash                    | 2.23          | 2.25          | 1.96         | 1.96          |
| Investments             | 22.87         | 13.16         | 12.63        | 12.61         |
| Bills and Advances      | 5.34          | 7.99          | 7.67         | 8.75          |
| LIABILITIES             |               |               |              |               |
| Notes issued            | 20.60         | 23.10         | 22.40        | 22.10         |
| Deposits: Govt.         | 6.90          | 2.76          | 2.88         | 3.26          |
| Other depts. and accts. | 21.13         | 17.91         | 17.53        | 18.07         |

## BANK OF FINLAND

| ASSETS                    | July 15, 1938 | June 15, 1938 | July 15, 1939 | July 15, 1939 |
|---------------------------|---------------|---------------|---------------|---------------|
| Gold reserve              | 620.6         | 1128.2        | 1128.1        | 1128.1        |
| Foreign correspondents    | 1956.4        | 2126.7        | 2201.5        | 2173.1        |
| Foreign bills, etc.       | 62.8          | 89.9          | 83.2          | 83.2          |
| Int. bills and home loans | 1543.0        | 1292.6        | 1217.1        | 1189.0        |
| Finnish & foreign bonds   | 406.1         | 636.4         | 638.6         | 638.6         |
| LIABILITIES               |               |               |               |               |
| Notes in circulation      | 2032.9        | 2170.5        | 2159.9        | 2147.7        |
| Sight deposits: Govt.     | 91.6          | 9.6           | 76.2          | 47.9          |
| Other                     | 1176.6        | 1124.8        | 1110.0        | 1186.6        |
| Cover to sight liab.      | 73.9%         | 87.5%         | 89.6%         | 88.5%         |

## BANK OF GREECE.—Million drachmae

| ASSETS                    | Apr. 15, 1939 | Apr. 23, 1939 | Apr. 30, 1939 | May 7, 1939 |
|---------------------------|---------------|---------------|---------------|-------------|
| Gold and for. exchange    | 4,130         | 4,209         | 4,275         | 4,289       |
| State sec. in for. curr.  | 118           | 118           | 118           | 118         |
| Bills discounted          | 828           | 849           | 859           | 853         |
| Advances                  | 8,735         | 8,775         | 8,725         | 8,881       |
| State debt                | 4,117         | 4,117         | 4,117         | 4,119       |
| LIABILITIES               |               |               |               |             |
| Notes in circulation      | 8,073         | 8,143         | 8,255         | 8,216       |
| Dep. and current. accts.  | 9,749         | 9,824         | 9,589         | 9,760       |
| Foreign exch. liabilities | 303           | 336           | 368           | 342         |

## NATIONAL BANK OF HUNGARY

| ASSETS                            | July 15, 1938 | June 15, 1938 | July 15, 1939 | July 15, 1939 |
|-----------------------------------|---------------|---------------|---------------|---------------|
| Gold coin and bullion             | 84.1          | 124.1         | 124.1         | 124.1         |
| Foreign exchange                  | 72.8          | 94.0          | 95.8          | 92.9          |
| Int. bills, wts., & sec.          | 388.1         | 400.0         | 406.3         | 402.9         |
| Advances to Treasury              | 148.2         | 202.9         | 202.5         | 202.5         |
| Czech-Kr. exch.                   | 95.7          | 95.7          | 95.7          | 95.6          |
| LIABILITIES                       |               |               |               |               |
| Notes in circulation              | 520.2         | 809.4         | 838.6         | 810.1         |
| Current accounts, and sight liab. | 246.2         | 192.7         | 158.6         | 185.3         |
| Cash certificates                 | 69.7          | 99.0          | 99.0          | 99.0          |

## BANK OF JAPAN.—Million yen

| ASSETS                 | July 10, 1938 | June 10, 1938 | July 8, 1939 | July 8, 1939 |
|------------------------|---------------|---------------|--------------|--------------|
| Coin & bullion: Gold   | 801.3         | 501.3         | 501.3        | 501.3        |
| Other                  | 47.3          | 38.8          | 45.0         | 46.0         |
| Spec. for. exch. fund  | 300.0         | 300.0         | 300.0        | 300.0        |
| Discounts and advances | 490.4         | 461.4         | 485.0        | 453.0        |
| Government bonds       | 1089.7        | 1474.9        | 1741.0       | 1567.7       |
| Agencies' accounts     | 113.3         | 190.3         | 201.4        | 223.2        |
| LIABILITIES            |               |               |              |              |
| Notes issued           | 1871.0        | 2059.6        | 2490.2       | 2244.4       |
| Deposits: Government   | 270.5         | 506.9         | 455.7        | 548.7        |
| Other                  | 113.4         | 180.5         | 113.0        | 88.5         |

## RESERVE BANK OF INDIA

| ASSETS                           | July 15, 1938 | June 16, 1938 | July 14, 1939 | July 14, 1939 |
|----------------------------------|---------------|---------------|---------------|---------------|
| Gold coin and bullion            | 444           | 444           | 444           | 444           |
| Rupce coin                       | 651           | 676           | 702           | 710           |
| Balances abroad                  | 9             | 85            | 40            | 39            |
| Sterling securities              | 721           | 595           | 595           | 595           |
| Indian Govt. rupee securities    | 324           | 373           | 374           | 374           |
| Investments                      | 66            | 71            | 73            | 75            |
| LIABILITIES                      |               |               |               |               |
| Notes in circ.: India            | 1,680         | 1,779         | 1,740         | 1,729         |
| Burma                            | 73            | 99            | 98            | 97            |
| Deposits: Govts.                 | 140           | 108           | 103           | 117           |
| Banks                            | 216           | 172           | 194           | 193           |
| Gold and sterling to liabilities | 54.5%         | 49.8%         | 49.1%         | 49.0%         |

## NATIONAL BANK OF JUGOSLAVIA

| ASSETS                 | July 15, 1938 | June 15, 1938 | July 15, 1939 | July 15, 1939 |
|------------------------|---------------|---------------|---------------|---------------|
| Gold                   | 1,836         | 1,919         | 1,920         | 1,920         |
| Other foreign exchange | 400           | 559           | 513           | 523           |
| Discounts and advances | 1,544         | 1,812         | 1,904         | 1,819         |
| Government advances    | 2,241         | 2,230         | 2,230         | 2,230         |
| LIABILITIES            |               |               |               |               |
| Notes in circulation   | 5,950         | 7,065         | 7,159         | 7,077         |
| Sight liabilities      | 2,448         | 1,847         | 1,803         | 1,822         |

## NETHERLANDS BANK

| ASSETS                                | July 25, 1938 | June 26, 1938 | July 24, 1939 | July 24, 1939 |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Gold                                  | 1480.7        | 1174.8        | 1129.5        | 1129.5        |
| Silver                                | 20.5          | 21.6          | 22.6          | 23.6          |
| Home bills, etc.                      | 8.3           | 10.1          | 10.4          | 10.3          |
| Foreign bills                         | 5.0           | 2.3           | 2.3           | 1.8           |
| Loans and advances in current account | 323.4         | 213.8         | 222.0         | 220.8         |
| LIABILITIES                           |               |               |               |               |
| Notes in circulation                  | 918.9         | 997.7         | 1013.9        | 1008.6        |
| Deposits: (a) Govt.                   | 176.4         | 27.0          | 39.0          | 43.8          |
| (b) Other                             | 761.0         | 419.8         | 355.0         | 355.4         |

## RESERVE BANK OF NEW ZEALAND

| ASSETS                  | July 18, 1938 | June 19, 1938 | July 17, 1939 | July 17, 1939 |
|-------------------------|---------------|---------------|---------------|---------------|
| Gold                    | 18.1          | 19.9          | 10.9          | 17.7          |
| Sterling exchange       | 2.80          | 2.80          | 2.80          | 2.80          |
| Advances to State       | 15.61         | 5.79          | 5.56          | 5.58          |
| Investments             | 4.57          | 16.47         | 16.22         | 16.70         |
| LIABILITIES             |               |               |               |               |
| Bank notes              | 13.54         | 15.53         | 15.47         | 15.45         |
| Demand liab.: State     | 2.59          | 3.31          | 1.54          | 1.43          |
| Banks and others        | 8.25          | 8.72          | 9.82          | 10.48         |
| Reserves to sight liab. | 75.5%         | 31.0%         | 30.8%         | 30.4%         |

## BANK OF NORWAY

| ASSETS                                        | July 22, 1938 | June 22, 1938 | July 21, 1939 | July 21, 1939 |
|-----------------------------------------------|---------------|---------------|---------------|---------------|
| Coin and bullion (gold reserve)               | 134.0         | 120.1         | 120.1         | 120.1         |
| Bal. abroad & for. bills                      | 189.5         | 132.5         | 130.3         | 129.4         |
| Funds provisionally in gold, not in gold res. | 84.7          | 116.4         | 116.4         | 116.4         |
| Norwegian and foreign Govt. securities        | 120.6         | 146.5         | 147.9         | 147.9         |
| Discounts and loans                           | 108.4         | 147.9         | 156.7         | 156.7         |
| LIABILITIES                                   |               |               |               |               |
| Notes in circulation                          | 451.8         | 461.6         | 480.0         | 477.8         |
| Deposits at sight                             | 140.3         | 171.4         | 159.6         | 159.8         |

## EXCHANGE RATES—cont.

## NEW YORK

| New York on        | July 20, 1939                     | July 21, 1939                     | July 24, 1939                     | July 25, 1939                     | July 26, 1939                     |
|--------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| London:—           | Cents                             | Cents                             | Cents                             | Cents                             | Cents                             |
| 60 days            | 467 <sup>1</sup> / <sub>32</sub>  | 467 <sup>2</sup> / <sub>32</sub>  | 467 <sup>2</sup> / <sub>32</sub>  | 467 <sup>2</sup> / <sub>32</sub>  | 467 <sup>2</sup> / <sub>32</sub>  |
| Cables             | 468 <sup>1</sup> / <sub>16</sub>  | 468 <sup>1</sup> / <sub>16</sub>  | 468 <sup>1</sup> / <sub>16</sub>  | 468 <sup>1</sup> / <sub>16</sub>  | 468 <sup>1</sup> / <sub>16</sub>  |
| Demand             | 468 <sup>1</sup> / <sub>16</sub>  | 468 <sup>1</sup> / <sub>16</sub>  | 468 <sup>1</sup> / <sub>16</sub>  | 468 <sup>1</sup> / <sub>16</sub>  | 468 <sup>1</sup> / <sub>16</sub>  |
| Paris, Fr.         | 2-64 <sup>1</sup> / <sub>16</sub> | 2-64 <sup>1</sup> / <sub>16</sub> | 2-65                              | 2-65                              | 2-64 <sup>1</sup> / <sub>16</sub> |
| Brussels, Bel.     | 16-99 <sup>1</sup> / <sub>2</sub> | 16-99 <sup>1</sup> / <sub>2</sub> | 16-99 <sup>1</sup> / <sub>2</sub> | 16-99 <sup>1</sup> / <sub>2</sub> | 16-99 <sup>1</sup> / <sub>2</sub> |
| Switzerland, Fr.   | 22-56                             | 22-56                             | 22-56                             | 22-56                             | 22-56                             |
| Italy, Lira        | 5-26 <sup>1</sup> / <sub>4</sub>  | 5-26 <sup>1</sup> / <sub>4</sub>  | 5-26 <sup>1</sup> / <sub>4</sub>  | 5-26 <sup>1</sup> / <sub>4</sub>  | 5-26 <sup>1</sup> / <sub>4</sub>  |
| Berlin, Mark       | 40-13 <sup>1</sup> / <sub>2</sub> | 40-13                             | 40-13                             | 40-13                             | 40-13                             |
| Amsterdam, Guilder | 53-46                             | 53-53                             | 53-63                             | 53-48                             | 53-47                             |
| Copenhagen, Kr.    | 20-90 <sup>1</sup> / <sub>2</sub> | 20-90 <sup>1</sup> / <sub>2</sub> | 20-90 <sup>1</sup> / <sub>2</sub> | 20-90 <sup>1</sup> / <sub>2</sub> | 20-90 <sup>1</sup> / <sub>2</sub> |
| Oslo, Kr.          | 23-53                             | 23-53                             | 23-53                             | 23-53                             | 23-53                             |
| Stockholm, Kr.     | 24-13                             | 24-12 <sup>1</sup> / <sub>2</sub> | 24-12 <sup>1</sup> / <sub>2</sub> | 24-12 <sup>1</sup> / <sub>2</sub> | 24-13                             |
| Athens, Dr.        | 0-85 <sup>7</sup> / <sub>8</sub>  | 0-85 <sup>7</sup> / <sub>8</sub>  | 0-85 <sup>7</sup> / <sub>8</sub>  | 0-85 <sup>7</sup> / <sub>8</sub>  | 0-85 <sup>7</sup> / <sub>8</sub>  |
| Montreal, Can. \$  | 99-885                            | 99-900                            | 99-900                            | 99-900                            | 99-900                            |
| Yokohama, Yen      | 27-32                             | 27-32                             | 27-32                             | 27-31                             | 27-31                             |
| Shanghai \$        | 9-20                              | 8-75                              | 9-05                              | 8-90                              | 8-90                              |
| B. Aires, Peso     | 29-04                             | 29-04                             | 29-04                             | 29-04                             | 29-04                             |
| Rio, Milreis†      | 5-10                              | 5-10                              | 5-10                              | 5-10                              | 5-10                              |

Usance: 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 June 30, 1939.

## ANGLO-ROUMANIAN CLEARING AGREEMENT

## RECEIPTS

(September 12, 1938, to June 30, 1939)

|                                                                                           | £         | £         |
|-------------------------------------------------------------------------------------------|-----------|-----------|
| Balances from the previous Agreements                                                     | 4,175,956 | 177,414   |
| In respect of debts due for Rumanian goods                                                |           |           |
| Less amounts allowed for Oil Companies' transactions under Article 3 (1) of the Agreement | 505,703   |           |
| Advanced by the National Bank of Roumania, under Article 13 (4)                           |           | 8,511*    |
|                                                                                           | 3,670,253 | 3,856,178 |

## ALLOCATION AND DISPOSAL

|                                                                                             | Allocated | Paid in and in course of payment |
|---------------------------------------------------------------------------------------------|-----------|----------------------------------|
| Roumanian Public Debt, etc.                                                                 | 723,857   | 438,541                          |
| Short-term Banking Credits, etc.                                                            | 80,339    | 17,327                           |
| Trade Debts:—                                                                               |           |                                  |
| (1) Outstanding Debts:—                                                                     |           |                                  |
| (i) Due before August 1, 1935                                                               | 197,671   | 180,794                          |
| (ii) Due after July 31, 1935, for Imports of United Kingdom Goods before September 12, 1938 | 136,603   | 136,603                          |
| (2) Current Exports (United Kingdom Goods Account)                                          | 829,142†  | 530,705                          |
| (3) Roumanian Government Purchases (United Kingdom Goods)                                   | 198,677   | 183,647                          |
| (4) Compensation Trade:—                                                                    |           |                                  |
| (i) United Kingdom Goods                                                                    | 468,217†  | 383,735                          |
| (ii) Goods from any Country                                                                 | 322,143†  | 271,154                          |
| Miscellaneous Remittances (General United Kingdom Account)                                  | 557,077†  | 544,444                          |
| National Bank of Roumania                                                                   | 312,452   | 312,452                          |
|                                                                                             | 3,856,178 | 3,053,402                        |

\* Advances made by the National Bank of Roumania under the previous and current Agreements amount to £653,543. These advances are repayable in accordance with the provisions of Article 13 (4).

† 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 231)

**Hollychrome Bricks.**—Trading profit for year to May 31, 1939, £15,665 (£29,683). Net profit, £9,927 (£25,058). (It is stated that the lower profits are largely due to a strike.) Ordinary dividend reduced from 15 to 7½ per cent., is payable on the capital as increased by last year's 20 per cent. capital bonus. Carry-forward, £1,244 (£1,217).

**Gas Companies' Interim Dividends.**—The Gas, Light and Coke Company is maintaining its interim ordinary dividend at 2½ per cent., and South Suburban Gas interim is 3 per cent., as before. Commercial Gas Company interim dividend is 2, against 2½ per cent., and Wandsworth and District Gas Company is paying an interim of 3½ against 3½ per cent.

**Threlfall's Brewery Company.**—Trading profit, year to June 30, 1939, £430,800 (£419,766). To depreciation, £45,558 (£37,187). Net profit, £313,367 (£311,325). To Properties' Improvement £50,000 (same). Ordinary dividend maintained at 18 per cent. Carry-forward, £311,306 (£311,325).

**Bolton (Thomas) and Sons.**—Profits, year to March 31, 1939, £204,144 (£288,721). Net profit, £68,108 (£116,846). Ordinary dividend reduced from 10 to 7½ per cent. To: General reserve, £10,000 (£20,000); staff bonus, £4,000 (£7,000). Carry-forward, £55,120 (£53,512).

**Pearson and Knowles Coal and Iron.**—Net profit for year to June 30, 1939, £35,000 (£28,480). The 5 per cent. income debenture stock receives 4½ per cent. (against 4 per cent.), absorbing

£33,319. Carry-forward, £4,124 (£2,443). Deficiency account remains at £472,932.

**Clifford Motor Components.**—No profit for year to May 31, 1939, £90,800 (£47,616). To general reserve £45,000 (£15,000). Ordinary dividend and bonus raised from 20 to 30 per cent. Carry-forward £13,220 (£22,051).

**African and Eastern Offer.**—The Board state that up to date acceptances of recent offer by Lever Brothers and Uni lever have been received respecting over 85 per cent. of Corporation's capital. The Board say remaining stockholders may have been influenced by belief that value of holdings may rise, but give their reasons for not sharing that belief, and urge acceptance of the offer. Acceptance should be returned before Monday July 31st.

## IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended July 27, 1939

| Imports           |           |       | Exports       |           |         |
|-------------------|-----------|-------|---------------|-----------|---------|
| From              | Bullion   | Coin  | To            | Bullion   | Coin    |
| <b>GOLD</b>       |           |       |               |           |         |
| British W. Africa | 424,718   | ...   | Canada        | 20,380    | ...     |
| South Africa      | 1,255,386 | ...   | Netherlands   | ...       | 42,881  |
| S. Rhodesia       | 87,692    | ...   | France        | 237       | 107,477 |
| British E. Africa | 22,717    | ...   | Syria         | ...       | 22,831  |
| British India     | 19,733    | ...   | Switzerland   | 23,800    | 19,588  |
| Iraq              | 6,419     | ...   | Siam          | 1,971,498 | ...     |
| Sudan             | 4,612     | ...   | United States | 7,123,299 | ...     |
| Total*            | 1,828,173 | 6,754 | Total*        | 9,173,218 | 225,510 |
| <b>SILVER</b>     |           |       |               |           |         |
| Eire              | ...       | 2,150 | Aden          | ...       | 3,320   |
| S. Rhodesia       | 138       | ...   | British India | 174,015   | ...     |
| Belgium           | 6,133     | 259   | Hong Kong     | ...       | 9,950   |
| Switzerland       | ...       | 99    | New Zealand   | ...       | 4,422   |
| United States     | 86,280    | ...   | France        | 4,103     | ...     |
| South Africa      | 40        | ...   | Egypt         | 1,520     | 19,633  |
| Netherlands       | ...       | 33    | United States | 18,696    | ...     |
| Total*            | 92,905    | 3,264 | Total*        | 210,049   | 42,268  |

\* Including other countries.

## Investment

## TRANSPORT RECEIPTS

## BRITISH RAILWAY TRAFFICS

|                | Gross Receipts, week ended July 23 (£'000) |             |             |             |                | Aggregate Gross Receipts, 29 weeks (£'000) |             |             |             |                |
|----------------|--------------------------------------------|-------------|-------------|-------------|----------------|--------------------------------------------|-------------|-------------|-------------|----------------|
|                | Passenger                                  | Merchandise | Coal & Coke | Total Goods | Total Receipts | Passenger                                  | Merchandise | Coal & Coke | Total Goods | Total Receipts |
| L.M. & S.—     | 776                                        | 397         | 206         | 603         | 1,379          | 14,353                                     | 13,389      | 7,427       | 20,816      | 35,169         |
| 1938           | 680                                        | 483         | 231         | 714         | 1,394          | 14,053                                     | 13,642      | 7,772       | 21,414      | 35,467         |
| 1939           | 480                                        | 270         | 195         | 465         | 945            | 9,232                                      | 9,396       | 6,964       | 16,360      | 25,592         |
| L. & N.E. (a)— | 464                                        | 323         | 218         | 541         | 1,005          | 9,127                                      | 9,318       | 7,353       | 16,671      | 25,798         |
| 1938           | 325                                        | 176         | 107         | 283         | 608            | 5,951                                      | 5,454       | 3,189       | 8,643       | 14,594         |
| 1939           | 295                                        | 218         | 110         | 328         | 623            | 5,904                                      | 5,819       | 3,290       | 9,109       | 15,013         |
| Great Western— | 441                                        | 59          | 31          | 90          | 531            | 9,054                                      | 1,761       | 892         | 2,653       | 11,707         |
| 1938           | 410                                        | 66          | 31          | 97          | 507            | 9,061                                      | 1,774       | 931         | 2,705       | 11,766         |
| 1939           | 2022                                       | 902         | 539         | 1441        | 3,463          | 38,590                                     | 30,000      | 18,472      | 48,472      | 87,042         |
| Total—         | 1849                                       | 1090        | 590         | 1680        | 3,529          | 38,145                                     | 30,553      | 19,346      | 49,899      | 88,044         |

(a) Week ended July 22.

## CUMULATIVE AND WEEKLY COMPARISONS

(000's omitted)

|                                                         | L.M.S.  | L.N.E.R. | Great Western | Southern |
|---------------------------------------------------------|---------|----------|---------------|----------|
| <b>Cumulative Figures</b>                               |         |          |               |          |
| Gross decrease, second half 1938, over second half 1937 | - 2,423 | - 1,812  | - 926         | - 54     |
| Gross increase, first half 1939, over first half 1938   | + 110   | + 7      | + 309         | + 57     |
| Gross increase, second half 1939, over second half 1938 | + 188   | + 199    | + 110         | + 2      |
| 3 weeks to July 23, 1939                                |         |          |               |          |
| Weekly Figures                                          |         |          |               |          |
| Av. weekly increase, 2nd half 1939                      | + 62.66 | + 66.33  | + 36.66       | + 0.66   |
| Latest week compared with 1938                          | + 15    | + 60     | + 15          | - 24     |
| Latest week compared with average 1927-30               | - 119*  | - 111    | - 29          | - 2      |

## IRISH RAILWAY TRAFFICS

| Company             | Gross Receipts, week ended July 21, 1939 (£'000) |       |       | Aggregate Gross Receipts 29 weeks (£'000) |        |        |
|---------------------|--------------------------------------------------|-------|-------|-------------------------------------------|--------|--------|
|                     | Pass.                                            | Goods | Total | Pass.                                     | Goods  | Total  |
| Belfast & Co. Down— | 5-0                                              | 0-5   | 5-5   | 67-7                                      | 12-4   | 80-1   |
| 1938                | 5-2                                              | 0-5   | 5-7   | 70-5                                      | 12-5   | 83-0   |
| 1939                | 16-6                                             | 9-5   | 26-1  | 288-9                                     | 254-0  | 542-9  |
| Great Northern—     | 16-5                                             | 10-2  | 26-7  | 299-1                                     | 290-8  | 589-9  |
| 1938                | 52-6                                             | 38-1  | 90-7  | 971-0                                     | 1134-8 | 2105-8 |
| 1939                | 49-8                                             | 41-1  | 90-9  | 976-2                                     | 1168-4 | 2144-6 |

## TRANSVAAL GOLD OUTPUT

Statistics for June 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 |
|--------------------------|-------------|------------------|---------------------|---------------|---------|-----------------------|
| <b>Goldfields</b>        |             |                  |                     |               |         |                       |
| Simmer and Jack          | 119,000     | 24,825           | 183,703             | ...           | 62,001  | 20 6.1                |
| Robinson Deep            | 115,000     | 26,821           | 198,475             | ...           | 81,000  | 20 6                  |
| Sub Nigel                | 61,200      | 41,625           | 307,879             | ...           | 207,208 | 32 10.8               |
| Vogelstruik              | 70,000      | 17,183           | 127,151             | ...           | 37,614  | 25 7                  |
| Rietfontein Cons.        | 32,500      | 4,638            | 34,265              | ...           | 11,509  | 14 0                  |
| Luipards Vlei            | 54,000      | 11,561           | 85,553              | ...           | 23,334  | 23 4.1                |
| <b>Johnnies Group</b>    |             |                  |                     |               |         |                       |
| East Champ D'or          | 32,000      | ...              | 60,116              | ...           | 27,533  | 20 5                  |
| Government Areas         | 218,000     | ...              | 357,697             | ...           | 165,316 | 17 10                 |
| Langlaagte Estate        | 108,000     | ...              | 110,601             | ...           | 9,358   | 18 11                 |
| New State Areas          | 125,000     | ...              | 254,816             | ...           | 144,151 | 17 11                 |
| Randfontein Estates      | 384,000     | ...              | 436,125             | ...           | 105,348 | 17 4                  |
| Van Ryn Deep             | 101,000     | ...              | 104,972             | ...           | 13,009  | 19 11                 |
| Witwatersrand            | 86,000      | ...              | 97,092              | ...           | ...     | ...                   |
| Johnnies Group Total     | 1,054,000   | ...              | 1,421,419           | ...           | 480,807 | 18 0                  |
| <b>Union Corporation</b> |             |                  |                     |               |         |                       |
| East Geduld              | 154,000     | 44,283           | 328,225             | 120,619       | 207,606 | ...                   |
| Geduld Prop.             | 113,000     | 26,252           | 195,439             | 85,556        | 109,883 | ...                   |
| Grootevlei Prop.         | 81,000      | 18,903           | 140,442             | 91,391        | 49,051  | ...                   |
| Grootevlei Deep          | 49,400      | 5,859            | 43,566              | 39,591        | 3,975   | ...                   |
| Van Dyk Cons.            | 86,100      | 20,611           | 153,017             | 97,703        | 55,314  | ...                   |
| <b>Other Mines</b>       |             |                  |                     |               |         |                       |
| Glyn's Lydenburg         | 9,100       | 2,763            | 20,464              | ...           | 5,617   | 32 7.6                |
| New Kleinfontein         | 75,000      | ...              | 107,388             | ...           | 33,421  | 19 9                  |
| Transvaal Gold           | 28,900      | 4,402            | 32,618              | ...           | 4,518   | 19 5.4                |
| Witwatersrand Deep       | 51,000      | 8,065            | 59,572              | 49,943        | 9,629   | ...                   |



## 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 July 26, inclusive |         | Name of Security       | Price, July 26, 1939 | Yield, July 26, 1939 | Prices, Year 1939 Jan. 1 to July 26, inclusive |         | Name of Security       | Price, July 26, 1939 | Yield, July 26, 1939 |
|-------------------|---------|------------------------------------------------|---------|------------------------|----------------------|----------------------|------------------------------------------------|---------|------------------------|----------------------|----------------------|
| High              | Low     | High                                           | Low     |                        |                      |                      | High                                           | Low     |                        |                      |                      |
| 79 1/2            | 64      | 71 1/2                                         | 64 7/8  | Consols 2 1/2% 1950-70 | 66 1/2               | 14                   | 71 1/2                                         | 64 7/8  | Consols 2 1/2% 1950-70 | 66 1/2               | 14                   |
| 111 1/2           | 98      | 101 1/2                                        | 98 1/2  | Do. 4% (alt. 1957)     | 102                  | 15 3/4               | 101 1/2                                        | 98 1/2  | Do. 4% (alt. 1957)     | 102                  | 15 3/4               |
| 100 1/2           | 90      | 96 1/2                                         | 90 1/2  | Conv. 2 1/2% 1944-49   | 95 1/2               | 12 1/2               | 96 1/2                                         | 90 1/2  | Conv. 2 1/2% 1944-49   | 95 1/2               | 12 1/2               |
| 103 1/2           | 92      | 99 1/2                                         | 92 1/2  | Do. 3% 1948-53         | 96 1/2               | 14                   | 99 1/2                                         | 92 1/2  | Do. 3% 1948-53         | 96 1/2               | 14                   |
| 104 1/2           | 90 1/2  | 99 1/2                                         | 91      | Do. 3 1/2% after 1961  | 93 1/2               | 15 1/2               | 99 1/2                                         | 91      | Do. 3 1/2% after 1961  | 93 1/2               | 15 1/2               |
| 105 1/2           | 100     | 104 1/2                                        | 102     | Do. 4 1/2% 1940-44     | 102 1/2              | 18                   | 104 1/2                                        | 102     | Do. 4 1/2% 1940-44     | 102 1/2              | 18                   |
| 115 1/2           | 102     | 112 1/2                                        | 105 1/2 | Do. 5% 1944-44         | 109 1/2              | 14                   | 112 1/2                                        | 105 1/2 | Do. 5% 1944-44         | 109 1/2              | 14                   |
| 91 1/2            | 81      | 87 1/2                                         | 81 1/2  | Fund. 2 1/2% 1956-61   | 84 1/2               | 12 1/2               | 87 1/2                                         | 81 1/2  | Fund. 2 1/2% 1956-61   | 84 1/2               | 12 1/2               |
| 97 1/2            | 88 1/2  | 93 1/2                                         | 88 1/2  | Fund. 2 1/2% 1952-57   | 90 1/2               | 14                   | 93 1/2                                         | 88 1/2  | Fund. 2 1/2% 1952-57   | 90 1/2               | 14                   |
| 95 1/2            | 86      | 91 1/2                                         | 86      | Fund. 3% 1959-69       | 92                   | 14                   | 91 1/2                                         | 86      | Fund. 3% 1959-69       | 92                   | 14                   |
| 114 1/2           | 98      | 109 1/2                                        | 102 1/2 | Fund. 4% 1960-69       | 105                  | 12 1/2               | 109 1/2                                        | 102 1/2 | Fund. 4% 1960-69       | 105                  | 12 1/2               |
| 101 1/2           | 90      | 99 1/2                                         | 92 1/2  | Nat. D. 2 1/2% 1944-48 | 97 1/2               | 14                   | 99 1/2                                         | 92 1/2  | Nat. D. 2 1/2% 1944-48 | 97 1/2               | 14                   |
| 100 1/2           | 93      | 96 1/2                                         | 91 1/2  | Do. 3% 1954-53         | 93 1/2               | 14                   | 96 1/2                                         | 91 1/2  | Do. 3% 1954-53         | 93 1/2               | 14                   |
| 112 1/2           | 100     | 108 1/2                                        | 102 1/2 | Victory Bonds 4%       | 105                  | 12 1/2               | 108 1/2                                        | 102 1/2 | Victory Bonds 4%       | 105                  | 12 1/2               |
| 103 1/2           | 90 1/2  | 98 1/2                                         | 90 1/2  | War L. 3 1/2% af. 1952 | 92 1/2               | 14                   | 98 1/2                                         | 90 1/2  | War L. 3 1/2% af. 1952 | 92 1/2               | 14                   |
| 90 1/2            | 78      | 83 1/2                                         | 78 1/2  | Local Loans 3%         | 79                   | 14                   | 83 1/2                                         | 78 1/2  | Local Loans 3%         | 79                   | 14                   |
| 102               | 90 1/2  | 99 1/2                                         | 95      | Austria 3% 1933-53     | 96                   | 14                   | 99 1/2                                         | 95      | Austria 3% 1933-53     | 96                   | 14                   |
| 90 1/2            | 78      | 83 1/2                                         | 78 1/2  | India 2 1/2%           | 79 1/2               | 14                   | 83 1/2                                         | 78 1/2  | India 2 1/2%           | 79 1/2               | 14                   |
| 68 1/2            | 58      | 64 1/2                                         | 58 1/2  | Do. 3%                 | 72                   | 14                   | 64 1/2                                         | 58 1/2  | Do. 3%                 | 72                   | 14                   |
| 95 1/2            | 78      | 90 1/2                                         | 78      | Do. 3 1/2%             | 84                   | 14                   | 90 1/2                                         | 78      | Do. 3 1/2%             | 84                   | 14                   |
| 117 1/2           | 110     | 115 1/2                                        | 105 1/2 | Do. 4 1/2% 1958-68     | 109 1/2              | 14                   | 115 1/2                                        | 105 1/2 | Do. 4 1/2% 1958-68     | 109 1/2              | 14                   |
| 108 1/2           | 97      | 106 1/2                                        | 99      | Dom. & Govt. Bonds     | 100 1/2              | 14                   | 106 1/2                                        | 99      | Dom. & Govt. Bonds     | 100 1/2              | 14                   |
| 104 1/2           | 97      | 103 1/2                                        | 97 1/2  | Canada 4% 1940-60      | 100 1/2              | 14                   | 103 1/2                                        | 97 1/2  | Canada 4% 1940-60      | 100 1/2              | 14                   |
| 115               | 109 1/2 | 112 1/2                                        | 107 1/2 | Nigeria 5% 1950-60     | 107 1/2              | 14                   | 112 1/2                                        | 107 1/2 | Nigeria 5% 1950-60     | 107 1/2              | 14                   |
| 108               | 95 1/2  | 103 1/2                                        | 94      | N. Zealand 5% 1946     | 97                   | 14                   | 103 1/2                                        | 94      | N. Zealand 5% 1946     | 97                   | 14                   |
| 107 1/2           | 95      | 102 1/2                                        | 98      | Queens. 5% 1940-60     | 100 1/2              | 14                   | 102 1/2                                        | 98      | Queens. 5% 1940-60     | 100 1/2              | 14                   |
| 112 1/2           | 97      | 110                                            | 104 1/2 | S. Africa 5% 1945-75   | 106 1/2              | 14                   | 110                                            | 104 1/2 | S. Africa 5% 1945-75   | 106 1/2              | 14                   |
| 96 1/2            | 78      | 85                                             | 78 1/2  | Arg. 4 1/2% Stg. Bds.  | 78                   | 14                   | 85                                             | 78 1/2  | Arg. 4 1/2% Stg. Bds.  | 78                   | 14                   |
| 102               | 73      | 80 1/2                                         | 73      | Austria 1930 5%        | 77 1/2               | 14                   | 80 1/2                                         | 73      | Austria 1930 5%        | 77 1/2               | 14                   |
| 89                | 38      | 65 1/2                                         | 48      | Do. 4 1/2% 1934-59     | 55 1/2               | 14                   | 65 1/2                                         | 48      | Do. 4 1/2% 1934-59     | 55 1/2               | 14                   |
| 99                | 80      | 95                                             | 79 1/2  | Belgian 4% (36) 1970   | 84 1/2               | 14                   | 95                                             | 79 1/2  | Belgian 4% (36) 1970   | 84 1/2               | 14                   |
| 36                | 31      | 31                                             | 15 1/2  | Bulgaria 7% 1914       | 20                   | 14                   | 31                                             | 15 1/2  | Bulgaria 7% 1914       | 20                   | 14                   |
| 37 1/2            | 12 1/2  | 21 1/2                                         | 9       | Brazil 5% (1912)       | 20                   | 14                   | 21 1/2                                         | 9       | Brazil 5% (1912)       | 20                   | 14                   |
| 198 1/2           | 14      | 16 1/2                                         | 9       | Chile 6% (1929)        | 10 1/2               | 14                   | 16 1/2                                         | 9       | Chile 6% (1929)        | 10 1/2               | 14                   |
| 60 1/2            | 37      | 38 1/2                                         | 18 1/2  | China 5% (1912)        | 20                   | 14                   | 38 1/2                                         | 18 1/2  | China 5% (1912)        | 20                   | 14                   |
| 73 1/2            | 40      | 55 1/2                                         | 27 1/2  | Do. 5% (1913)          | 31                   | 14                   | 55 1/2                                         | 27 1/2  | Do. 5% (1913)          | 31                   | 14                   |
| 105 1/2           | 94      | 100                                            | 94 1/2  | Czechoslovakia 8%      | 96 1/2               | 14                   | 100                                            | 94 1/2  | Czechoslovakia 8%      | 96 1/2               | 14                   |
| 104               | 84 1/2  | 86 1/2                                         | 68 1/2  | Egypt United 4%        | 71 1/2               | 14                   | 86 1/2                                         | 68 1/2  | Egypt United 4%        | 71 1/2               | 14                   |
| 13                | 9 1/2   | 12 1/2                                         | 10      | French 4% (British)    | 11 1/2               | 14                   | 12 1/2                                         | 10      | French 4% (British)    | 11 1/2               | 14                   |
| 46                | 20      | 44                                             | 21      | Ger. Dawes Ln. 5%      | 34                   | 14                   | 44                                             | 21      | Ger. Dawes Ln. 5%      | 34                   | 14                   |
| 34 1/2            | 25      | 30                                             | 23      | Do. Young Ln. 4 1/2%   | 23                   | 14                   | 30                                             | 23      | Do. Young Ln. 4 1/2%   | 23                   | 14                   |
| 58 1/2            | 20      | 35 1/2                                         | 24      | Greek 6% Stab. Ln.     | 25                   | 14                   | 35 1/2                                         | 24      | Greek 6% Stab. Ln.     | 25                   | 14                   |
| 60                | 35      | 52                                             | 37 1/2  | Hungary 7 1/2%         | 42                   | 14                   | 52                                             | 37 1/2  | Hungary 7 1/2%         | 42                   | 14                   |
| 60 1/2            | 38      | 52                                             | 33 1/2  | Japan 5 1/2% 1936-65   | 39                   | 14                   | 52                                             | 33 1/2  | Japan 5 1/2% 1936-65   | 39                   | 14                   |
| 50                | 35      | 46 1/2                                         | 42 1/2  | Do. 6 1/2% 1924-65     | 45                   | 14                   | 46 1/2                                         | 42 1/2  | Do. 6 1/2% 1924-65     | 45                   | 14                   |
| 75 1/2            | 54      | 65                                             | 50      | Poland 7 1/2% 1922     | 50                   | 14                   | 65                                             | 50      | Poland 7 1/2% 1922     | 50                   | 14                   |
| 154 1/2           | 94      | 111 1/2                                        | 7       | Roum. 4% Con. 1922     | 10 1/2               | 14                   | 111 1/2                                        | 7       | Roum. 4% Con. 1922     | 10 1/2               | 14                   |
| 92                | 75      | 83                                             | 74 1/2  | U.K. & Arg. C. 3%      | 74                   | 14                   | 83                                             | 74 1/2  | U.K. & Arg. C. 3%      | 74                   | 14                   |
| 115 1/2           | 101     | 111 1/2                                        | 106     | Corporation Stocks     | 109                  | 14                   | 111 1/2                                        | 106     | Corporation Stocks     | 109                  | 14                   |
| 117               | 104 1/2 | 114                                            | 108     | Bristol 5% 1948-56     | 108                  | 14                   | 114                                            | 108     | Bristol 5% 1948-56     | 108                  | 14                   |
| 87 1/2            | 77      | 81 1/2                                         | 74      | L.C.C. 3%              | 77                   | 14                   | 81 1/2                                         | 74      | L.C.C. 3%              | 77                   | 14                   |
| 97 1/2            | 90 1/2  | 93 1/2                                         | 88      | Liverpool 3% 1954-61   | 89                   | 14                   | 93 1/2                                         | 88      | Liverpool 3% 1954-61   | 89                   | 14                   |
| 105 1/2           | 94 1/2  | 102 1/2                                        | 88      | Middx. 3 1/2% 1957-62  | 97 1/2               | 14                   | 102 1/2                                        | 88      | Middx. 3 1/2% 1957-62  | 97 1/2               | 14                   |
| 112               | 106     | 111 1/2                                        | 106     | Public Bonds           | 110                  | 14                   | 111 1/2                                        | 106     | Public Bonds           | 110                  | 14                   |
| 115               | 103 1/2 | 111 1/2                                        | 106     | C. Elec. 5% 1950-70    | 107 1/2              | 14                   | 111 1/2                                        | 106     | C. Elec. 5% 1950-70    | 107 1/2              | 14                   |
| 123               | 111 1/2 | 118 1/2                                        | 111 1/2 | Lon. Pass. Transport   | 114 1/2              | 14                   | 118 1/2                                        | 111 1/2 | Lon. Pass. Transport   | 114 1/2              | 14                   |
| 117 1/2           | 105 1/2 | 112 1/2                                        | 105 1/2 | Do. 4 1/2% 1955-2023   | 108 1/2              | 14                   | 112 1/2                                        | 105 1/2 | Do. 4 1/2% 1955-2023   | 108 1/2              | 14                   |
| 84                | 62 1/2  | 72 1/2                                         | 62 1/2  | Do. 3 1/2% 1955-2023   | 73 1/2               | 14                   | 72 1/2                                         | 62 1/2  | Do. 3 1/2% 1955-2023   | 73 1/2               | 14                   |
| 85 1/2            | 77      | 82 1/2                                         | 77      | Do. 3% 1955 or after   | 81 1/2               | 14                   | 82 1/2                                         | 77      | Do. 3% 1955 or after   | 81 1/2               | 14                   |
| 114               | 106 1/2 | 112 1/2                                        | 106 1/2 | Met. W.B. "B" 3%       | 110 1/2              | 14                   | 112 1/2                                        | 106 1/2 | Met. W.B. "B" 3%       | 110 1/2              | 14                   |
| 38                | 21 1/2  | 24                                             | 12      | P. of Lon. 5% 50-70    | 24                   | 14                   | 24                                             | 12      | P. of Lon. 5% 50-70    | 24                   | 14                   |
| 39 1/2            | 13 1/2  | 14                                             | 12      | G.W. Ord.              | 34                   | 14                   | 14                                             | 12      | G.W. Ord.              | 34                   | 14                   |
| 54 1/2            | 38      | 44                                             | 38      | L. & N.E.R. Def.       | 50 1/2               | 14                   | 44                                             | 38      | L. & N.E.R. Def.       | 50 1/2               | 14                   |
| 15                | 15      | 15                                             | 15      | Do. 5% Pref. Ord.      | 13                   | 14                   | 15                                             | 15      | Do. 5% Pref. Ord.      | 13                   | 14                   |
| 38                | 19      | 24                                             | 19      | Do. 4% 2nd Pf.         | 35                   | 14                   | 24                                             | 19      | Do. 4% 2nd Pf.         | 35                   | 14                   |
| 17                | 10 1/2  | 11 1/2                                         | 10 1/2  | Do. 4% 1st Pf.         | 14 1/2               | 14                   | 11 1/2                                         | 10 1/2  | Do. 4% 1st Pf.         | 14 1/2               | 14                   |
| 46 1/2            | 20      | 24                                             | 20      | L.M.S. Ord.            | 44                   | 14                   | 24                                             | 20      | L.M.S. Ord.            | 44                   | 14                   |
| 63 1/2            | 37 1/2  | 42                                             | 37 1/2  | 4% Pf. 1923            | 62                   | 14                   | 42                                             | 37 1/2  | 4% Pf. 1923            | 62                   | 14                   |
| 19                | 10 1/2  | 11 1/2                                         | 10 1/2  | 4% Pf. 1923            | 15 1/2               | 14                   | 11 1/2                                         | 10 1/2  | 4% Pf. 1923            | 15 1/2               | 14                   |
| 78                | 48 1/2  | 54                                             | 48 1/2  | Do. 5% Pf. Ord.        | 70                   | 14                   | 54                                             | 48 1/2  | Do. 5% Pf. Ord.        | 70                   | 14                   |
| 100               | 80      | 88 1/2                                         | 80      | Do. 5% Pf.             | 96 1/2               | 14                   | 88 1/2                                         | 80      | Do. 5% Pf.             | 96 1/2               | 14                   |
| 9 1/2             | 4 1/2   | 5 1/2                                          | 4 1/2   | Dom. & Foreign Ry.     | 6                    | 14                   | 5 1/2                                          | 4 1/2   | Dom. & Foreign Ry.     | 6                    | 14                   |
| 5 1/2             | 2 1/2   | 3 1/2                                          | 2 1/2   | Antofagasta Ord.       | 3 1/2                | 14                   | 3 1/2                                          | 2 1/2   | Antofagasta Ord.       | 3 1/2                | 14                   |
| 13 1/2            | 6 1/2   | 8 1/2                                          | 6 1/2   | B.A. & Pac. Ord.       | 7 1/2                | 14                   | 8 1/2                                          | 6 1/2   | B.A. & Pac. Ord.       | 7 1/2                | 14                   |
| 10 1/2            | 5 1/2   | 6 1/2                                          | 5 1/2   | B.A. & Pac. Stn. Ord.  | 6                    | 14                   | 6 1/2                                          | 5 1/2   | B.A. & Pac. Stn. Ord.  | 6                    | 14                   |
| 11 1/2            | 6 1/2   | 7 1/2                                          | 6 1/2   | B.A. West. Ord.        | 6 1/2                | 14                   | 7 1/2                                          | 6 1/2   | B.A. West. Ord.        | 6 1/2                | 14                   |
| 6 1/2             | 3 1/2   | 4 1/2                                          | 3 1/2   | C. Arg. Ord.           | 4 1/2                | 14                   | 4 1/2                                          | 3 1/2   | C. Arg. Ord.           | 4 1/2                | 14                   |
| 24 1/2            | 20      | 22                                             | 20      | Can. Pac. Com. \$25.   | 22 1/2               | 14                   | 22                                             | 20      | Can. Pac. Com. \$25.   | 22 1/2               | 14                   |
| 35 1/2            | 30 1/2  | 32 1/2                                         | 30 1/2  | Costa Rica Ord.        | 35 1/2               | 14                   | 32 1/2                                         | 30 1/2  | Costa Rica Ord.        | 35 1/2               | 14                   |
| 34 1/2            | 20 1/2  | 24                                             | 20 1/2  | Nitrate Ry. \$10       | 23                   | 14                   | 24                                             | 20 1/2  | Nitrate Ry. \$10       | 23                   | 14                   |
| 30 1/2            | 24 1/2  | 28 1/2                                         | 24 1/2  | San Paulo Ord.         | 28 1/2               | 14                   | 28 1/2                                         | 24 1/2  | San Paulo Ord.         | 28 1/2               | 14                   |
| 60 1/2            | 52 1/2  | 58 1/2                                         | 52 1/2  | Banks and Discount     | 57 1/2               | 14                   | 58 1/2                                         | 52 1/2  | Banks and Discount     | 57 1/2               | 14                   |
| 30 1/2            | 24 1/2  | 28 1/2                                         | 24 1/2  | Alexanders £2. £1 pd.  | 27 1/2               | 14                   | 28 1/2                                         | 24 1/2  | Alexanders £2. £1 pd.  | 27 1/2               | 14                   |
| 330               | 301 1/2 | 312 1/2                                        | 301 1/2 | Bk. of N. Zealand £1   | 311                  | 14                   | 312 1/2                                        | 301 1/2 | Bk. of N. Zealand £1   | 311                  | 14                   |
| 75 1/2            | 65 1/2  | 70 1/2                                         | 65 1/2  | Bk. of England         | 65 1/2               | 14                   | 70 1/2                                         | 65 1/2  | Bk. of England         | 65 1/2               | 14                   |
| 43 1/2            | 39 1/2  | 42 1/2                                         | 39 1/2  | Barclay B. £1          | 42 1/2               | 14                   | 42 1/2                                         | 39 1/2  | Barclay B. £1          | 42 1/2               | 14                   |
| 77 1/2            | 63 1/2  | 68 1/2                                         | 63 1/2  | Barcl. (D.C.O.) £1     | 63 1/2               | 14                   | 68 1/2                                         | 63 1/2  | Barcl. (D.C.O.) £1     | 63 1/2               | 14                   |
| 46 1/2            | 42 1/2  | 44 1/2                                         | 42 1/2  | Bk. of Aust. £5        | 44 1/2               | 14                   | 44 1/2                                         | 42 1/2  | Bk. of Aust. £5        | 44 1/2               | 14                   |
| 23                | 21 1/2  | 23 1/2                                         | 21 1/2  | Bk. of Mont. \$100     | 22 1/2               | 14                   | 23 1/2                                         | 21 1/2  | Bk. of Mont. \$100     | 22 1/2               | 14                   |
|                   |         |                                                |         | Bk. of N.S.W. £20      | 22 1/2               | 14                   |                                                |         | Bk. of N.S.W. £20      | 22 1/2               | 14                   |

(a) Interim dividend. (b) Final dividend. (c) Dividends for full year. (d) Paid in £/N.Z. (e) Allowance for exchange. (f) Flat yield. (g) Yield worked on 4% basis. (h) Yield on 4 1/2% basis. (i) Yield worked on 12% basis. (j) Yield worked on average redemption—end 1959. (k) Based on redemption at par in 1941. (l) Based on payment of 2 1/2%. (m) To redemption at par, in year shown. (n) Yield worked at 5% of face value. (

## THE WEEK'S COMPANY RESULTS

| Company                                 | Year<br>En ding | Balance<br>from<br>Last<br>Account | Net Profit<br>After<br>Payment of<br>Deben-<br>ture<br>Interest | Amount<br>Available<br>for<br>Dis-<br>tri-<br>bution | Appropriation     |                    |        |                                                   |                    | Corresponding<br>Period Last<br>Year |               |
|-----------------------------------------|-----------------|------------------------------------|-----------------------------------------------------------------|------------------------------------------------------|-------------------|--------------------|--------|---------------------------------------------------|--------------------|--------------------------------------|---------------|
|                                         |                 |                                    |                                                                 |                                                      | Dividend          |                    |        | Carried to<br>Reserve,<br>Deprecia-<br>tion, etc. | Balance<br>Forward | Net<br>Profit                        | Divi-<br>dend |
|                                         |                 |                                    |                                                                 |                                                      | Prefce.<br>Amount | Ordinary<br>Amount | Rate   |                                                   |                    |                                      |               |
| <b>Banks</b>                            |                 | £                                  | £                                                               | £                                                    | £                 | £                  | %      | £                                                 | £                  | £                                    | %             |
| Bank of New Zealand.....                | Mar. 31         | 373,881                            | 536,721                                                         | 910,602                                              | 150,000           | 375,000            | 10     | £ ...                                             | 385,602            | 533,991                              | 10            |
| Queensland National .....               | June 30         | 20,802                             | 81,692                                                          | 102,494                                              | ...               | 80,938             | 4½     | ...                                               | 21,556             | 79,171                               | 4½            |
| <b>Breweries and Distilleries</b>       |                 |                                    |                                                                 |                                                      |                   |                    |        |                                                   |                    |                                      |               |
| Associated Breweries .....              | June 30         | 59,062                             | 109,408                                                         | 168,470                                              | 33,163            | 66,416             | 10     | ...                                               | 68,891             | 111,023                              | 10            |
| Nuttall's Breweries.....                | June 30         | 9,449                              | 85,583                                                          | 95,032                                               | 42,000            | 24,000             | 6      | 15,500                                            | 13,532             | 88,215                               | 6             |
| S. African Distilleries, etc.           | June 30         | 2,289                              | 200,186                                                         | 202,475                                              | 41,350            | 159,000            | 15     | ...                                               | 2,125              | 227,048                              | 18½           |
| Threlfall's Brewery .....               | June 30         | 321,957                            | 358,924                                                         | 680,881                                              | 26,514            | 247,503            | 18     | 95,558                                            | 311,306            | 348,512                              | 18            |
| <b>Financial Land, etc.</b>             |                 |                                    |                                                                 |                                                      |                   |                    |        |                                                   |                    |                                      |               |
| Holloways' Properties .....             | Mar. 31         | 24,810                             | 41,044                                                          | 65,854                                               | 3,620             | 31,468             | 15     | 5,000                                             | 25,766             | 40,984                               | 15            |
| Rio de Janeiro Land Mtge.               | Dec. 31         | Dr. 31,536                         | Dr. 2,405                                                       | Dr. 33,941                                           | ...               | ...                | ...    | ...                                               | Dr. 33,941         | Dr. 2,679                            | Nil           |
| Shop Investments .....                  | June 30         | 9,370                              | 33,233                                                          | 42,603                                               | 7,974             | 21,750             | 10     | 5,000                                             | 7,879              | 36,083                               | 10            |
| <b>Iron, Coal and Steel</b>             |                 |                                    |                                                                 |                                                      |                   |                    |        |                                                   |                    |                                      |               |
| Partington Steel and Iron               | June 30         | Dr. 55,746                         | 46,746                                                          | Dr. 9,000                                            | ...               | ...                | ...    | 40,000                                            | Dr. 49,000         | 48,449                               | Nil           |
| Pearson & Knowles Coal, etc.            | June 30         | 2,443                              | 1,681                                                           | 4,124                                                | ...               | ...                | ...    | ...                                               | 4,124              | 606                                  | Nil           |
| Richardsons, Westgarth.....             | Mar. 31         | 5,412                              | 137,276                                                         | 142,688                                              | ...               | 33,322             | 7½     | 97,504                                            | 11,862             | (a)                                  | (a)           |
| <b>Motor Cycle and Aviation</b>         |                 |                                    |                                                                 |                                                      |                   |                    |        |                                                   |                    |                                      |               |
| Aircraft Components .....               | Mar. 31         | 6,051                              | 70,134                                                          | 76,185                                               | ...               | 36,250             | 25     | ...                                               | 39,935             | 23,124                               | 7½            |
| <b>Rubber</b>                           |                 |                                    |                                                                 |                                                      |                   |                    |        |                                                   |                    |                                      |               |
| Anglo-Java .....                        | Mar. 31         | 17,113                             | 39,782                                                          | 56,895                                               | ...               | 26,640             | 2      | 15,000                                            | 15,255             | 96,113                               | 3             |
| Craigielea.....                         | Mar. 31         | 15,088                             | 20,269                                                          | 35,357                                               | ...               | 17,753             | 5      | 2,045                                             | 15,559             | 26,714                               | 6             |
| Malayan .....                           | June 30         | 1,498                              | 1,880                                                           | 3,378                                                | ...               | 1,722              | 3½     | Dr. 70                                            | 1,726              | 4,594                                | 6             |
| Port Dickson-Lukut .....                | Mar. 31         | 10,138                             | 6,422                                                           | 16,560                                               | ...               | ...                | ...    | 3,300                                             | 13,260             | 15,459                               | 5             |
| <b>Tea</b>                              |                 |                                    |                                                                 |                                                      |                   |                    |        |                                                   |                    |                                      |               |
| Dhamai .....                            | Dec. 31         | 3,719                              | 12,910                                                          | 16,629                                               | 836               | 8,788              | 17½    | 2,000                                             | 5,005              | 15,072                               | 25            |
| <b>Trusts</b>                           |                 |                                    |                                                                 |                                                      |                   |                    |        |                                                   |                    |                                      |               |
| Lond. Elec., etc., Trust ...            | June 30         | 12,845                             | 33,603                                                          | 46,448                                               | 18,900            | 13,200             | 5½     | ...                                               | 14,348             | 35,048                               | 5             |
| Sterling Secs. Invest. ....             | May 31          | 1,035                              | 1,398                                                           | 2,433                                                | ...               | 1,042              | 2½     | ...                                               | 1,391              | 2,819                                | 3½            |
| <b>Waterworks</b>                       |                 |                                    |                                                                 |                                                      |                   |                    |        |                                                   |                    |                                      |               |
| Cleveland Water Co.....                 | June 30*        | 6,036                              | 3,664                                                           | 9,700                                                | ...               | 3,400              | 10 & 7 | ...                                               | 6,300              | 137                                  | 10 & 7        |
| <b>Other Companies</b>                  |                 |                                    |                                                                 |                                                      |                   |                    |        |                                                   |                    |                                      |               |
| British Coated Board, etc....           | Mar. 31         | ...                                | Dr. 8,377                                                       | Dr. 8,377                                            | ...               | ...                | ...    | ...                                               | Dr. 8,377          | (a)                                  | (a)           |
| Dublin (South) City Market              | June 30*        | 4,567                              | 4,269                                                           | 8,836                                                | ...               | 3,375              | 4½     | 500                                               | 4,961              | 4,318                                | 4½            |
| Hollychrome Bricks .....                | May 31          | 1,217                              | 9,927                                                           | 11,144                                               | ...               | 9,900              | 7½     | ...                                               | 1,244              | 25,058                               | 15            |
| Howden (James) & Co. ....               | Apr. 30         | 1,402                              | 690,579                                                         | 91,981                                               | ...               | 35,700             | 15     | 37,622                                            | 18,659             | (a)                                  | (a)           |
| Man. Canal Whg. ....                    | June 24         | 2,998                              | 8,434                                                           | 11,432                                               | 4,622             | 3,988              | 5½     | 705                                               | 2,117              | 10,129                               | 5½            |
| Man. Dock, etc., Extension              | June 24         | 3,413                              | 30,221                                                          | 33,634                                               | 17,789            | 13,125             | 5½     | 1,906                                             | 814                | 34,158                               | 5½            |
| Meyer (Montague L.) .....               | Mar. 31         | 29,742                             | 42,939                                                          | 72,681                                               | 9,878             | 9,062              | 33½    | 23,945                                            | 29,796             | 16,132                               | 16½           |
| National Canning .....                  | May 31          | 25,529                             | 43,423                                                          | 68,952                                               | 3,625             | 21,569             | 8½     | 15,000                                            | 28,758             | 40,695                               | 8½            |
| Peachey (A.) & Co. ....                 | Apr. 30         | 2,270                              | Dr. 6,077                                                       | Dr. 3,807                                            | ...               | ...                | ...    | 1,364                                             | Dr. 5,171          | 427                                  | Nil           |
| Selecta Gramophones .....               | Mar. 31         | 1,291                              | 5,032                                                           | 6,323                                                | ...               | 2,750              | 5      | 1,641                                             | 1,932              | 2,861                                | 5             |
| Thorn Electrical Industries             | Mar. 31         | 8,533                              | 35,058                                                          | 43,591                                               | 2,175             | 14,500             | 20     | 15,000                                            | 11,916             | 31,537                               | 20            |
| <b>Total Profits, 1939, in £000's :</b> | No. of Cos.     |                                    |                                                                 |                                                      |                   |                    |        |                                                   |                    |                                      |               |
| To July 22 .....                        | 1,611           | 69,959                             | 208,515                                                         | 278,474                                              | 40,523            | 111,460            | ...    | 53,416                                            | 73,075             | 227,238                              | ...           |
| To July 29 .....                        | 1,639           | 69,294                             | 209,469                                                         | 278,763                                              | 40,735            | 112,197            | ...    | 52,578                                            | 73,253             | 227,514                              | ...           |

(a) No comparable figure.

\* For half year.

(b) Ten months.

## DIVIDEND ANNOUNCEMENTS

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

| Company                    | *Int. or Final | Total | Payable | Prev. Year | Company                    | *Int. or Final | Total | Payable | Prev. Year | Company                     | *Int. or Final | Total | Payable | Prev. Year |
|----------------------------|----------------|-------|---------|------------|----------------------------|----------------|-------|---------|------------|-----------------------------|----------------|-------|---------|------------|
| <b>BANKS</b>               |                |       |         |            | <b>Enfield Cable</b> ..... | 6½*            | ...   | ...     | 6½*        | <b>Spratts Patent</b> ..... | 5*             | ...   | ...     | 5*         |
| Bank of N.S. Wales.....    | 6½*            | ...   | Aug. 31 | 6½*        | Gas, Light & Coke.....     | 5½ pa*         | ...   | ...     | 5½ pa*     | Third Guard Tst. ....       | 2*             | ...   | ...     | 2*         |
| <b>INSURANCE</b>           |                |       |         |            | Harvey & Thompson.....     | 7½*            | 12½   | ...     | 7½*        | Threlfall's Brewery....     | 10½            | 18    | ...     | 18         |
| Employers' Liability.....  | 30*            | ...   | Sep. 22 | 30*        | Imp. Tobacco (G.B. & I.)   | 7½*            | ...   | ...     | 7½*        | Tilling (Thos.).....        | 5*             | ...   | ...     | 5*         |
| <b>TEA &amp; RUBBER</b>    |                |       |         |            | Java Invest. ....          | 2*             | ...   | ...     | 2*         | Toogood & Sons.....         | 3½*            | ...   | ...     | 3½*        |
| <b>MINING</b>              |                |       |         |            | Jax Stores.....            | 2*             | ...   | ...     | 2*         | U. Grain Elevators.....     | 2*             | ...   | ...     | 2*         |
| Ferreira Estate.....       | 150            | ...   | ...     | 100        | Law Deb. Corp'n. ....      | 4*             | ...   | ...     | 4*         | U.S. & Gen. Tst. (Def.)     | 2*             | ...   | ...     | 2*         |
| Glynn's Lydenburg.....     | 7½*            | 15    | ...     | 15         | Lewis (J.) Propts. ....    | 8*             | ...   | ...     | 8*         | Wandsworth Gas.....         | 3½*            | ...   | ...     | 3½*        |
| Lancefield Gold.....       | 25½            | 50    | Sep. 27 | 25         | Linen Thread.....          | 3*             | ...   | ...     | 3*         | Willer and Riley.....       | 25             | ...   | ...     | 25         |
| <b>INDUSTRIAL S</b>        |                |       |         |            | Lon. Com. Sale Rooms...    | 3*             | ...   | ...     | 3*         | <b>Woolcombers</b> .....    | 15*            | ...   | ...     | 15*        |
| African & Eur. Inv. ....   | 2½*            | ...   | ...     | 5*         | London Electric.....       | 2*             | ...   | ...     | 2*         | <b>UNIT TRUSTS</b>          |                |       |         |            |
| Aircraft Components.....   | 25             | ...   | ...     | 7½         | London Pavilion.....       | 2*             | ...   | ...     | 2*         | Commodity share.....        | 11½            | 5     | ...     | 11½        |
| Anglo-Amer. Tely. ....     | ¾              | ...   | Aug. 1  | ¾          | Merchants Trust.....       | 3*             | ...   | ...     | 3*         | National (B).....           | 14½            | 15    | ...     | 14½        |
| Armstrong Shock.....       | a2½*           | a5    | ...     | 20         | Metal Closures.....        | 5*             | ...   | ...     | 5*         |                             |                |       |         |            |
| Absorbers.....             | 2½*            | ...   | ...     | 20         | Metropolitan Electric      | 3*             | ...   | ...     | 3*         |                             |                |       |         |            |
| Bearpark Coal.....         | 10½            | 15    | ...     | 15*        | Monsanto Chemicals...      | 110*           | ...   | ...     | 110*       |                             |                |       |         |            |
| Benn Bros. ....            | 200†           | 300   | ...     | 300        | Mt. Co. of R. Plate...     | 2½*            | ...   | ...     | 2½*        |                             |                |       |         |            |
| Do. (Def.).....            | 5*             | ...   | ...     | 5*         | Neepsend Steel.....        | 35†            | 47½   | ...     | 35†        |                             |                |       |         |            |
| Bent's Brewery.....        | 2½*            | ...   | ...     | 2½*        | Newcastle Gas.....         | 3½†            | 6     | ...     | 3½†        |                             |                |       |         |            |
| Boddington's Breweries...  | 5*             | ...   | ...     | 5*         | Nuttall's Breweries....    | 5*             | ...   | ...     | 5*         |                             |                |       |         |            |
| Blythe Colour Wks.....     | 4*             | ...   | Aug. 10 | 4*         | Olds Discount.....         | 12½            | ...   | ...     | 12½        |                             |                |       |         |            |
| Bolding (John).....        | 25*            | ...   | Sep. 1  | 25*        | Paterson Engineering...    | 7½*            | ...   | ...     | 7½*        |                             |                |       |         |            |
| Bradley's (Chester).....   | 3½*            | ...   | Aug. 30 | 3½*        | Portsmouth Newspapers      | 7½*            | ...   | ...     | 7½*        |                             |                |       |         |            |
| Bristol Wtks.....          | 2½*            | ...   | ...     | 2½*        | Projectile & Engng....     | 5*             | ...   | ...     | 5*         |                             |                |       |         |            |
| Britannia Elec. Lamp.....  | 2½*            | ...   | ...     | 2½*        | Redfern's Rubber.....      | 2*             | ...   | ...     | 2*         |                             |                |       |         |            |
| Caledonian Tst. ....       | 3*             | ...   | Aug. 5  | 3*         | Sackville Estates.....     | 2*             | ...   | ...     | 2*         |                             |                |       |         |            |
| Chester Wtks.....          | 4*             | ...   | Sep. 1  | 4*         | Scott. United Investors    | 2*             | ...   | ...     | 2*         |                             |                |       |         |            |
| Chinnor Cement.....        | 22½†           | 30    | ...     | 20         | Scottish Wagon.....        | 4*             | ...   | ...     | 4*         |                             |                |       |         |            |
| Clifford Motor.....        | 2*             | ...   | Aug. 15 | 2*         | Scott. Westn. Invst....    | 3†             | ...   | ...     | 3†         |                             |                |       |         |            |
| Commercial Gas.....        | 2½†            | 4½    | ...     | 5½         | Sec. Clydesdale Inv....    | 5*             | ...   | ...     | 5*         |                             |                |       |         |            |
| Cont. & Indust. Tst. ....  | 3*             | ...   | Aug. 12 | 3*         | Smith (Stephen).....       | 7½†            | 12½   | ...     | 7½†        |                             |                |       |         |            |
| Dartnell (J.) and Son..... | 3*             | ...   | Aug. 31 | 3*         | Sth. British Investmt.     | 3†             | 5     | ...     | 3†         |                             |                |       |         |            |
| Dartford Brewery.....      | 4½†            | 7½    | ...     | 7½         | Sth. Metro. Gas.....       | 2½*            | ...   | ...     | 2½*        |                             |                |       |         |            |
| Edinburgh & Dundee         | 8*             | ...   | July 28 | 6*         | South Suburban Gas...      | 3*             | ...   | ...     | 3*         |                             |                |       |         |            |
| Trust.....                 |                |       |         |            |                            |                |       |         |            |                             |                |       |         |            |
| Ellis and Goldstein.....   |                |       |         |            |                            |                |       |         |            |                             |                |       |         |            |

† Free of income tax.  
(a) Paid on larger capital.  
(b) For the initial period November 30, 1938, to June 30, 1939.  
(c) 10-3485d.

**LINEA THREAD COMPANY.**—Interim ordinary dividend maintained at 3 per cent.  
**IMPERIAL TOBACCO COMPANY (GREAT BRITAIN AND IRELAND).** Interim dividend on ordinary stock 7½ per cent. tax free, as before.

**METROPOLITAN ELECTRIC SUPPLY.**—Interim dividend on ordinary stock unchanged at 3 per cent.

**LONDON ELECTRIC SUPPLY.**—Interim dividend on ordinary shares 3 per cent., as before.

**PROJECTILE AND ENGINEERING.**—Interim dividend on ordinary shares maintained at 7½ per cent.

## Industry and Trade

## COMMODITY STATISTICS

| Coal                                  |              |               |           |           |
|---------------------------------------|--------------|---------------|-----------|-----------|
| COAL OUTPUT ('000 tons)               |              |               |           |           |
| District                              | Week ended   |               | Jan.-June |           |
|                                       | July 8, 1939 | July 15, 1939 | 1938      | 1939      |
| Northumberland.....                   | 292.9        | 274.8         | 6,632.1   | 6,750.0   |
| Durham.....                           | 685.6        | 683.0         | 16,365.0  | 15,984.7  |
| Yorkshire.....                        | 862.7        | 839.3         | 21,992.3  | 22,395.5  |
| Lancs, Cheshire and N. Wales          | 306.9        | 256.5         | 8,732.9   | 8,790.6   |
| Derby, Notts & Leicester.....         | 537.7        | 557.1         | 16,556.1  | 17,371.6  |
| Staffs, Worcs, Salop and Warwick..... | 384.3        | 391.9         | 9,987.1   | 10,413.1  |
| South Wales & Monmouth.....           | 791.9        | 784.3         | 18,549.1  | 17,937.9  |
| Other English districts.....          | 125.2        | 121.9         | 2,716.6   | 2,791.8   |
| Scotland.....                         | 624.2        | 559.7         | 15,471.8  | 15,800.4  |
| Total.....                            | 4,611.4      | 4,468.5       | 117,003.0 | 118,235.6 |

\* Including Cumberland, Gloucester, Somerset and Kent.

| Cotton                                        |               |               |                   |                   |
|-----------------------------------------------|---------------|---------------|-------------------|-------------------|
| RAW COTTON delivered to Spinners ('000 bales) |               |               |                   |                   |
| Variety                                       | Week ended    |               | Total Deliveries  |                   |
|                                               | July 14, 1939 | July 21, 1939 | Aug. 1, 1937-1938 | Aug. 1, 1938-1939 |
| American.....                                 | 17.1          | 16.3          | 1,198             | 985               |
| Brazilian.....                                | 10.6          | 10.0          | 271               | 316               |
| Peruvian, etc.....                            | 3.9           | 3.2           | 110               | 134               |
| Egyptian.....                                 | 4.4           | 5.0           | 343               | 339               |
| Sudan Sakel.....                              | 4.6           | 3.2           | 140               | 153               |
| East Indian.....                              | 5.4           | 7.0           | 366               | 444               |
| Other countries.....                          | 6.2           | 4.8           | 160               | 201               |
| Total.....                                    | 52.2          | 49.5          | 2,588             | 2,572             |

## Metals

| SALES ON LONDON METAL EXCHANGE |               |               |                |               |
|--------------------------------|---------------|---------------|----------------|---------------|
|                                | Week ended    |               | From Jan. 1 to |               |
|                                | July 19, 1939 | July 26, 1939 | July 27, 1938  | July 26, 1939 |
| Copper.....                    | Tons 6,350    | Tons 1,120    | Tons 375,875   | Tons 171,585  |
| Tin.....                       | 2,390         | 1,120         | 51,245         | 40,330        |
| Lead.....                      | 7,900         | 3,750         | 204,150        | 164,700       |
| Spelter.....                   | 2,950         | 4,050         | 179,225        | 106,070       |

| U.K. STOCKS                     |               |               |
|---------------------------------|---------------|---------------|
|                                 | July 15, 1939 | July 22, 1939 |
| Copper (Br. official w/houses): | Tons 5,231    | Tons 4,551    |
| Refined.....                    | 5,231         | 24,343        |
| Rough.....                      | 24,778        | 10,130        |
| Tin (London and Liverpool)...   | 10,130        | 10,090        |

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## BRITISH WHOLESALE PRICES

| CEREALS AND MEAT                     |  |  |  | SUGAR (per cwt.)—cont.            |  |  |  |
|--------------------------------------|--|--|--|-----------------------------------|--|--|--|
| July 19, 1939                        |  |  |  | July 19, 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., July, per cental               |  |  |  | N. India                          |  |  |  |
| Flour, per 280 lb.—                  |  |  |  | S. India                          |  |  |  |
| Straight, d/d London                 |  |  |  | Ceylon                            |  |  |  |
| Manitoba, ex store                   |  |  |  | Java                              |  |  |  |
| Barley, Eng. Gaz., av. per cwt.      |  |  |  | Sumatra                           |  |  |  |
| Oats, "                              |  |  |  | Africa                            |  |  |  |
| Maize, La Plata, landed, 480 lb.     |  |  |  | Total                             |  |  |  |
| Rice, No. 2 Burma, per cwt.          |  |  |  | TOBACCO (per lb.)—                |  |  |  |
| MEAT—                                |  |  |  | Virginia, stemmed and un-         |  |  |  |
| Beef, per 8 lb.—                     |  |  |  | stemmed, common to fine           |  |  |  |
| English long sides                   |  |  |  | Rhodesian, stemmed and un-        |  |  |  |
| Argentine chilled hinds              |  |  |  | stemmed                           |  |  |  |
| Mutton, per 8 lb.—                   |  |  |  | Nyasaland, stemmed and un-        |  |  |  |
| English wethers                      |  |  |  | stemmed                           |  |  |  |
| N.Z. frozen wethers                  |  |  |  | East Indian                       |  |  |  |
| Lamb, per 8 lb.—                     |  |  |  | Stemmed                           |  |  |  |
| N.Z. frozen                          |  |  |  | Unstemmed                         |  |  |  |
| Pork, English, per 8 lb.             |  |  |  | COTTON (per lb.)—                 |  |  |  |
| BACON (per cwt.)—                    |  |  |  | Raw, Mid-American                 |  |  |  |
| English                              |  |  |  | Giza, F.G.F.                      |  |  |  |
| Danish                               |  |  |  | Yarns, 32's Twist                 |  |  |  |
| Dutch                                |  |  |  | 40's Wett                         |  |  |  |
| Irish                                |  |  |  | 60's Twist (Egyptian)             |  |  |  |
| HAMS (per cwt.)—                     |  |  |  | Cloth, 32 in. Printers, 116 yds.  |  |  |  |
| Canadian                             |  |  |  | 16 x 16, 32's & 50's              |  |  |  |
| United States                        |  |  |  | 36 in. Shirtings, 75 yds.         |  |  |  |
| OTHER FOODS                          |  |  |  | 19 x 19, 32's & 40's              |  |  |  |
| BUTTER (per cwt.)—                   |  |  |  | 38 in. ditto, 38 yds.             |  |  |  |
| Australian                           |  |  |  | 18 x 16, 10 lb.                   |  |  |  |
| New Zealand                          |  |  |  | 39 in. ditto, 37½ yds.            |  |  |  |
| Danish                               |  |  |  | 16 x 15, 8¼ lb.                   |  |  |  |
| CHEESE (per cwt.)—                   |  |  |  | FLAX (per ton)—                   |  |  |  |
| Canadian                             |  |  |  | Livonian ZK                       |  |  |  |
| New Zealand                          |  |  |  | Pernau HD                         |  |  |  |
| English Cheddars                     |  |  |  | Slanetz Medium, 1st sort          |  |  |  |
| Dutch                                |  |  |  | HEMP (per ton)—                   |  |  |  |
| COCOA (per cwt.)—                    |  |  |  | Italian PC                        |  |  |  |
| Accra, g.f.                          |  |  |  | Manilla, July-Sept. "J2"          |  |  |  |
| Trinidad                             |  |  |  | JUTE (per ton)—                   |  |  |  |
| Grenada                              |  |  |  | Native 1st mks., c.i.f. H.A.R.B.  |  |  |  |
| COFFEE (per cwt.)—                   |  |  |  | June-July (Old)                   |  |  |  |
| Santos supr. c. & f.                 |  |  |  | Daisee 2/3, c.i.f. Dundee,        |  |  |  |
| Costa Rica, medium to good           |  |  |  | Oct.-Nov. (New)                   |  |  |  |
| Kenya, medium                        |  |  |  | SISAL (per ton)—                  |  |  |  |
| EGGS (per 120)—                      |  |  |  | African, July-Sept.               |  |  |  |
| English (15-15½ lb.)                 |  |  |  | SILK (per lb.)—                   |  |  |  |
| Danish (15½ lb.)                     |  |  |  | Canton                            |  |  |  |
| FRUIT—                               |  |  |  | Japan                             |  |  |  |
| Oranges, Brazilian (Peras) boxes     |  |  |  | Italian, raw, fr. Milan           |  |  |  |
| S. African (Navels) boxes            |  |  |  | WOOL (per lb.)—                   |  |  |  |
| Lemons, Naples boxes                 |  |  |  | English, Southdown, greasy        |  |  |  |
| Sicilian, Verdilli, boxes            |  |  |  | Lincoln hog, washed               |  |  |  |
| Murcia, I cases                      |  |  |  | Queensland, scd. super combg.     |  |  |  |
| Apples, N. Zealand (var.) boxes      |  |  |  | N.S.W. greasy, super combg.       |  |  |  |
| Australian                           |  |  |  | N.Z. greasy, half-bred 50-56      |  |  |  |
| Grapefruit, S. Afrn. (M.S.) bxs.     |  |  |  | Crossbred 40-44                   |  |  |  |
| Brazilian (M.S.) bxs.                |  |  |  | Tops                              |  |  |  |
| Pears, Californian, Bartlett's No. 1 |  |  |  | Merinos 70's average              |  |  |  |
| LARD (per cwt.)—                     |  |  |  | 64's                              |  |  |  |
| Irish, finest bladders               |  |  |  | Crossbred 48's                    |  |  |  |
| U.S.                                 |  |  |  | 46's                              |  |  |  |
| PEPPER (per lb.)—                    |  |  |  | MINERALS                          |  |  |  |
| Black Lampong (in Bond)              |  |  |  | COAL (per ton)—                   |  |  |  |
| (Duty paid)                          |  |  |  | Welsh, best Admiralty             |  |  |  |
| White Muntok (in Bond)               |  |  |  | Durham, best gas, f.o.b. Tyne     |  |  |  |
| (Duty paid)                          |  |  |  | Sheffield, best house, at pits    |  |  |  |
| POTATOES (per cwt.)—                 |  |  |  | IRON AND STEEL (per ton)—         |  |  |  |
| English, King Edward, Siltland       |  |  |  | Fig, Cleveland No. 3, d/d         |  |  |  |
| Wisbech                              |  |  |  | Bars, Middlesbrough               |  |  |  |
| SUGAR (per cwt.)—                    |  |  |  | Steel rails, heavy                |  |  |  |
| Centrifugals, 96°, prpt. shipm.      |  |  |  | Tinplates, per box                |  |  |  |
| c.i.f. U.K./Cont.                    |  |  |  | NON-FERROUS METALS (per ton)—     |  |  |  |
| Refined London                       |  |  |  | Copper                            |  |  |  |
| Yellow Crystals                      |  |  |  | Standard cash                     |  |  |  |
| Cubes                                |  |  |  | Three months                      |  |  |  |

\* Weeks ended July 13th and July 20th.

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

## THE ECONOMIST

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AUGUST 5, 1939

No. 5006

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## The Parliamentary Watchdog

A QUARTER of a century ago this week-end, the armies began to march and the lamps of liberalism went out all over the world. To-day, twenty-five years later, the armies are again massed in readiness for the word of command and the lamps of decency and moderation—those few of them that were ever re-lighted—are again flickering low. It is idle now to speculate on the parts played by fate and by mismanagement in bringing us back to the same sorry pass in less than a generation. The war of 1914-18 was manifestly not a war to end wars. It can hardly, in its end-results, be called a war to make the world safe for democracy. Indeed, it was not, seen in retrospect, a war for anything; it was a rearguard action such as civilisation has always had to fight, and may have to fight again, to ward off the doctrines of tyranny and militarism that threaten the caravan of human progress towards betterment.

One of the treasures of our civilisation which is most directly affected by to-day's menace and most sincerely cherished by the peoples of Western Europe is the habit of settling public affairs by open discussion and debate. Indeed, it is at times like these that we realise how completely Parliament, with all its faults, lies at the centre of our national life. And it is deeply significant that just as we are girding ourselves to fight once more, if need be, for the sake of democracy, the House of Commons has been M. Boring its own rôle and duty. The Government's fulness, on, calling for an adjournment of the House from

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August 5th to October 3rd, led on Wednesday evening to one of the most lively and impassioned debates that this Parliament has witnessed. The motion was, of course, carried, but only after protests, of which the most forceful came from the Conservative benches.

It is only natural that the Government should desire to get on with its job without the expenditure of time and trouble that daily attendance at Westminster involves. The whole Governmental machine is working under tremendous pressure and every departmental head has more than enough to keep him busy on the problems that arise within his own office. There has been no serious suggestion from any quarter that Parliament should continue to sit daily during August and September. Indeed, if it were merely a question of pushing ahead with the administrative programme, there would be everything to be said for a long Parliamentary holiday, especially since all the most urgent legislation has been passed.

The reason that inspires the widespread demand for occasional sittings of Parliament right through the holiday months is, however, nothing to do with either legislation or administration. It arises from the virtual certainty that, in the next two months, decisions of policy will have to be taken that will affect the life and happiness of every one of us and the survival of democratic institutions. The House of Commons, in the last year or two, has played a vital part as a policy-making body. It has not done this by its legislative powers, though there has been a steady

process of constructive amendment of the Bills brought forward by the Government. Nor has the House been at its best in formal debate, since good debaters are scanty and the great division of opinion is on the detailed application of principles rather than on the principles themselves. Much of the most valuable part of the Parliamentary time-table has been the question hour. It is there that Ministerial deficiencies have been shown up, that the Government has been prodded day by day until now it has adopted, or half-adopted, almost every one of the suggestions at which it originally jeered. Public opinion has been very definitely and constantly at work. In view of the somersaults that have been turned on a long array of issues, it can truthfully be said that the policy of the country is made at question time. No wonder Ministers want to escape from the discipline. No wonder there is a widespread demand that it should not be relaxed.

There is a tendency to-day, even among convinced democrats, to speak as if democratic institutions were necessarily slow, unimaginative and ineffective. This belief, in its current form, dates back to the speech in which Lord Baldwin tried to shuffle off the blame for his own procrastinations on to the electorate by saying that there was a necessary time-lag of two years before a democracy could be made to realise the necessity for painful action. It is doubtful whether, at the time, it was the electorate's imagination or Lord Baldwin's courage that was most conspicuously lacking. And in any case there is no evidence at all in the last two or three years to support the belief that democracy is less efficient than a less representative system. On the contrary; for if it was democracy that was holding us back, we should have the spectacle of an anxious and perceptive Ministry pushing ahead only so fast as the House of Commons would let them. The actual course of events has been the exact reverse. In fact, a regular procedure appears to have grown up. A policy is suggested by some private member of the House of Commons and ridiculed by the Government. The policy is pressed, and a reasoned rejection given to it. It is pressed again, and the Government promises to adopt it—but not yet. And finally it is put into force, anything from six months to two years too late. Parliaments in other countries are, perhaps, less effective, and in France (for example) it has been found necessary to proceed by decree as the best means of making rapid progress. But in Great Britain, as the record of the last two years proves beyond question, if the machine of Government were less democratic it would be less effective. As Mr Churchill put it on Wednesday, the House of Commons "is a

recognised addition to the defences of Great Britain."

In these circumstances, it is very regrettable that the Prime Minister has forced Parliament to go on vacation for two months at this critical juncture. The word "forced" is appropriate; for several of the Conservatives who spoke on Wednesday (and many more who did not speak) voted with the Government only because the question of confidence had been put and not because they thought the procedure was right. A Parliament which met to hear statements and ask questions every fortnight or so could perform two vitally important functions. In the first place, the machinery of preparation will work all the more rapidly and effectively if its decisions have to be submitted to immediate public cross-examination. And in the second place the House of Commons in session would provide the best of all safeguards against untimely appeasement.

The Prime Minister repudiated, with indignation, the suggestion that he was only waiting to get the House of Commons out of the way before attempting to make another arrangement of the Berchtesgaden-Godesberg-Munich character. His protests may be believed; for the Government is now so fully and clearly committed that any deliberate retreat from the present position would be most difficult to encompass. But, as Mr Churchill said, the Prime Minister's judgment has not always been impeccable. In any case, the Government must look strong as well as be strong, and what better proof of steadfastness could there be than to submit their policy at short intervals to the scrutiny of a suspicious opposition?

The sentiment of appeasement, it must be said in the Government's defence, is not confined to the Tory ranks. The opinion is frequently heard, even on the Left, that the conclusion of the Russian alliance will be the moment to make a fair offer to Germany. But this is most dangerous doctrine. If we are to make an attempt to conciliate the Nazis as soon as the pact with Russia is sewed up, the stitches will come out overnight. There is no chance of such an offer succeeding until the Nazis have recognised in their own minds that violence will pay, and after the long and painful haggling, it is doubtful whether the signature of a document in Moscow will carry this conviction in Berlin.

All these ideas need testing against the rising determination of the British people as represented in Parliament. This is a time when watchdogs should be at their most alert. It is a very bad mistake to choose precisely this moment for muzzling the most practised and effective watchdog in the democratic world.

## France under Decree

"WE still have unstable government. We still have profound divisions between Frenchmen. We still have shaken finances and a threatened currency. More than ever before we have a standstill economy, unworthy of a country which is so rich in resources and the holder of a great empire. We have little discipline, and small efficiency." So said M. Jules Romains, who is used to looking at his fellow-countrymen with the eye of affection, some ten months ago to the *Anciens Combattants* of Toulouse. And he was only saying what millions of Frenchmen were thinking.

Since last October the French have achieved much. If he spoke again to-day M. Romains would find good reason to strike a more cheerful note. It did not need M. Reynaud's broadcast speech of last week-end, setting out the main features of French recovery since the financial reform of November, 1938, to prove that the French have

made a remarkable effort towards curing the ills from which, in varying degree, they have suffered since the war. Last October it was possible to say of French Government, and among others M. Romains said it with much force, that in the four and a half years since February 6, 1934, "none of the defects, none of the weaknesses" which made possible the happenings of that black day, had been eliminated, or even been attacked. It is no longer possible to say that, for the measure of difference is very great.

It is a commonplace that this progress was made possible only by the threat from without. The Government has, in fact, continued to recognise that the promulgation of decrees is possible only because it is done under near-war conditions. But the latest batch of decrees, unlike the successive batches which have been coming out since the end of last year, do more than merely continue the work of reconstruction set in movement by the Reynaud

They strike out on new lines with an imaginative appeal significant of expanding confidence. Until last week the Government had shown itself wholly concerned with immediate problems: the increase of arms production; support of the franc and the release of the Treasury from its constant search for short-term funds; the generation of a belief in their success which would supplant the widespread discouragement caused by the decay—so demoralising in its inevitable gradualness—of the Popular Front, and later by the surrender at Munich. For many months after November no one could say with any certainty that the Reynaud Plan would be successful enough to keep in office a Government reported on all sides to be divided against itself on foreign policy. Pessimism was the prevailing mood. The test came in March. The moment it became clear that the German march into Prague was not going to blow the Government from office, it was held proven, and with good reason, that the Reynaud Plan had succeeded in its most subtle intention. The psychological conditions for a complete recovery had been created.

The latest decrees carry that psychological recovery several steps further. They deal with less immediate problems, showing that the Government feels itself more easily in its seat, with the question of how to raise the birth-rate (referred to in this week's issue on page 261), the importance of checking the flight from the land, the reorganisation of the Wheat Office, the establishment of a central information office under the direction of a well-known playwright. In regard to the last it would seem that six months ago such a sensible but apparently light-hearted appointment would never have received approval: the pessimism of those days would certainly have required the services of a superannuated diplomat. Very clearly, France is finding herself again. The most striking evidence of the Government's confidence in itself and in the support of public opinion, is the decision to defer until 1942 the general election which, under the existing law, would have to be held next year. A year ago few Frenchmen would have believed it possible that the Government would have the temerity to prolong its life for two full years, much less that the greater part of public opinion would acquiesce in this.

At the same time, it would be airy nonsense to suggest that France (any more than Britain) is entering upon a golden age of prosperity and frantic goodwill amongst men. Goodwill there is, more goodwill than has ever existed at any one time since the war—but it is the goodwill of men who are thrown together in a crisis, who remain suspicious of each other even while they are driven to common work. In the circumstances, it could hardly be otherwise. Because the general strike failed so ignominiously there is small reason to suppose that criticism from the trade unions has disappeared. On the contrary, it has merely been driven underground. M. Reynaud's appeal for a French "renaissance" may find a warm reception among the middle classes; the *petit commerçant* may well see that he would have had a softer deal from no one else, and easily a much harder one; the arguments provided by international politics are undoubtedly cogent—yet nothing that has been done or appealed for could have prevailed to silence Left unrest, had it not been for the fact that the Left parties were busy in mutual recriminations of their own. The Communists, to begin with, have developed their change of policy until they are now anti-Fascist (i.e. anti-German and anti-Italian) even before they are anti-capitalist. The Socialists, being electorally more important and doctrinally less subtle (not to say more honest), are in a much less favourable position for making the best of both worlds. As things go, they are not doing well with either. On the one hand, they have to admit that the Daladier-Reynaud combination is highly successful in preparing for a possible war, and that the importance of M. Bonnet, and therefore the need to oppose his pushfulness, has noticeably diminished during the year; on the

other hand, they perceive the inherently conservative nature of the Government's policy. Yet they are in no condition to put up an effective opposition. They lack unity and they are coming to lack leadership. Even if he had kept a national reputation strong enough to put him back into power, which he has not, M. Blum could not now marshal behind him the unanimous strength of his party. A large fraction of it, amounting to not much less than half, is now with M. Paul Faure in opposing his policy of national unity in preparation for defence against aggressors.

The Right groups meanwhile are playing a waiting game. The year's hammering on French foreign policy has helped them no more than it has helped the Left, for the German Government has become dangerously belligerent and the Italian Government surprisingly, unfairly, monstrosity, anti-French. The Spanish crusade, too, has turned out, against all their expectations, a tainted, even a dirty, affair; and there will be many *bien-pensants* who have ceased to commend themselves on their conduct during the civil war.

On the whole, though, the general impression is undoubtedly one of confidence. One good sign of this is the determined drive now being made against foreign propaganda agents. It is improbable that their sins, or those of others like them, were suddenly discovered; but the public washing of dirty linen can be done only in times of determination. The arrest of MM. Aubin and Poirier had all the makings of a scandal à la Stavisky; that it has not so developed is an indication very much to the good.

France is being governed by decree, and, to an extent surprising to the foreigner, is liking it. Does this mean that a fundamental change is taking place in the structure of French political life? The answer is both yes and no. Politically there is no change; the great majority of Frenchmen remain emotionally faithful to the Republic and its principles. The change is rather one of social environment, and it is not so much a change as a development. This development is the product of two converging trends: the movement set going by the social reforms of the Popular Front, and, after that, the growing danger from without with the corresponding pressure of rearmament on the French industrial system. It is having the inevitable effect (it was always inevitable) of reorganising methods of production, of speeding them up and concentrating them, of replacing craftsmanship by mass production, of improving and enlarging productive equipment.

Against this political and economic background the decision to defer the general election is almost certainly a wise one. Remembrance of the strikes which accompanied the fall of the Popular Front and the early months of his own Government should constrain M. Daladier to keep a careful eye on the justice of his decrees towards the working class. In its present state of disunity the Left, on its side, may even welcome the postponement of an election campaign which would only have accentuated its differences. The final argument, unwelcome though it may be, is provided by the virtual irreplacability of MM. Daladier and Reynaud. There is a wide understanding that the work of reconstruction will be carried forward only so long as the political truce holds firm; the overwhelming body of opinion is for the continuance of that work, and the natural conclusion, clearer than ever as the months pass, is that no governing combination can be hoped for which would better honour the conditions of that truce and serve its real ends than the present one. Even so, it is to be hoped that M. Daladier will not be too prodigal of decrees. For government by decree is a far cry from the democratic ideal, and it is neither carping nor over-cautious to ask that the "holiday" which the French Chamber is enduring (perhaps even, in part, enjoying) should be as brief as possible. Decree-making can easily become a bad habit; and bad habits are hard to drop.



## Refugees in Britain

THE effect of the present movement of refugees upon the economic life of Great Britain is best assessed through an examination of the magnitudes involved in the problem as a whole. At least 140,000 Jews have left Germany since the commencement of the Nazi regime in 1933 and there are perhaps a quarter of a million more in the same group who may be regarded as potential refugees. Nor is Germany the sole source of the exodus. The whole situation of the Jews in Central and Eastern Europe is full of uncertainty. They number about five and a half millions, and to them must be added at least a million other persons who may yet be driven out by political as distinct from racial persecution. These figures, however, give the maximum extent of the problem. At the very worst seven million people may have to be absorbed into the economic life of countries outside those which are now evicting certain classes of their population.

It is probably unnecessary to consider the movements of the next few years in anything like these magnitudes. The best informed authorities do not consider it necessary to provide organisation for the transference and reception of more than 250,000 persons in the next two years. A pessimist might envisage the whole problem as one of providing for 1,500,000 refugees between now and 1950.

On the assumption that measures to prevent emigration from taking place are out of the question, two main types of provision remain. They are (1) the settlement in suitable territories of groups of emigrants of as homogeneous a character as possible, and (2) the infiltration of individual refugees into already established communities. The contribution which Great Britain can make to the solution of the refugee problem is therefore two-fold. In the first place group settlement can be assisted by the provision of a proportion of the necessary capital, and the temporary accommodation of those refugees who are capable of performing the necessarily difficult and hazardous task of building up the new colonies. Secondly, every possible facility can be provided for the absorption of the maximum number of suitable immigrants into our own national economy. It is necessary to emphasise that neither of these activities need be regarded purely as acts of charity for which no material return may be expected. So far as infiltration into this country is concerned, the probability is that, far from requiring capital assistance, those refugees who have already come in have been more than able to provide for their own needs.

The mere statement of the fact that refugees may be in many cases able to supply their own capital requirements and very rapidly to become prosperous citizens, large consumers both of necessities and luxuries, and considerable employers of British labour, is apt to be greeted with some surprise in this country. The commonest reaction to the entry of numbers of immigrants into our economic life has been one of suspicion and fear lest the bread be taken out of British mouths. It is in fact required by the Aliens Order of 1920 that any foreigner wishing to enter the service of an employer in this country must produce before landing a permit issued by the Ministry of Labour to his prospective employer. If he has no such employer then, however great his acquired skill and intellectual ability, he will find it very difficult to get in.

The most powerful counter-argument to the current prejudice against refugees is an appeal to facts concerning numbers and their contribution to British economic life. The number of German and Austrian refugees at present in this country can hardly be smaller than 25,000, of whom perhaps two-thirds are Jews. Concerning the economic significance of this addition of about 0.05 per cent. to the

population of the United Kingdom four principal questions may be asked. They are (1) What amount of capital have they brought in? (2) What industrial undertakings have they established? (3) What sections of international trade have they transferred to this country? and (4) What new types and methods of production have they introduced?

First as to amounts of capital. Two estimates independently arrived at by competent investigators put the total at not less than £12,000,000. These estimates were made at a time when the number of refugees in the country was about 12,000. On the assumption that this number represents 4,000 families the average capital per family was at least £3,000, or more than the probable average figure for all British families. An inquiry into the financial position of 100-150 families including none with large fortunes (and large fortunes are not unknown among refugees) gave an average of between £2,000 and £3,000 per family.

This capital may have been brought into Great Britain by refugees in any one of a variety of forms. Some items have been transferred in cash in accordance with German currency regulations. Others already existed as balances or investments held abroad legally or illegally according to the German laws. Considerable new foreign balances have been created by prospective refugees who have allowed collected business debts to remain in this country. At the beginning of the present movement, when it was possible to arrange transfers at a loss of only about 25 per cent., significant amounts were brought here by legal methods. More recently illegal transfers have become more important. As far as Austria is concerned the most important recent items have been old balances held abroad. The number of instances of the importation into this country of industrial investments previously held outside both Germany and Great Britain has not been great, but some items under this head have represented large amounts. For example, the controlling interest in the Swedish Ferro-legeringe Stockholm, an important smelting undertaking, has been transferred to this country by a refugee concern.

The number of industrial undertakings established in this country by refugees is large. It is impossible for a number of reasons to compile a complete list. But it has been ascertained that at the end of 1938 at least 40 businesses manufacturing ladies' ready-made clothing had been established, with a total capital of not less than £250,000. Auxiliary undertakings connected with this particular trade included four firms making belts and employing 120 British workers, five for buttons with 150 to 200 workers, two for fancy goods, four producing knitted goods, blouses and underclothing and employing from 250 to 300 workers, and others manufacturing mackintoshes, zipp fasteners, umbrellas and handbags. Textile undertakings established by refugees gave employment to at least 2,200 British workers and leather and rubber firms accounted for about 1,600 more. Sir John Hope Simpson has estimated the total number of British workers employed by German refugees at 25,000. All these figures refer to the autumn of 1938, and there has probably been a considerable net increase since then. It is particularly important that about thirty firms have been set up by refugees in the Special Areas, particularly in the Treforest and Team Valley Trading Estates, where an increased diversity of industry is a necessity to long-term stability.

In addition to founding industrial enterprises here and providing employment for a body of British workers considerably in excess of their own numbers, refugees have transferred to this country a great deal of trade of an international character which was previously conducted

from foreign centres. The outstanding example is that of the fur trade. The decline of Leipzig has been accompanied by the establishment by German immigrants in Great Britain of 80 firms with a capital of about £750,000 and an annual turnover of more than £4,000,000.

New products, new techniques, new marketing methods and new markets are all welcome in a country whose vulnerability in time of crisis has in the past been increased by disproportionate dependence on a few large industries, and by sectional failures to secure the advantage of the latest discoveries in technique and organisation. The women's ready-made clothing industry already mentioned supplies a market for garments in the Continental style which has always existed in this country but has previously relied upon imports from Germany, Vienna and the United States. Arrangements are already being made for the supply by British firms of demands from Scandinavia and Holland. British firms have already benefited to a remarkable extent from the knowledge and skill of refugee technicians, particularly in the chemical industry, printing and engineering. It is in fact highly probable that a number of bottlenecks in British armaments manufacture may yet be widened through the agency of German workers.

It would be foolish as well as unrealistic to jump from the recital of such facts as these to the conclusion that refugees will be the saviours of British industry and trade. Their numbers and the amounts of capital at their command are too small to admit of any such possibility. But the benefits which they have already conferred upon our economy, and are likely to confer in the future, are sufficiently important to provide a strong argument for the re-

vision of the existing regulations governing their entry, and to reassure the many Englishmen whose present reaction to refugee immigration is one of fear rather than pleasure. Obviously not all refugees are capable of making an equal contribution to British prosperity. There may be some who are undesirable on other than economic grounds. But on the average they are more helpful to the community than the average Englishman whether the standard is monetary capital, industrial skill or intellectual attainments. National pride must not be allowed to obscure this fact.

If freer entry is granted to refugees good will come of it. But the admission of a few thousands into Great Britain will not solve the problem. It is always necessary to go back to the initial statement of the problem and to realise that the question of infiltration into Great Britain is only a small part of it. Its magnitude can only be reduced at the source by a removal or modification of those pernicious doctrines which dominate the policy of the countries from which the exodus is taking place. And if we must prepare to cope with hundreds of thousands of refugees in the next few years, then it will be as well to realise that our best contribution, both to their welfare and our own, will be by the reduction of all barriers limiting the amount and fixing the direction of international trade. These things and the provision of an organisation which will see the problem in terms of the numbers of refugees moving and about to move, rather than in terms of irrational fears as to their effect on particular sections of world economy, will ensure that the evils of the movement are reduced to a minimum and its potential benefits raised to a maximum.

## The Yes-Man

IT is commonly said and believed that Herr Hitler, through the agency of skilled astrologers, frames his policy on the movements of the stars; and if that be true then the issue of peace and war will depend on the opposition of Jupiter and Saturn, the conjunction of Venus and Neptune, the culmination of Uranus, and the lunation on the meridian. As flies to wanton boys are we to the stars. They kill us for their sport.

It is a disturbing thought, but it has one consolation. If Herr Hitler has his astrologers, so have we; and as nothing in the Universe is so certain, so exactly calculable as the future working of the stars, it must follow that the experienced astrologer in Berchtesgaden will come to the same conclusion about the events of the next twelve months as his trained colleague in London. If therefore we want to know what Herr Hitler's advisers are telling him, and so get a line on his future policy, all we need do is to consult our own experts and we have his movements, so to speak, taped for the next twelve months. On this reasoning, which may be thought to be flawless, the Prime Minister was talking sense when, rather than express an opinion of his own, he recently referred his Welsh audience to Old Moore. Let us take his advice and see what Old Moore has to say for 1940. Is Herr Hitler being told that he can risk a war in 1940 or warned that the stars are against him? We begin with the January forecast which is not of much interest except that it indicates the continuance of the present peace into next year. But in February things begin to move:—

At Tokyo Herschel is in the tenth squaring the setting luminaries—a plain indication that Japanese Imperialistic aims will now be sharply checked, probably by U.S.A. A political and economic crisis of the very first magnitude threatens both Germany and Italy.

So February is not going to be too good for the dictators and they are not likely to start their aggression

early in the year. March is rather better for them, although "sensational news concerning a Nazi leader is probable." Perhaps that means that one of the Nazi leaders is going to keep a promise—but we shall see. April, too, is a colourless month, but May warms up considerably.

At Rome and Berlin Saturn and Uranus respectively are rising—indicative of much economic distress and unrest among the people, who may now take active steps to change the form of their Government.

These active steps should keep Herr Hitler and Signor Mussolini busy at home, and they will scarcely choose that month for a foreign adventure. Mussolini, too, has trouble waiting for him in June, for in that month:—

The lunation is adverse for Italy and her King—also for Mussolini.

In July the stars have little to say about world politics, but recommend backers at Goodwood to put their shirts on Frank Butters's horses, so presumably we shall still be at peace, or Goodwood would surely have been cancelled. August is definitely bad for Herr Hitler:—

The lunation is likely to stir other astrological factors into operation producing earthquakes in various parts of the world—among others Japan and Mexico. Its worst effects will fall on Central Europe where it will cause increased revolutionary activity in both Germany and Italy. . . . At Washington the Sun and Mars in the seventh threaten a rupture of diplomatic relations—perhaps with a totalitarian State.

It looks like a good August for Great Britain and a plentiful of trouble for the dictators, while in September:—

In the first half of the month there are signs of much tension in Berlin to be followed by calm in the latter half.

Nothing of special interest to Herr Hitler comes from the stars in October or November, although the November Handicap at Manchester is to be won by a "candidate

carrying 8.2." But in December his troubles come to a climax, for:—

The full moon suggests the inauguration of new political parties greatly modifying (but not entirely suppressing) Nazism, Fascism and Communism; indeed, the world at large will now be giving birth to new political conceptions founded on a higher moral outlook.

That surely portends the end of Herr Hitler and his associates, and taking the year as a whole the Fuehrer is not likely to get any encouragement from these starry messages of 1940.

But, somehow, if one's interest is in human nature rather than in the movements, conjunctions and oppositions of the planets one is inclined to doubt whether the stars teach quite the same lessons in Bavaria that they preach in Middlesex. It is very difficult for a student of human nature to believe that any of Herr Hitler's astrologers will tell him to his face that, in December, 1940, a new political party will be inaugurated in Germany modifying Nazism and putting politics on to a higher moral basis. It is more likely that they are predicting a new party in England modifying democracy and putting English politics in subjection to Germany. Unless the German astrologers are men of heroic courage they will rather make the stars conform to Herr Hitler's wishes than persuade Herr Hitler to shape his policy by the stars. Their first duty, as we conceive it, is to find out what the Fuehrer wants and then proceed to make the planets dance to his desires. They are, in fact, Yes-Men.

The Yes-man is the product of a neuropathic age, whose function is to help his employer to self-confidence. Worried and nervy with the weight of his responsibilities, the great man comes to his decision, announces it, and then turning to his advisers asks, "Isn't that right?" and the advisers answer in chorus "Yes." The great man may know that they say "Yes" because they are paid to say "Yes," and that anyone who said "No" would be fired on the spot, but the sound of the word, even from mercenary lips, soothes and encourages, and he goes forward heartened and emboldened to achieve his destiny.

Crudely described, the Yes-man is an absurd, preposterous

figure, but if he has studied his job and reached the higher ranks of his profession he will be able to maintain a decent camouflage and keep on saying "Yes" for years without making it too apparent to his employer that his support is entirely mechanical. Has the employer written an important book or article? Then the chief Yes-man will see that a crowd of minor Yes-men write enthusiastic letters of gratitude and applause. Has he taken a decision of which in his heart he feels doubtful? Then a sympathetic Press will be unable to print all the letters spontaneously penned to prove the admiration of the best elements in the country for his statesmanlike policy.

At the moment, apart from the Cabinet itself, the most eminent of British Yes-men, counterpart of the very best astrologers of Germany, is the editor of *The Times*, whose dignified task is to prove to the Prime Minister how right he is at every point of his policy. He is right when he refuses conscription on Monday, and right when he adopts it on Tuesday. Right when he declines a Ministry of Supply on Wednesday and right when he establishes it on Thursday. To a certain extent that has always been the duty of a party newspaper like *The Times*, but the Yes-man of earlier generations of editors used to set a limit to his operations and confine them to his leading articles. The modern Yes-man flows over into the correspondence columns, and by a subtler flattery and a more careful selection, conveys to the great man that not only the paper itself but all its readers are shouting "Yes, Yes, Yes," at the tops of their voices and from the bottoms of their hearts. The great man must never be allowed to suspect that a large number of people from the bottom of their hearts are saying "No, No, No."

To make a really good Yes-man certain qualities are necessary. They are not confined to editors and journalists, for many of our most eminent politicians and Ministers are as richly endowed with them as the astrologers of Germany. Others, it must be admitted with sorrow, are deplorably short of them. Mr Winston Churchill, for instance, is no good at all as a Yes-man, and he and the country must pay the penalty for that deficiency.

## NOTES OF THE WEEK

**Britain and Japan.**—The Tokyo "formula," by which the British Government recognised "the actual situation in China" and the special requirements of the Japanese forces "to maintain public order in the regions under their control," was clearly enough a time-gaining instrument whose efficacy would depend on the temper of the Japanese and the pressure on the British Government of events in Europe. The fate of the formula has hung in the balance this week. On their side, the British Government have repeated their decision not to desert their neutral policy by deserting the Chinese and direct intimidation of this has been made to the Chinese Government; the Japanese, in their turn, are continuing to press for the handing over of the Chinese silver held in the Tientsin Concessions and for the banning of the Chinese dollar. To encourage the British negotiators they have further arranged for noisy anti-British demonstrations both in Tokyo and on the Chinese continent. British firms are being penalised, business held up, individuals molested, and missionaries expelled. To all protests the Japanese reply, what is manifestly not true, that the demonstrations are spontaneous and on that account must not be suppressed. The fact of the matter is that the Japanese in Tokyo have lost no time in going beyond the "local issues" for which the conference was ostensibly convened to those "general questions of policy" which, it was understood in London, could not be discussed bilaterally. If general questions were brought up, then other Powers with Far Eastern interests must obviously be included in the discussions. That was the British view, and subsequent

American action in retaliating against Japanese interference with American trade has confirmed its wisdom. Looked at from the most narrowly selfish angle, it would be an act of futility for the British Government to surrender the substance of their powerful position in the Far East for the shadow of Japanese tolerance; if bargaining of that kind were going to take place, then it must obviously be real bargaining and not one-sided surrender. Equally, that kind of bargaining can never be good policy. For, looked at from the standpoint of tradition as much as from that of international justice, to acquiesce in the exploitation of China and the Chinese by a body of rapacious soldiers and politicians would be to emulate the very people we are anxious to discredit.

**America and Japan.**—The denunciation of the American-Japanese commercial treaty of 1911 had an immediate depressing influence on the Stock Exchange at Tokyo, but of course its direct economic consequences cannot come into play before the expiry of the six months' period of grace which, according to the terms of the treaty, has to elapse before notice of denunciation can take effect. Meanwhile, the psychological consequences have been rapid and striking. In Japanese minds the news has dealt another blow to the now almost desperately wishful thinking that the end of Japan's military adventure on the Continent is in sight. The main purpose of the present Japanese pressure upon Great Britain has been to make

the Japanese public believe that the last remaining obstacle to the conquest of China is the British refusal to play Japan's game, and that this last obstacle is on the point of being overcome. Nothing could be more opportunistically depressing to the Japanese *moral* than the shock of the unexpected news that America is at last lifting her ban—in contradiction to the Japanese Government's assiduous assurances to its people that the Nine-Power Treaty could be torn to shreds, and American rights and interests in China trampled under foot, without any risk of retaliation. These carefully cherished illusions will be exploded by President Roosevelt's action last week—coming, as it does, at the same moment as the Russian Government's public declaration that the armed forces of the Soviet Union are directly engaged in the fighting on the border between Outer Mongolia and "Manchukuo." The utmost efforts of the Japanese Government's propaganda on the home front can now hardly prevent the Japanese people's hopes of a speedy peace with victory from once more receding into an indefinitely distant future. Yet, momentous though the effects on Japanese minds may be, it is even more interesting to note the reception of the President's act by his own fellow-citizens. In the United States there has been widespread approval, qualified by hardly a word of dissent, for the denunciation of the commercial treaty with Japan on the President's initiative. And this reaction of American public opinion to a dramatic presidential act is probably more enlightening than the obstructiveness of the Senate, whose acts are influenced partly by the traditional rivalry between Legislature and Executive, and partly by a personal animus against the present occupant of the White House. On these accounts we may venture to believe that the attitude and feeling of the American people is less accurately reflected in the tactics of their elected representatives than in the mirror of the Press. We hope this conclusion will be drawn at Berlin, as well as at Tokyo.

**Checking the Estimates.**—The enormous rise in public expenditure entailed by the armaments and civil defence programmes has undoubtedly aroused in some industrial circles a hope of inflated profits. The hope has not always been disappointed. But the sensitiveness of public opinion, largely engendered by former profiteering scandals, to any form of waste in this direction still provides a stimulus to the scrutiny of Government contracts and departmental expenditures, whether or not they are connected with the particular exigencies of near-war. The Select Committee on Estimates, which is especially charged with the making of that scrutiny, has now produced its report on those disbursements, which it views variously with doubt, surprise, disturbance, regret and dismay. The principal items are prices paid in connection with aircraft contracts; Home Office procedure in the placing of civil

defence contracts; the rise in the gross estimate for the Ministry of Agriculture and Fisheries since 1934 from £2,786,454 to £4,374,717—an increase of 56 per cent. in five years; and the continued expansion of Post Office expenditure at a greater rate than income. Aircraft firms are undoubtedly among those who have secured particularly high prices under recent contracts; but in the absence of full particulars as to those proportions of their profits which are attributable to Government orders and to the incidence of overheads upon a rapidly growing volume of work, an adequate check is not possible. It is already apparent, however, that detailed investigation into costs and prices paid to sub-contractors is producing useful results. The Committee make no reference to the possibility of setting up a comprehensive costing system and of machinery for compulsory disclosure of actual expenditure, such as existed in the last war. But it is arguable that the volume of armaments contracting required in the present near-war situation may be a sufficient justification for the revival of some such system in the near future. The fact that facilities for checking prices are sometimes refused (the machine tool trade is a persistent offender in this respect) provides an indication that wider Governmental powers might have an immediate usefulness. Such powers are in fact ready to hand in clause nine of the Ministry of Supply Bill. The Committee's recommendations for the reduction of departmental expenditure include a few items which are not likely to command a large body of public support—for example, its observation that the Department of Scientific and Industrial Research should aim at becoming self-supporting and its continued discouragement of expenditure on agricultural education. But the criticisms of the level of administrative costs under the National Fitness Scheme, the observation that expenditure on the building up of goodwill for the Post Office has now gone far enough, and the recommendation of a further decentralisation of the administrative machinery of the Board of Education are both just and timely.

**Cabinet Directorships.**—The announcement that Lord Runciman had resigned from the boards of the L.M.S. and six shipping companies was the practical result of the Prime Minister's re-statement of the Campbell-Bannerman rule that Cabinet Ministers should not hold directorships save in family or non-trading companies. This move does not represent any fundamental change in the position, as Lord Runciman had taken no part in the companies' management since entering the Cabinet. But in these matters the form is almost as important as the substance, if groundless insinuations are to be avoided. The fact that a Minister has been granted leave of absence by a company of which he is a director, even if it is known, can never be as convincing as a formal resignation. He must not only do the right thing; he must make plain to the world that he has done it.

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**After Diplomacy, the Soldiers.**—The negotiations in Moscow, spasmodically continued this week, represent what might be called a negative discouragement to aggressors, since they have not detracted from the tempered optimism of last week. More positive is the news that British and French military missions are leaving for Moscow this week-end. Their task will be to measure up the military effort which the U.S.S.R. is prepared to make, and to compare it and fit it in with their own. Regarded as a means of preparation, these Moscow staff talks are obviously of first-class importance; failing the collusion of Polish officers (who, after all, might be the most directly concerned in what the Russians planned) it must be hoped that the talks will thoroughly traverse the essential ground of help for Poland, whether it came directly from Moscow or indirectly from Britain and France through Russian territory. In any case, the decision to dispatch the missions represents a more solid ground for hope of a Triple Alliance than almost anything which has followed the original opening of negotiations, more than three months ago. The close-range discussion of detail should do much to dispel the diplomatic lack of confidence which has been such a lamentable feature of the negotiations. It should also serve as a warning to possible aggressors.

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**Sidelights on Russian Policy.**—During the long-drawn-out negotiations at Moscow there have been two Western interpretations of Russian policy. One view has been that the Russians have merely been "leading us on," without any serious intention of compromising their neutrality in a coming war between the West European Powers and the Axis. According to the rival view, the Russians are just as genuinely eager as we are to build up a really solid peace front, and are only held back by an equally genuine fear that Mr Chamberlain may not sincerely mean business. The latter of these two incompatible views is supported by Mr Stalin's readiness to receive British and French naval, military and air missions; and this evidence is corroborated by articles just published in the Soviet Press in commemoration of the outbreak of war in 1914. The article in *Izvestia* takes an unequivocal stand in favour of a peace front "founded on full reciprocity, full equality of rights, an honest sincerity, and a resolute repudiation of the disastrous policy of 'non-intervention.'" It declares that the second imperialist war has already begun, along a front extending from Gibraltar to China, and that, while the guilt for the war of 1914 was divided between all the principal belligerents, the Triangle Powers alone are responsible for the renewal of the slaughter. Germany and her two confederates are castigated in the strongest terms, and they are warned that the whole strength of the Soviet Union will be thrown into the scales in order to frustrate their designs. The article in *Pravda* takes up the theme that the new imperialist world war has already begun. It goes on to declare that the Soviet people are defending the frontiers of the Mongolian People's Republic as if they were their own, in full accordance with the treaty of mutual assistance between that state and the U.S.S.R. It has, of course, been evident that, in the present apparently major operations on the border between Outer Mongolia and "Manchukuo," Russian and Japanese forces are fighting each other under the flags of their respective local satellites. The public proclamation at Moscow of this military fact in Eastern Asia is, however, in itself, a new fact of first-class political importance. The Kremlin is now going out of its way to make it plain where Russia stands. And every Russian word that is spoken in this sense is an additional discouragement to the aggressors.

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**Civil Defence Progress.**—The number of aspects of civil defence of which official cognisance is taken grows steadily. The present list of activities at various stages

of development is in fact so long that the allocation of sufficient Parliamentary time for their full discussion is out of the question. Tuesday's debate was a demonstration of this fact. There was, nevertheless, ample evidence of a constructive spirit in Parliament and Sir John Anderson was able to report a reasonably satisfactory advance towards the still distant goal of maximum shelter and completely organised exodus. The information that 1,900,000 persons had volunteered for civil defence service was particularly gratifying; though considerably more than 100,000 new volunteers are required before the immediately necessary total of two millions is reached. Numbers of those who have already enrolled represent a surplus in some regions, while in others there is still a deficiency. It is also good news that steel shelters for six million persons are already delivered, and that an output of 55,000 per week may be expected in future. Other evidences of progress are the publication of Ministry of Health Circular 1841 giving instructions for the setting up of appeal tribunals and billeting authorities in reception areas, and the Minister of Mines' statement that substantially complete plans are ready for the rationing of petrol in war time. The stream of new measures, instructions and amending orders is an expression of the fact that civil defence provision is essentially a developing process. It may be expected to go on developing even after the outbreak of hostilities and continual modification must be regarded as normal, if only because the circumstances of the individuals affected are continually changing. But elasticity is not the only requirement. An enormous stretch of ground has hardly yet been touched. If applications for equipment are any indication of progress, then the fact that out of 700,000 steel helmets ready for distribution for industrial A.R.P. personnel only 30,000 have been applied for is an excellent reason for the immediate commencement of the statutory period of three months during which employers must report progress or become liable to fines. Again, immediate measures must be taken to ensure an increased registration for evacuation in the areas where progress has been slowest. And the criticisms made in the latest bulletin of the Air Raid Defence League of the system of training the public for air attack and the administration of the warden service cannot be ignored.

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**Growing Provocation in Danzig.**—In all the close attention paid to conditions in the Free City of Danzig little heed has been given to the condition of the ordinary citizen. The number of ordinary citizens, true, has never been very large since the advent of the Nazi regime and its multifarious uniforms; and the number is doubtless very much smaller now than it was a few weeks ago. But the ordinary citizen must still exist, even if he wears wolf's clothing. His plight is not a happy one. His hands are full, one with a rifle and the other with an olive branch—and he waves them in turn one after the other. Newly armed though he may be, he can rest assured (according to his leaders) that in returning to the Reich he will not be required to use his arms. Depending entirely for his livelihood on trade with Poland (ordinary citizens are not paid by the Party), he can rest assured (again on the word of his leaders) that in returning to the Reich he returns to a land of milk and honey, where everyone is at work and, if not making money, at least earning it. In spite of these assurances, more of which were made this week by Herr Foerster, the secretary of the Danzig Nazi Party, who said that "they would return to the Reich, but they did not know when," there must be many doubts in the ordinary citizen's mind. For this week the Polish Government has struck from the free Customs list the products of the Amada margarine factory, one of Danzig's main economic supports. This Polish action, which is a reprisal for interference with Polish Customs inspectors, has caused the Danzig Senate to threaten to raise the Customs barrier between the Free City and East Prussia, a step which the Poles, knowing that it might prelude political annexation,

would have to regard with the gravest concern. The time would seem to be coming, moreover, when the continued militarisation of Danzig, manned as it is now understood to be by a force of some 12,000 men, must compel some precautionary action on Poland's part. If it neglects to take that action the Polish Government may find that it cannot readily prevent, by swift military measures, that political annexation which the Germans claim will take place, and take place peacefully. The possibilities are indeed obvious.

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**Encirclement or Information?**—In the present war of words Dr Goebbels has found the expression "encirclement" a handy weapon both in attack and defence. His practice of accusing Great Britain of wishing to encircle Germany, and then welcoming British denials as hypocrisy and humbug made manifest by the facts, is an excellent example of the adroit manipulation of words. It led Mr Herbert Morrison, in the recent debate on the Home Office vote for the preparation of plans for a Ministry of Information, to advocate desperate retaliation. He argued that we should in fact cease to deny encirclement and turn Dr Goebbels' weapon against his own breast by declaring our intention of surrounding Germany with "a ring of steel." This forthright statement at least drew attention to the fact that the denial of encirclement is the wrong policy. But it went much too far in suggesting that the affirmation of encirclement is the right policy. Nor does the attempt to distinguish between aggressive and defensive encirclement clarify the factual situation. The cause of the trouble is the word itself. Encirclement means in each situation what Dr Goebbels wishes it to mean. This is an excellent reason for excluding it from any British pronouncements for German consumption. Such pronouncements are most effective when they take the form of plain, positive and reiterated statements of the motive and objects of British foreign policy *vis-à-vis* Germany. If the blessed word encirclement is mentioned at all, that mention should simply state the fact that it is a term with no precise meaning and therefore out of place in British statements. Whatever other name is given to our collection of three virtual alliances, with France, Poland and Turkey, two unilateral guarantees, to Roumania and Greece, and one half-made pact with Russia, they certainly cannot be called an iron ring or any other sort of ring. Sir Samuel Hoare's statement of the aims of a Ministry of Information may be taken as an assurance that it will in fact present British policy in precise and positive terms. It also contained the welcome affirmation that such a Ministry will not operate in peace time and will not be turned to the improper end of the suppression of information at home.

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**Politics Before All.**—Both in Europe and in the United States there is one question that is on everybody's lips this summer: Will he risk it? The reference, however, is quite different on the two sides of the Atlantic. In Europe, it is Herr Hitler whose intentions are canvassed round every dinner-table and at every bar. In the United States the absorbing question is whether Mr Roosevelt will decide to incur the immense personal odium and run the grave political risks of becoming a candidate for the Presidency for the third time. Public affairs in America, in short, are already degenerating into the creeping paralysis that affects them every eight, and sometimes every four, years. In every action that is taken or proposed, the domestic political element is uppermost. It was this, rather than a considered view of foreign policy, that led the Foreign Relations Committee of the Senate to put off for six months all revision of the neutrality law. Conversely, the President had at least one eye on the domestic situation when he gave notice of abrogation of the commercial treaty with Japan. Mr Roosevelt can be under no illusion about the strength of the opposition he would have to face if he became a candidate for a third term. Congress, in

both its houses, is now definitely hostile to him and a coalition of Republicans and so-called conservative (i.e. anti-Roosevelt) Democrats seems to be in full control. Hardly a single one of the Administration's legislative projects has reached the statute book, at least in the form intended, and many blows have been struck at the bases of the President's power. The full executive control of relief, for example, has been modified and an Act has been passed prohibiting all forms of political activity by Federal office-holders—that is, by the President's nominees. Finally, the so-called Spending and Lending Bill, which was to have authorised expenditure of \$3,600 millions by various Governmental agencies, was first cut down to \$1,950 millions and then entirely buried by a vote of the House of Representatives on Tuesday. These actions by Congress are more likely to increase than to diminish the chances of a third-term candidature next year, since it may seem to the President that the only chance of salvaging the New Deal is to draw upon the immense popular prestige that he still unquestionably enjoys. But Mr Roosevelt is too canny to proclaim his intentions until the last minute. The appointment to the important post of Social Security Administrator of Mr Paul McNutt, one of the most prominent contenders for the Democratic nomination, may be interpreted either as the grooming of a chosen successor or as the capture of a rival. As in Europe, so in America, speculation on which way the cat is going to jump will continue until the moment of the take-off.

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**The French Family Code.**—The decrees issued by the French Government on July 29th included a new and lengthy Family Code, designed primarily to raise the birth rate. France had previously adopted various methods of reducing the financial burden of parenthood, and the main provisions simply extend these on the old lines. An important new principle has been introduced, however, whereby the same amount is paid whatever the occupation or income of the parents, though the scales still vary as between different Departments. The allowances which continue until the child reaches 14 (or in some cases 17) are expressed as a percentage of the average wage in the Department, and they may make a quite substantial addition to the family income. Thus 10 per cent. is paid in respect of the second child, and 20 per cent. in respect of each subsequent one, whilst a mother of more than one child who remains at home receives a further 10 per cent. The code also seeks to encourage young couples to settle on the land, where families are usually larger, by such devices as the grant of a marriage loan, parts of which are remitted as each child is born. Minor provisions increase the penalties for abortion and improve maternity services in regions where these are deficient. A final thrust is the imposition of a special tax on people without children to meet a part of the extra 1,000 million francs which the exchequer will now have to contribute.

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It is notoriously difficult to say how effective measures such as these are likely to be in inducing people to have larger families. It is somewhat easier to state to what extent the French population is failing to reproduce itself—a matter on which there are widespread misconceptions.

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Statisticians distinguish between *gross* and *net* reproduction rates; the gross reproduction rate, in broad terms, measures to what extent the present generation would be reproducing itself if every female child lived until the end of the child-bearing years. The net rate takes account of the fact that some women die before their reproductive years are over. For France the *gross* rate is approximately unity, so that in the absence of such deaths there would be more or less exact replacement; the existence of such deaths, however, brings the *net* figure down to 0.9. Allowing for a small fall in mortality rates, therefore, we may say that a rise of about 10 per cent. in the average size of families would suffice. It is interesting to note that the rise would have to be about twice as large in this country since the *gross* and *net* rates for England and Wales are rather under 0.9 and 0.8 respectively. The reason why our population is nevertheless still increasing, whereas that of France is falling, is—again in broad terms—that the fall of our net reproduction rate below unity, though it has gone further than in France, is of more recent date. France has reached the starting post first, but Britain will fairly soon be outpacing her along the road to smaller numbers.

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**Dr Colijn Falls Again.**—Dr Colijn's fifth ministry resigned on Friday of last week, after having been only three days in office, as the result of a defeat on a vote of confidence. This negative result was produced by the concurrence of two parties, the Catholics and the Socialists, who, only a few days before, had rejected an invitation to co-operate for the constructive purpose of forming an alternative government. Had they taken that opportunity, they would have met with no obstruction from Dr Colijn, who re-assumed office without eagerness and now lays it down again without regret—at least as far as personal considerations go, for on public grounds Dr Colijn no doubt shares the concern at the present interregnum in Dutch parliamentary politics that is felt by the Queen and the public and by the friends of Holland and of Democracy beyond the Dutch frontiers. It is difficult not to feel impatience with the responsible parties. When Dr Colijn formed his ministry without the support of the Catholics, he must have known (or should have found out) that they were ready to defeat it at the first opportunity. Alternatively, the Catholics should have made their position clearer: they would have lost nothing and might even have gained in bargaining power. As it is the Dutch are providing an unedifying exhibition of political obstinacy which can lead nowhere but to the bathos of a compromise. The question at issue is one of domestic principle, whether or not more money shall be spent on social services (the amount is not in question, only the principle): it is Dr Colijn's view that more expenditure at this stage would have a dangerous, and unproductive, inflationary effect. It is the view of the Catholic ministers who forced the Government's resignation that the facts of Holland's financial position do not warrant Dr Colijn's conclusion, and that even if the increased expenditure would be inflationary, no harm would come of it. On foreign policy there are no differences. Neutrality is so obviously the right policy that controversy has merely been limited to the way in which neutrality shall be assured. It is significant that five of the ministers in Dr Colijn's three-day cabinet made their names in the East Indies. Yet the confusion of domestic counsels can bring nothing but an aggravation of the danger from abroad. The stalling of the machine of parliamentary government in any democratic country offers one of the greatest encouragements to the dictators to embark on fresh adventures. No doubt, if they do take the plunge, the aggressors will be rudely undeceived. But when the bird does not want the cat to spring, it is foolish for it to simulate a broken wing; and this is what the Dutch parliament seems now to be almost perversely bent on doing.

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**New Zealand's Budget.**—New Zealand is beginning to face the bill for social security. The budget for 1939-40, presented this week by the Prime Minister in

Mr Nash's absence, shows an increase of expenditure from £35,773,000 to £38,243,000, the greater part of the increase being caused by social services, which take £600,000 more, and defence, which takes an extra £1,114,000. Revenue, on the other hand, is expected to fall on the existing basis, and in order to balance the budget the income tax, death duties, the beer duty and the petrol tax have all been raised, to yield an extra £2,500,000. This readiness to increase taxes when necessary may be taken as a tribute to financial orthodoxy, and as such will be welcome to New Zealand's creditors and a support to her new conversion loan. But the position in regard to the public debt is disquieting. Last year the total debt increased by £13,768,000, and this year, of £23,917,000 appropriated for public works, including £2,200,000 for defence, no less than £19,000,000 will be found from loans. The use of Reserve Bank credit, remarked Mr Savage in a gentle under-statement, has had obvious limitations lately. The Government are therefore drawing up a national savings scheme for small investors. Costless credit, it seems, is being thrown overboard. So, too, is the policy of unlimited public works. Mr Savage, admitting that it is not economically sound to keep the present number of men on public works, claims that the Government are transferring men to industry as quickly as possible. To this end, they aim at fostering efficient and economic home industries. Among other projects, they have decided to establish a state iron and steel industry, involving a capital outlay of £5,000,000 spread over 3½ years. It is reassuring to note that the New Zealand Premier stressed the need for increased production in order to consolidate the standard of life that is now demanded in the Dominion.

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**The West Indian Shipping Shuffle.**—The decision to withdraw after October the only two British passenger vessels serving the Leeward and Windward Islands and British Guiana marks the latest stage in the rearrangement of the shipping services between Europe and the West Indies. The complicated process which is at present going on had its origin in the intensification of competition between British and Scandinavian vessels in the Pacific coast trades. This has resulted in the decision of the Blue Star Line, which operates a cargo service between the United Kingdom and the Pacific coast ports of North America, to recoup itself for losses, which it claims are due to unfair foreign competition, by instituting calls at the Windward and Leeward Islands on the outward voyage. The Harrison Line, which has been operating cargo and passenger services to these islands and Georgetown in British Guiana for over sixty years, is likely to be hard hit by the loss of outward freight which this move will probably entail. It has therefore decided to withdraw the two passenger vessels, the "Inanda" and the "Inkosi," which are specially adapted to this service, on the ground that it is not economically possible to allow them to make the outward journey in ballast. The present position is that unless some radical development takes place between now and October, the inward cargo traffic and the whole of the passenger traffic of the islands will perforce be carried by French, German and Dutch liners. The freight trade of the islands, in which the principal export items are cocoa, sugar and molasses, and which has hitherto been amicably shared, the British line carrying United Kingdom cargoes and the foreign line Continental cargoes, is hardly likely to escape some disturbance. A particularly unfortunate feature of the present situation is that, although there is in fact subsidised foreign competition in the passenger trade to the Windward and Leeward Islands, the principal cause of the withdrawal of the two Harrison liners is competition from other British vessels. This may mean that the Harrison Line will be unable to apply for assistance under the Liner Defence Scheme. It is possible that the present difficulty may yet be resolved, but if it is not, a considerable loss will be entailed both to British shipping and to the inhabitants of the West Indies, who will have to make shift with a reduced service.

## THE WORLD OVERSEAS

### Turkey's Trade Dilemma

[From a Correspondent in Ankara]

THE statistics of Turkey's foreign trade with her principal trading partners are sufficient to make clear the nature of her economic problem. Total exports from Turkey amounted to 137,984,000 Turkish pounds in 1937 and 144,947,000 in 1938. Total imports were valued at 114,379,000 and 149,837,000 Turkish pounds respectively in the same two years (£1=5.85 Turkish pounds). The percentage distribution of Turkish trade between the principal foreign countries shows the speed and completeness with which Germany has come to dominate the whole Turkish market. Taking the last three years, the year of the Nazi revolution, and 1929 as a pre-crisis year, we get the following result:—

| (Per Cent.)            |       |       |       |       |       |
|------------------------|-------|-------|-------|-------|-------|
| Exports to:            | 1929  | 1933  | 1936  | 1937  | 1938  |
| Germany.....           | 13.26 | 18.95 | 50.99 | 36.53 | 42.92 |
| (Czecho-Slovakia)..... | 2.34  | 3.82  | 3.40  | 4.42  | 3.45  |
| United States.....     | 9.91  | 10.46 | 11.13 | 13.92 | 12.26 |
| Italy.....             | 21.80 | 13.48 | 3.68  | 5.27  | 10.05 |
| Great Britain.....     | 9.63  | 8.93  | 5.39  | 7.08  | 3.41  |
| France.....            | 12.63 | 6.42  | 3.25  | 3.82  | 3.28  |
| Imports from:          | 1929  | 1933  | 1936  | 1937  | 1938  |
| Germany.....           | 15.28 | 25.40 | 45.10 | 42.08 | 46.99 |
| (Czecho-Slovakia)..... | 6.03  | 4.64  | 3.91  | 2.63  | 3.85  |
| Great Britain.....     | 12.23 | 13.48 | 6.88  | 6.23  | 11.21 |
| United States.....     | 6.69  | 3.14  | 9.71  | 15.12 | 10.46 |
| Italy.....             | 12.49 | 11.44 | 2.18  | 5.32  | 4.75  |
| France.....            | 10.41 | 6.57  | 2.51  | 1.08  | 1.32  |

In other words, since the absorption of Czecho-Slovakia Germany dominates the Turkish market to the extent of supplying 50 per cent. of her imports and taking practically 50 per cent. of her exports, whereas the share of Great Britain and France, countries with which Turkey is now linked politically, is steadily diminishing. The figures so far available for 1939 suggest that the process is going on quite as rapidly this year.

An acquaintance with Nazi trading methods is conducive to an understanding of how this state of affairs has been brought about. On the one hand, there is the superior salesmanship and drive of German firms and the advantage to an unindustrialised country like Turkey of exchanging her raw materials with the manufactured goods of the German Reich. On the other hand are the state subsidies which have allowed German exporters to quote prices anything from 30 to 60 per cent. lower than any of their competitors, the state price manipulation which enables Germany to offer prices for Turkish goods much above the world level, with the result that after a year or so Turkey finds herself isolated with an uncompetitively high price level, while the proceeds of her sales to Germany are frozen in unconvertible German marks, good only for buying German wares. In June this year Germany's debt to Turkey amounted to 5,382,000 Turkish pounds.

The Turks find this position highly disquieting. Whereas Germany's share in Turkey's total foreign trade is practically 50 per cent., Turkey's share of Germany's counts for between 1.67 and 2.81 per cent. Obviously such a position is not that of mutual and profitable interdependence. It is total dependence upon the side of Turkey. Were the Nazi conception of economic relations separable from politics, Turkey might accept her apparent incorporation into Germany's *Lebensraum* with indifference, content to draw from it a solid advantage of economic stability. As it is not, she is extremely anxious to reduce her dependence by finding other outlets for her goods. It is in this context that the possibility of increasing Anglo-Turkish trade is being eagerly discussed.

The nature of Turkey's imports and exports is such that there is no real reason why Great Britain should not come

to occupy a more important place in Turkey's foreign trade. In 1937 and 1938 the principal exports were tobacco, grapes, nuts, cotton, wheat, figs, chrome and barley (in descending order of importance). Of these, tobacco occupies a place out of all proportion to the rest. In 1937 it accounted for one-third of Turkey's total exports, in 1938 one-quarter. The principal imports (again in descending order of importance) are iron of all kinds, steel, machinery, cotton thread and cotton goods, spun wool and woollen goods, fuel and mineral oils. Great Britain would be an excellent source of supply in practically all these categories, but in 1938 Germany provided over 50 per cent. of the iron and steel and machinery and nearly a third of the cotton and wool. The reason is not difficult to grasp. Great Britain does not buy Turkish goods, and that is the root of the matter.

Anglo-Turkish trade is carried on at present through the clearing agreement signed in September, 1936, and modified in May, 1938. The later annex imposed a quota system on imports from Great Britain. At present there is an almost total blockage, for Turkey has (June, 1939) 11,593,500 Turkish pounds outstanding against her in the clearing account, while her exports to Great Britain fell by 50 per cent. in 1938. During the same period Great Britain more than doubled her sales to Turkey (proof of Turkey's desire to buy)—hence the present deadlock.

British credits to Turkey (which work out as a form of disguised subsidy to British exporters) cannot offer a permanent solution so long as the British market is closed to Turkish products. The £16 millions credit of last year has done nothing to ease the general commercial position. The £10 millions trade credit has been earmarked for paying Brasseries for their big contract, the Karabük steelworks and for wiping out some old debts on British concessions (railways, telephone systems) taken over by the Turkish Government. Another large credit is confidently expected in the near future, and will be used on large scale industrial installations, improvement of communications, etc., but the problem of interest and repayment remains, provided Turkish sales to Great Britain are not increased.

One very interesting use to which a sufficiently large credit might be put has been discussed recently—that of underpinning the whole financial structure of Turkey while she accomplishes the difficult and uncomfortable operation of scrapping her clearings, pegging her pound to sterling (say at 10 pounds to the £) and adjusting her price level to that of the world market. Such a step would lead to a dangerous dislocation of her entire economic system. A country dependent up to 50 per cent. of its foreign trade upon the German market cannot return overnight to a commerce of free exchange without being very sure of finding alternative markets. And Turkey is not very sure.

The only real solution lies in increased Turkish sales to this country. Tobacco is the obvious commodity with which a start might be made. A reduction of only 5 per cent. in our

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purchases from the United States and the substitution of Turkish tobacco would practically solve the problem. It is necessary to envisage the consequences for Great Britain of a failure to overcome the obstacles to the completion of this particular commercial transaction. They are that in the event of war she may find herself fighting beside an economically crippled ally. It would surely be wiser to take steps to lessen her dependence in time of peace when the necessary measures could be carried through with a proper amount of forethought and preparation.

July 20th.

## Revolt of the Relief Workers

[FROM OUR NEW YORK CORRESPONDENT]

THE so-called W.P.A. "strike" or "revolt" has subsided, although it cannot yet be said that the incident is closed. The general outline of the issues can be stated simply. The principle of the W.P.A. was public work-relief. W.P.A. workers were divided into four categories—skilled, semi-skilled, intermediate and unskilled. For each category a minimum monthly payment was established, varying geographically on a scale adjusted to the local cost of living. The W.P.A. work-month was 130 hours. The scale of payments was complicated by the "prevailing wage" clause—i.e. that skilled workers should be paid at the hourly union rate in that locality. This resulted in a work-month for the skilled W.P.A. workers of about 50 hours, more or less.

At this point the story is not simple. It is understood that the nature of the projects necessitated employing an uncertain number of skilled workers not on relief; while some skilled relief workers, having worked their stipulated maximum on W.P.A., sought spare-time extra-curricular labour in private employment. The revised Act which went into effect on July 1st stipulated that 130 be a month's work, regardless of the category of the employment, although the monthly pay maxima were not altered except by computation of the cost of living differentials.

In effect, then, the revised Act cancelled the "prevailing wage" provision and so aroused the antagonism of organised labour, particularly the building trades. Only a small minority of the W.P.A. personnel fell into this category. The Act also provided that all persons who have been on W.P.A. for eighteen consecutive months must be discharged, and be ineligible for reinstatement (a) until after a period of thirty days and (b) unless then they are formally certified as in need. The object of this provision is obvious—the W.P.A. was not inaptly called "the aristocracy of relief," and the rolls had long been virtually closed—or at least so it was charged by persons in serious need. It appears that over 600,000 persons were affected by the 18-month provision; their discharge before September 1st is mandatory, and actually they are being discharged by weekly quotas. This provision affected a distinctly different group than those with the "prevailing wage" grievance; it was inserted by Congress for two reasons—to spread the relief appropriation and to discourage the concept of the W.P.A. as a "career." Presumably, for every person laid off by the 18-month provision another would be taken on from the "home relief" rolls, as it was not contemplated that the total number on W.P.A. would be diminished by this provision. While in the aggregate a large number of persons were affected by the 18-month and the 130-hour provisions, the great majority of persons on W.P.A. were affected by neither. Hence, the quick adoption of picketing to make the cessation of work effective. The authorities, however, did not recognise the right of employees of the Federal Government to "strike," and the picketing appears to have been ineffective except in the case of the skilled workers, who were union members, and were striking for the "prevailing wage." The entire episode encountered a generally unsympathetic public opinion.

The revised Act contained another clause which has introduced another type of protest. It provided that 25 per cent. of every W.P.A. project must be contributed by the locality or municipality of its location after the end of the calendar year. To this provision, municipal Governments have taken exception, but the Act stands on the books, and it is questionable if there is time for Congress to revise it, or if Congress would revise it if it had time.

**Market Trends.**—On July 12th the share market which had been quiet for three months burst into activity at rising prices. This activity has since continued; and the rise has by now lifted the averages to the level from which they fell precipitately in March at the time of the international crisis. To-day it was announced that the Federal Reserve index for June, at 97, had recovered to the level of the first quarter of the year, from which it had fallen steeply in April and May, when the great coal strike was in progress. This upturn in business was by no means unexpected, for the weekly data had shown a marked improvement from late May, when the coal mines reopened.

As has been often pointed out, for some eight months (November, 1938-June, 1939) the unadjusted index of production has fluctuated about the 96 level—rising briefly above it at the year end and dipping briefly below it in the second quarter of 1939 during the weeks of the coal strike. Such stability, without marked trend, is not characteristic of our economy, especially at that level, and there has been a widespread belief all through the period that it would not long persist. The action of the market is, therefore, accepted as evidence that the interrupted trend of the last half of 1938 is about to be resumed.

The extent to which our economy is currently affected by European developments is not distinctly traceable. A few industries are doing an unusual export business, but this does not seem to fluctuate with the headlines. But that our economy as a whole has felt any general stimulation from arms programmes abroad seems doubtful. The simple fact is that the rise in the stock market, even though it has merely raised prices to the level of last February, is endowed with prophetic economic significance; and everyone is attempting to give it an economic projection and rationalisation.

July 27th.

## German Trade with Japan and Russia

[FROM OUR BERLIN CORRESPONDENT]

NEGOTIATIONS for a new commercial treaty between Germany and Japan had been in progress for a long time, and the sudden announcement that an agreement had been concluded was presumably designed as a reply to abrogation by the United States of her treaty with Japan. The new agreement is due to come into force on October 1st, but it seems to provide little more than a framework, and the details will have to be settled by further discussions.

The existing treaty came into operation in 1928, and has been regularly prolonged for periods of three years. The two countries were very slow in concluding a treaty after the war. Discussions did not begin until 1922, and it was not until 1926 that even a preliminary agreement was reached. The greatest difficulties arose over the German export of chemicals and optical goods, for Japan had imposed a number of prohibitions. In the end Germany reduced the duty on soya bean oil, and a treaty was concluded on the basis of the most-favoured-nation clause.

German-Japanese trade has been both complicated and facilitated by the inclusion of Manchukuo, for Germany has a surplus of exports to Japan, but a surplus of imports from Manchukuo. A sort of triangular clearing arrangement has been instituted through the Yokohama Specie Bank. In 1938 the exports of Greater Germany to Japan and Manchukuo were valued at 93 million marks and 27 millions respectively, whilst the figures for imports were 25 millions and 77 millions.

The new agreement is designed to increase trade in both directions. Germany is to grant the Japanese a substantial export credit, but the amount is not known. It is quite likely that there will be few actual developments for some time, since the negotiations are really not yet complete.

Negotiations are still taking place for a new commercial treaty between Germany and the U.S.S.R. Trade between the two countries has declined progressively under the Nazi regime. In 1931 German exports amounted to 763 million marks, whilst she imported 303 millions of goods and 247 millions of gold and silver. In 1938 the figures for the Old Reich were down to 32 millions for exports and 53 millions for imports.

This shrinkage of trade has not been exclusively due to political and ideological differences; it can largely be accounted for by the economic changes which have taken place in the two countries under their respective plans. The U.S.S.R. has developed her industries to such an extent that she no longer wants to import large quantities of mass-produced goods; her demand is rather for such things as highly specialised machines, optical goods and chemicals.

Germany, however, with her re-armament economy and consequent shortage of labour and raw materials, can only supply such goods by curtailing production which she considers more valuable. Moreover, her prices are higher than those quoted by American and English industrialists, and there is always a delay of at least nine to twelve months in delivery. Furthermore, the U.S.S.R. is now in a position to pay cash if necessary, and so can no longer be tempted by German offers of extended credit. On the other side, the things which Germany would like to import are mainly raw materials, many of which the Russians can now more advantageously sell for free exchange.

The growing political tension between Germany and other primary producing countries has increased her desire to revive the trade with the U.S.S.R. In the case of the United States there has also been a deterioration in Germany's economic position, since the exports of the Old Reich fell from 209 million marks in 1937 to 149 millions in 1938. Germany's passive balance was also increased by a large rise in imports, from 282 millions to 405 millions, and restriction of imports appears essential; hence the urge to secure raw materials from the U.S.S.R.

It is noteworthy that the discussions are being conducted simultaneously in Berlin and Moscow, and that the main rôle is being played on the German side by industrialists. The Foreign Office is, of course, taking part, but is confining itself to questions which concern politics or credits.

The negotiators are encountering great difficulties, and for a time all talks were suspended. Rumours are now current that Germany is to grant a loan for several hundred million marks, but these are almost certainly exaggerated. It is possible that the export credit of 200 million marks which was granted in 1935 may be prolonged, or even converted into a sort of revolving fund. One must not forget, however, that the period within which goods were to be bought under this credit had to be extended several times, finally to June, 1937.

Apart from political developments, the chance of concluding a broadly based agreement seems to depend mainly on whether German industry can supply the desired goods at competitive prices and without delays in delivery.

July 31st.

## Eire's Balance of Payments

[FROM OUR DUBLIN CORRESPONDENT]

IN an article in *The Irish Trade Journal* for June particulars were given for the years 1934-38 of all those items in the Balance of Payments statement for which firm figures are available, or for which it is possible to make estimates. The following is a short summary of the position disclosed for 1937 and 1938:—

|                                             | Inward or Credit<br>Movements (Exports)<br>£'000 |        | Outward or Debit<br>Movements (Imports)<br>£'000 |        |
|---------------------------------------------|--------------------------------------------------|--------|--------------------------------------------------|--------|
|                                             | 1937                                             | 1938   | 1937                                             | 1938   |
| Capital items .....                         | 12,078                                           | 15,270 | 10,004                                           | 17,778 |
| Current items:—                             |                                                  |        |                                                  |        |
| Merchandise .....                           | 22,234                                           | 23,879 | 43,493                                           | 41,042 |
| "Invisible" items .....                     | 22,978                                           | 22,711 | 9,067                                            | 8,365  |
| Total known current items ..                | 45,212                                           | 46,590 | 52,560                                           | 49,407 |
| Total known capital and current items ..... | 57,290                                           | 61,860 | 62,564                                           | 57,185 |
| Balance unaccounted for .....               | 5,274                                            | 5,325  | ...                                              | ...    |

The recorded items have consistently shown an excess on the debit side, and the aggregate deficiency thus shown has amounted to about £23 millions in the last five years. The conclusion is inescapable that the country has been repatriating part of its external investments during this period. This transfer of capital was caused partly by the sale of external investments to finance the new industries resulting from the protective programme, partly by the flotation of various public loans in Eire during the period, and partly

to pay for the net debit balance on current account. The effect of the sale of foreign assets differs in the different cases, but in every case the position in regard to the balance of payments is weakened and the movement is one that cannot be continued indefinitely without causing anxiety to the monetary authorities.

The improvement in the balance of actual trade follows upon the Agreement with Great Britain whereby the economic "war" was terminated. The improvement was, however, mainly caused by the favourable trend of agricultural prices which moved the terms of trade in favour of Ireland. Export prices rose by 15.4 per cent., while the volume of exports fell by 7 per cent. The decrease in the import surplus is also to be attributed in part to a decline of 2.4 per cent. in import prices and of 3.8 per cent. in the volume of retained imports. It is obvious that the change that has taken place in the balance of trade gives no ground for complacency about the future, since a reversal of the relative price movements would quickly widen the gap. It must be the foremost concern of the Irish Government to increase exports of agricultural products. This important problem is receiving the attention of the Commission on Agriculture which is studying the agricultural industry in all its aspects.

The movements in the net external assets of the Irish banks are closely correlated with changes in the balance of trade. When the passive balance exceeds about £17 millions the excess is shown in a reduction of sterling assets of roughly the same amount. This suggests that the invisible credit balance is relatively stable, and indeed this is borne out by an examination of the published estimates. There is considerable uncertainty about both the debit and credit items in regard to tourist expenditure, but recent investigations "indicate that there is probably a balance in favour of Eire in respect of expenditure by tourists and other temporary visitors." Legislation is at present being passed providing for the development of the tourist industry which may become an increasing source of income in the future. The estimate for emigrants' remittances for 1938 is £600,000 from the United Kingdom and £2,430,000 from other countries. While the former sum will probably increase, the latter sum may be expected to decline with the passage of time owing to the stoppage of overseas emigration. Another asset which in its nature must prove wasting is the payment of pensions by the British Government. The pensions paid to Irish residents by the Ministry of Pensions have declined from £1,545,000 in 1934 to £1,310,000 in 1938. The tendency of the invisible exports to decline emphasises the need for building up additional exports of agricultural products.

July 16th.

## Future for Roumanian Oil

[FROM OUR BUCHAREST CORRESPONDENT]

THERE is a story current in Bucharest that when the Roumanian Prime Minister, M. Tache Ionescu, received a few years before the war the first offer of foreign capital for the exploitation of petroleum, he instructed his engineers to draw up a report showing how many years the petroleum deposits then known to exist were likely to prove productive if they were exploited. When the engineers reported that the deposits would yield for 20 years, Tache Ionescu exclaimed: "Very well, then let us go ahead for 20 years." In this way was first overcome the long opposition of the Bratianus to the entrance of foreign capital into Roumania, and the Standard Oil and Royal Dutch groups triumphantly installed themselves on the Roumanian oilfields.

Nearly twenty-eight years have gone by since then, and the oilfields continue to yield. Economically they are as important as ever, though it was not for economic reasons alone that the German, British and French Governments recently concluded new oil agreements with the Roumanian Government. The military significance of Roumanian oil is nowadays part of the currency of popular conversation: its value

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will be increased by a consideration of the oilfields as they stand after a quarter of a century's exploitation.

The central point to note is that production has been steadily falling since its peak in 1936. Figures published in *The Economist* for April 1, 1939, show that from a total production of 8,704,000 tons of petroleum in 1936 the yield of the oil wells fell to 7,153,000 tons in 1937, and to 6,620,000 tons in 1938; exports of petroleum fell correspondingly from 6,885,000 tons in 1936 to 5,668,000 in 1937 and to 4,495,000 in 1938. There are three reasons to anticipate that this fall will continue: namely, that the deposits are being exhausted, that Roumanian legislation has discouraged private enterprise from drilling and prospecting, and that profits are being reduced to a minimum by heavy taxation, freight and shipping charges. The existing wells, therefore, are being used up; and private enterprise is neither disposed nor encouraged to make good a falling production.

Various estimates are available of the size of deposits which still remain. In the *Moniteur du Pétrole Roumain* of June, 1937, Professor Patriciu pointed out that in 1931 existing reserves were estimated at 111,100,000 metric tons. He calculated that in 1935 this figure had fallen to about 64 million metric tons. Professor Macovei, another expert, estimates the figure for 1935 at 61 million tons. If the 1936 production of 8.7 million tons be deducted from Professor Macovei's estimate, existing deposits in 1937 would amount to about 52.3 million tons. Many competent men in the industry are therefore seriously concerned with the possibility that Roumanian oil deposits may be entirely exhausted in seven or eight years' time, basing their calculation on the hypothesis that the whole of the deposits in the rock reservoir can be extracted. Yet it is scientifically improbable that the deposits can be fully drained. Minute calculations made in North America lead to the conclusion that the retentive action of natural forces, such as capillary attraction, exudations, adhesion to the walls of the wells and of the rock reservoir, will make it impossible to extract more than an average of 20 per cent. of total deposits.

New methods of extraction developed in North America are unfortunately not generally understood in Roumania. And where other European countries have had recourse to fresh drilling to keep up their production, Roumania is hampered by an exceptional legislative position.

Up to the present no generally accepted system has been introduced in the matter of new drilling concessions. Under the parliamentary system, in force before the new constitution was promulgated in the early months of this year, interested companies or individuals addressed applications for drilling concessions to the Ministry of Industry and obtained "exploration" concessions. On these the maximum tax was 150,000 lei per perimeter of 1,000 hectares. The applicant then sought the help of an influential member of Parliament, so as to have his new concession granted to him next door to the oil-bearing land on which his wells were already installed. In this way the "exploration" permit became in practice a permit for exploitation on a larger scale of lands already proved to be rich in oil, and the aim of the law, which was to give permits for the discovery of fresh oil lands, was defeated. But the Government retained the right to withdraw an "exploration" permit at any moment, and without allowing any compensation for expenses incurred in connection with it. The effect of this was to diminish the number of drillings. In March, 1937, drillings covered a maximum area of 38,000 metres; by April, 1938, this area had shrunk to 31,000 metres, and by December, 1938, to 13,500 metres.

With other discouragements, producers have to contend with heavy taxation and high transport rates. It is calculated that gross profits (i.e. before overheads have been paid) amount only to 12 per cent. or 15 per cent. of the selling price. At this rate the industry is practically working at a loss. It would appear to be urgently necessary that measures should be taken to encourage drilling, and to reduce the burden of taxation and transport charges that weigh upon the industry and prevent its normal development. As matters stand exorbitant taxation is killing the goose that lays Roumania's golden egg.

July 15th.

## A Plea for Freer Trade

[FROM OUR AMSTERDAM CORRESPONDENT]

THE majority of companies in the Netherlands have now published their annual reports. On the whole, it may be said that the financial results which are revealed have gone

beyond what was expected. Many companies show themselves in their reports to be optimistic of the future, the chance of political disturbances apart; and undoubtedly this trend would have been reflected on the Amsterdam Bourse if only war scares had not intervened.

The contents of the economic review compiled by the Central Bureau of Statistics correspond fairly well with the hopes voiced in these reports. This review has no hesitation in expressly stating that industrial development in the Netherlands does show a slight improvement, and that this is gradually affecting more and more branches of activity. Many businesses, of course, continue to profit by government orders for defence purposes as well as by more extensive programmes of public works. Among the heavy industries, a decline in shipbuilding orders for merchant vessels was compensated by an upturn in Government work, so that a high level of activity could be maintained. Branches in the clothing and textile trades, as well as of foodstuffs, have benefited by new defence measures. The fear of war has also stimulated the formation of stocks.

In contrast with this hopefulness, quite a different note was struck in the report of Dr Trip, President of the Netherlands Bank. He pointed out that the policy of reserving the home market as far as possible for domestic industries had resulted in increasing governmental interference in economic life. In his view a process of cartelisation of the economic life of the nation, at the instigation and under leadership of the Government, was unmistakably in progress. Through the consequent lack of freedom he foresaw a necessary rise in the level of prices and of costs of production. The burden thereby imposed on the consumer, coupled with new monetary and fiscal measures, would clearly result in poverty, reduced consumption, and rising unemployment. The power of the State was far-reaching, but it did not reach far enough to enforce on consumers buying-power and confidence.

Only by producing more cheaply and more freely, by promoting a gradual growth of international trade, by liberating commerce and industry from the innumerable obstacles impeding elasticity in prices and cost of production, and by releasing economic life from the intolerable burdens restricting private enterprise and investment, might goods be brought within the reach of the consumer on a larger scale and at lower prices. Then, and only then, would sound and enduring purchasing power, and a lasting improvement in employment, be created.

July 9th.

## Iron Ore from Sweden

[FROM A CORRESPONDENT]

SWEDEN is the largest iron ore exporting country of the world, ranking after France in terms of quantities but before France if the actual iron content is taken as the basis. Her iron ore reserves amount to about 11.1 per cent. of the total European reserves. There are two large mining districts, the Norrbotten district in the far north of the country, producing mainly for export, and the central and southern Swedish districts, producing mainly for the home market. The former are by far the richest mines, holding reserves of over 1,000 million tons with an iron equivalent of 738 million tons. The ore in this district is mainly of the magnetite type, with a high phosphorus content and an iron content of between 58 and 70 per cent.

The largest mines of Kiirunavaara and Gällivare are owned by the Luossavaara Kiirunavaara A.B., which in turn is controlled by the Swedish State and by the Trafic A.B. Graengesberg-Oxelösund equally. The Kiirunavaara-Luossavaara mines, containing about 738 million tons of ore, are situated about 100 miles from Narvik (Norway) and nearly 200 miles from Lulea on the Baltic. As the latter port is frozen from December to March, the ore is mainly shipped via Narvik, where it is transported by rail; this, incidentally, was the first Swedish railway to be electrified. The Gällivare mines, with 265 million tons reserves, situated 130 miles north of Lulea, were formerly worked by several foreign companies.

At the eastern end of the field a large deposit, the Koskullskulle mines, is owned by the Freja Mining Company, which is controlled by the Czecho-Slovak Witkowitz Steelworks, now under German domination. The iron ore deposits of central Sweden contain about 116 million tons reserves, with an iron content of about 66 million tons. Several hundred small mines are operated in this district, producing low-phosphoric ores, with the exception of the Graengesberg mines, whose product averages a phosphorus content of 1 per cent. and is mainly shipped via the port of Oxelösund, 164 miles distant.

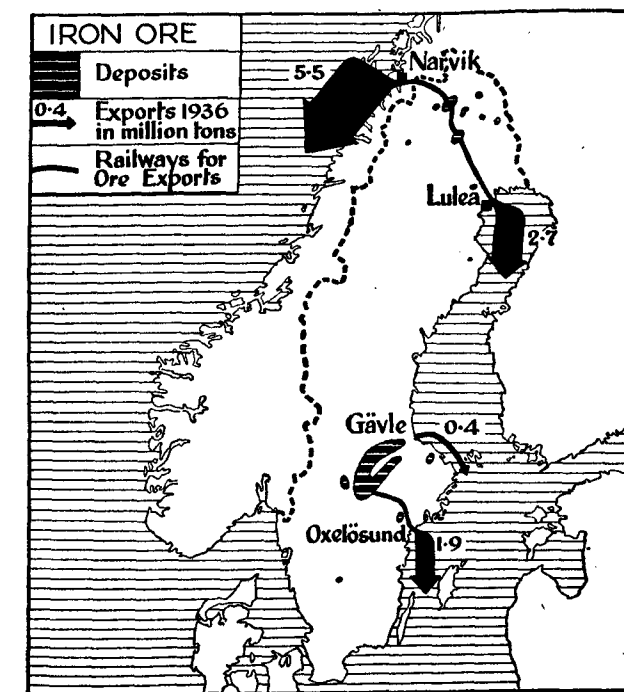
OUTPUT AND EXPORTS OF SWEDISH IRON ORES  
(in '000 Metric Tons)

|                       | Output |                  |        | Exports |         | Exports to Germany % of total output |
|-----------------------|--------|------------------|--------|---------|---------|--------------------------------------|
|                       | North  | Centre and South | Total  | Total   | To U.K. | To Germany                           |
| 1913 .....            | 4,914  | 2,562            | 7,476  | 6,440   | 673     | 4,977                                |
| Average 1914-18 ..... | 3,765  | 2,894            | 6,659  | 5,320   | 550*    | 4,326                                |
| 1929 .....            | 8,221  | 3,247            | 11,468 | 10,899  | 1,075   | 7,955                                |
| 1932 .....            | 2,180  | 1,119            | 3,299  | 2,219   | 250     | 1,515†                               |
| 1936 .....            | 7,467  | 3,783            | 11,250 | 11,198  | 1,467   | 8,131                                |
| 1937 .....            | 10,775 | 4,178            | 14,953 | 13,959  | 2,213   | 9,464                                |
| 1938 .....            | 9,531  | 4,397            | 13,928 | 12,685  | 1,650   | 8,945                                |

\* Estimate.

† Excluding 38,000 tons exported from stocks in Norway.

The chief importers of Swedish iron ore are Germany and Great Britain; last year these two countries took 41 and 25 per cent. respectively of their import requirements from



Sweden. The British steel makers mix high-grade phosphoric Swedish ores with low-grade phosphoric domestic ores, whereas their requirements of low-phosphoric ores are supplied mainly by the North African mines. Germany has in recent years made efforts to secure a larger ore supply from Sweden and to prepare strategic measures to ensure the maintenance of supplies in case of war.

As the Swedish State controls practically the whole domestic iron ore mining industry and has enforced an output restriction, an increase can only be obtained through the Swedish Parliament. The production quota for the North was increased last year from an average of 9 million tons spread over three years to one of 11 millions, and it is anticipated that in the event of a European war the allowances would be increased, for the equal benefit of all purchasers. It would be possible for Great Britain to secure the transport of Swedish ore in time of war both from the northern mines and from those in central Sweden, if the port of Gothenburg were used for the latter. The transport of Germany's supplies, at least during the months when Lulea is frozen, would be more doubtful.

July 26th.

## Bulgaria and the Axis

[FROM OUR SOFIA CORRESPONDENT]

M. KIOSSEIVANOFF'S visit to Berlin at the beginning of last month caused a good deal of speculation in Sofia. It was agreed that the Prime Minister's visit was closely connected with recent happenings in the Balkans. Italy's occupation of Albania had made her a Balkan State; and, further, the guarantee given by Great Britain to Roumania and Greece, as well as the Anglo-Turkish agreement, now placed before the Bulgarian Government new problems in foreign policy. On her side, Bulgaria had declared for a neutral attitude,

but, so as not to recognise the *status quo* in the Balkans, had decided to remain outside the Balkan Entente. And, with the changed situation, her chances of obtaining frontier revision from Roumania and Greece had diminished. Roumania's refusal to discuss a return to Bulgaria of the Dobruja was followed by the incidents at Belitz in which twenty-two Bulgarians were murdered.

The Prime Minister's visit to Berlin was on a pattern with that made a short time before by the Prince Regent of Yugoslavia. In the course of his visits to Rome and Berlin the Prince Regent confirmed his Government's decision to remain neutral and maintain friendly relations with the Axis Powers. The Bulgarian Government wished to notify a similar attitude. This explains why, on his way to Berlin, M. Kiosseivanoff had a talk with the Yugoslav Minister for Foreign Affairs, and why, upon his return, he had further talks at Bled with members of the Yugoslav Government. The official statement then issued expressed the desire of the two Governments to co-ordinate their policies of neutrality and to continue friendly relations with their neighbours.

It had become necessary to clarify the Bulgarian attitude. The Roumanian Foreign Minister's visit to Ankara and Athens was interpreted in Bulgaria as an effort to consolidate the Balkan Entente, not only in regard to Bulgaria but also in regard to "external" Balkan frontiers. In spite of its friendly relations with Sofia, it may be noted that the Turkish Government has begun the construction of defensive lines along the frontiers marching with Bulgaria and Greece. In these circumstances the Bulgaro-Yugoslav pact of lasting friendship is considered in Sofia as a guarantee against the policy of encirclement now being pursued by the other Balkan States.

Bulgaria's close economic ties with Germany, and to a lesser extent with Italy, leave her with no alternative but to make clear her standing in regard to the Axis Powers. Germany to-day is the only important buyer of Bulgarian fresh fruit, vegetables, eggs, animal products, etc. By her commercial policy, paying high prices for block purchases, Germany has created for herself a position of first importance in the Bulgarian market. The clearing agreement with Germany is advantageous to her for the simple reason that it is Germany who has fixed the mark-leva rate. If it is true that Bulgarian farmers get better prices from Germany, it is equally true that Bulgarian importers from Germany pay on a correspondingly high level. There is the important fact, too, that Reichsmark balances in the National Bank are now of a considerable magnitude.

In order to offset Germany's strong position and obtain supplies of free exchange necessary for debt service and the purchase of raw materials, the Bulgarian Government has introduced a premium system for exports, the legal maximum of which is set at 35 per cent. This means to say that Bulgarian exporters to free exchange countries can augment the prices they receive (which are "world prices") by premiums paid to them by the Bulgarian Government. In practice, this system is of no great attraction to exporters for the reason that the prices paid by Germany are high enough to offset the premiums. The exchange position in 1938 was in fact a good deal worse than in the previous year. The poor crops of 1938 meant a serious curtailment of exports, and accordingly of supplies of free exchange. These supplies amounted in 1938 only to 776 million leva against 1,273 million leva in 1937 (£=385 leva). The outlook is now improved, however, and exports of this year's crop should be back at the normal level.

At the end of June the Bulgarian Minister of Finance, M. Boziloff, went to Berlin to discuss commercial questions. The important part played by Germany in Bulgarian trade provides obvious difficulties in the way of Bulgaria's purchasing raw materials elsewhere. It was arranged that a more even balance should in future be maintained in the Bulgaro-German clearing. The Reich is also to supply agricultural machinery, the payment for which is to be spread over five years.

July 26th.

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## Books and Publications

### Lenin Re-edited

THE latest contribution to Marxian exegesis\* takes the form of an expansion of a tract by one of the Early Fathers, supplemented by a commentary. Lenin's original pamphlet on Imperialism is reprinted in full on the left-hand pages and on the facing pages are new statistical and other data collected by Messrs Varga and Mendelsohn. This arrangement somewhat reduces the effect of Lenin's clear and vigorous style, but facilitates the comparison of his statistics with more recent information. It also brings out plainly the main point which the present editors desire to establish, namely, the fulfilment of Lenin's prophecies.

The final effect of the extension of the statistical tables of the original pamphlet down to recent times is indeed striking. Writing in 1916, Lenin set out to illustrate with somewhat exiguous material the increasing concentration of production in modern industry, the growth of monopolies, the strengthening of the connection between the banks and industry, and the division of the world's markets between industrial and financial combines on the one hand and the principal imperialist Powers on the other. Messrs Varga and Mendelsohn faithfully demonstrate, with statistics which are, with a few exceptions, taken from the most reliable "bourgeois" sources, that

the facts and figures of capitalist economy during the subsequent twenty years not only corroborate the tendencies that were indicated in the data indicated by Lenin; they also reveal that these tendencies have become more marked and developed.

The arrangement of the new data follows strictly the plan of Lenin's original work. There is no direct statement that his figures have been verified by the editors, but there is some

\* New Data for V. I. Lenin's "Imperialism: the Highest Stage of Capitalism." Edited by E. Varga and L. Mendelsohn. Lawrence and Wishart. 322 pages + vii. 6s.

indirect evidence to that effect and, in any case, Lenin himself indicated his sources in almost every instance.

In fact, the principal criticism of this work lies, not in the facts which it presents, but in the interpretation which is placed upon them by Lenin himself and accepted without question by the editors. Few investigators would disagree with the purely statistical aspect of the thesis set out in Lenin's first six chapters. The occupation of an increasing proportion of the industrial and financial field by large scale enterprise is an incontrovertible fact, and the extension of imperialist domination in the past seventy years is also unquestionable. But arguments to the effect that the whole process follows the set lines of Hegelian dialectic, and involves the decay of capitalism and the growth of "parasitism" within it, are less acceptable. They outrun the solidly based inference that the tendencies examined involve a whole series of new problems of control, and go straight on to condemn the process outright. The intermediate steps in the reasoning are not to be found in Lenin's work. And, if it be argued that logical detail of this kind is inappropriate in a pamphlet, the natural reply can only be that the re-publication of that pamphlet, with all the trappings of statistical research, would also be inappropriate by the same token.

The fact is that Lenin's book is something more than a pamphlet. Despite its perverse terminology (for example, the use of "combined production" instead of the clearer and generally accepted "vertical combination"), and its occasional false parallels, such as that which is drawn between the relation of the banks to industry in Germany and in Great Britain, it is a stimulating work of energetic scholarship. Moreover, the figures compiled by the present editors have an interest of their own, and will inevitably provoke a re-examination of the tendencies which they illustrate. The editors are at their best when they are simply collating figures on the lines laid down by Lenin. They are less happy when they attempt to supplement his invective—directed equally at capitalism and the "bourgeois" economists who apologise for it—with the familiar phrases of present-day Communist propaganda.

Apart from the expansion of Lenin's figures, there are two new sections—a collection of supplementary data (pages 225-264) and an essay by Mr Mendelsohn at the end of the volume in which he emphasises the lesson of Lenin's teaching. The former is the weakest part of the book. Forsaking the salutary guidance of Lenin's thesis, the editors embark on an excursus of their own in which they include some curious items such as "Victims of the White Terror, 1925-35—12,978,000" as an example of "Direct and Indirect Destruction of Labour Power." The final essay is well written, but adds little to the argument. The data it contains could have been more conveniently included in the body of the work.

### Shorter Notice

"Currency Depreciation." By Milton Gilbert. Oxford University Press. 9s. net. 167 pages.

The mediaeval thinker craved for something craggy to break his mind upon. Nowadays, in these times of economic complexity, there is no dearth of problems to supply that want. Currency depreciation is one, and, in view of the widespread aspiration to create prosperity by juggling with counters, it is also a question which is profoundly important in practice. Mr Gilbert has no suit to plead. He simply seeks truth amid obscurity; and, by his skilful marshalling of facts and his lucid exposition, he enables the reader to reach something like confident conclusions. "Currency depreciation" as discussed here is the diminution, designed or not, in the purchasing power of a national currency unit over other currency units: a depreciated pound buys fewer dollars. Can such a process augment export trade? That is the author's question. His answer, based upon precisely formulated evidence from four countries of varied trade relations—Australia, Sweden, Britain, and the United States—is that the results in this direction are negligible. The attempt to stimulate foreign trade by currency manipulation is bound in the main to fail. A depreciating currency has some effect while the process of depreciation lasts; of itself, a depreciated currency is nugatory.

## THE BUSINESS WORLD

### The Scottish Banking Invasion

THE well-worn gibes at the invasion of the City and of its high executive positions from North of the Border must now cease to concern themselves solely with personalities. The agreement by which the Royal Bank of Scotland is acquiring the whole of the capital of Glyn, Mills and Company represents an encroaching movement of altogether more massive and formidable character. We have been well enough accustomed to the sight of English joint-stock banking giants devouring lesser Scottish institutions. The Midland Bank has done it twice, Barclays and Lloyds once each. But for one of the Scottish banks to come South and snatch one of the prizes of English banking, a house steeped in the traditions of the London goldsmiths, is a startling reversal of rôle. It gains in importance from the fact that the invader is the Royal Bank of Scotland, which nine years ago acquired the control of Williams Deacon's Bank and in 1924 inserted what is now seen to have been the thin end of the wedge in the London market by acquiring Drummonds Bank and later the private business of the Bank of England's West End branch. The purchase of Glyn, Mills and Company by the Royal Bank of Scotland is an operation important enough to mark a substantial shift in the balance of power among British banks. By combining its own funds with those of the two banks which it will soon own, the Royal Bank of Scotland will control resources to the tune of about £154 millions. This will place it immediately after the Big Five in order of ranking among the British banks, and will give it a comfortable lead over its nearest competitors, Martins and the District Bank.

The deal which has been arranged can be viewed from two equally interesting and significant angles. First, it can be seen as an aspect of the exceptionally dynamic progress of the Royal Bank of Scotland in recent years, especially since Mr William Whyte became its Cashier and General Manager—by no means an irrelevant point of departure. Secondly, it can be viewed as part of the regretted but perhaps inevitable passing of the private bank from the stage where formerly it found its most magnificent setting.

The published details of the proposed operation can first be recorded. The whole of the £1,060,000 capital of Glyn, Mills and Company, which consists of stock with unlimited liability, is to be acquired by the Royal Bank of Scotland. The consideration is to be partly in stock of the Royal Bank, whose capital will have to be increased for this purpose, and partly in cash. The amounts and proportions of each are not to be disclosed. There is to be an interchange of directors between the two banks; but Glyn, Mills and Company, although becoming a subsidiary, will retain its separate entity and will continue its business under the same name and management, with Sir Herbert Lawrence as Chairman and Mr Eric Gore-Browne as Deputy Chairman of the enlarged board of directors. The proposals for this merger have been submitted to the Treasury in accordance with the recommendations of the 1918 Committee on Bank Amalgamations, and have received the customary passive consent which, of course, implies no official responsibility for the scheme.

This "marriage" brings the Royal Bank of Scotland more than ever to the forefront of Scottish banks. The progress of that institution in recent years would have been striking even without taking account of the control

which it has acquired or is acquiring over two English banks. Over the past decade its own deposits have risen by 56.4 per cent., while the aggregate deposits of the eight Scottish banks have over the same period risen by 30.9 per cent. only. But it is through external rather than internal expansion that the most interesting and significant aspect of the Royal Bank's development has occurred. The acquisition of Drummonds Bank in 1924 gave the first hint of a new era in the long history of the Royal Bank, which on only one previous occasion since its foundation in 1727 had grown by absorbing another bank; that was in 1864, when it acquired the Dundee Banking Company. In 1930 came the first big "coup," the acquisition of a controlling interest in Williams Deacon's Bank, and with it a substantial stake in the fortunes of Lancashire and of the industrial Midlands. That stake is probably worth appreciably more to-day than it was in the difficult days of 1930. The Royal Bank was not the sole potential purchaser of the Williams Deacon's shares at the time, and since Treasury permission had to be given to the deal it may be assumed that the choice fell on it by special design as well as on the



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score of the consideration offered for the shares. Now comes the deal with Glyn Mills, which will further broaden and diversify the basis of interests on which the Royal Bank rests. It is only at isolated and comparatively unimportant points that the present interests of the two institutions touch. By its control of Glyn Mills the Royal Bank will thus be tapping an almost new clientele, which includes most of the home railway companies, the principal accounts of the fighting services and such important companies as the Vickers group and the Hudson's Bay Company. The deal should certainly give greater stability still to the earning powers of an institution which on its record is already a symbol of solidity.

The reasons which have drawn Glyn Mills within the orbit of the Royal Bank of Scotland are clearly not to be found in a desire or need for support. The house of Glyn Mills may be the last of the private banks in the clearing house, but it has never been stronger than it is to-day. As the last of the big private banks it has, in fact, drawn some benefit from the amalgamation movement which has created the somewhat impersonal mammoths of the joint-stock banking world. That personal element in the relations between Glyn Mills and their customers is happily a feature which will remain wholly undisturbed by the link-up with the Royal Bank of Scotland. Indeed, it is so essential a part of the goodwill of the business that the purchaser would be very ill-advised to tamper with it in any way. The reason for this deal, viewed from the Glyn Mills' side of the table, is rather to be found in the nature of the bank's capital. The liability on the stock is unlimited, and for that reason difficulties must occur when attempts are made to convert it into cash—a process which is all too often called for by the claims of death duties. In the hands of a corporate body such as the Royal Bank of Scotland this disadvantage of unlimited liability will never become apparent—and it is in this particular case

the only disadvantage, since it would need an unimaginable succession of disasters to convert the potential into a real liability. In this mutuality of interests the two parties found the basis of a deal favourable to each. And since they both are imbued with the same tradition of personal, conservative banking, it was not found too difficult to translate that mutuality of interests into the actual operation which has now been arranged.

On its completion the deal will not fundamentally alter the picture presented by the structure of banking in Scotland. It will merely emphasise some of its light and shade. The leadership of the Royal Bank of Scotland must be increased by it, though not to the point of dominance. For the rest there are the three other independent institutions, which retain a sturdy individuality of their own. Two of these, the Bank of Scotland and the Commercial Bank of Scotland, have their headquarters in Edinburgh, while the Union Bank of Scotland operates from Glasgow. Then there are the two subsidiaries of the Midland Bank, the Clydesdale Bank, affiliated in 1920, and the North of Scotland Bank in 1924. Despite the common ownership of their capital, there are features in the management and the business of each of them that have militated against a complete merger. The National Bank of Scotland has since 1918 been affiliated with Lloyds Bank. Finally there is the British Linen Bank, which since 1919 has been controlled by Barclays Bank. Of Scotland's eight banks, half are thus independent and half are subsidiaries of English institutions. But the independents include the three largest banks, which are (in order of size, according to balance-sheet totals) the Royal, the Commercial and the Bank of Scotland, and the independent group consequently disposes of nearly 60 per cent. of the total resources of the whole system. These eight institutions provide Scotland with as vigorously competitive and yet as soundly conservative a banking system as could be desired.

## Disclosure for Nominees

NO student of the Companies Act of 1929 could doubt that British company law relies largely upon the virtues of publicity. Until the Act was passed, even the publication of adequate accounts was not axiomatic; and though to-day views on the adequacy of different forms of accounts vary widely—as, for instance, between the boards of the Dunlop Rubber Company and Gaumont-British Picture Corporation—the Companies Act, for all its deficiencies, has improved accounting standards. Scarcely less important is the procedure for establishing the identity of shareholders, and making that information available to interested members of the public. For example, Section 98 of the Act requires that a company's register of members must be kept at its registered office, and must be open, for at least two hours a day, for free inspection by any member and by any other person on payment of one shilling. In addition, every company must file a list of members and their shareholdings, and a list of persons who have ceased to be members, within fourteen days after the annual meeting each year.

The legislature evidently intended that public interest would be served if the fullest knowledge of a company's shareholders could thus be made public. Any person sufficiently curious or financially interested could obtain the facts at a cost of a shilling. Yet it is notorious that this intention is increasingly defeated by the device of the nominee holding. Section 101 of the Act perpetuates a point which has long been of the essence of British company law. It provides that no notice of any trust shall be entered on the register of British companies. The shareholder is the person (or persons) or legal corporation whose name appears on the register. Not only is it a matter of indifference to the company whether he is the beneficial owner of the shares or merely a nominee; the company is explicitly forbidden to recognise the equitable interest of any third person in the shares. Legal and not equitable interests are the only interests which company registration

law recognises, although the might of equity sometimes intervenes in cases where equitable rights might be jeopardised by legal owners.

Hence, the seeker for information, having paid his shilling, obtains particulars only of legal owners; although the real shareholder may elect to hold in his own name, or cover himself in the cloak of a nominee. The nominee is not a popular person among company investigators, for obvious reasons. But he is also a much misunderstood person. Before considering suggestions by which some of the disadvantages for which he is responsible might be avoided, it may be well to divide his various functions into those which are desirable on grounds of convenience, and those which are less obviously commendable.

The term "nominee" covers a large number of cases. Nominee companies may be subsidiary organisations of banks (formed to replace the older practice of joint accounts in the names of two bank managers, and to avoid the majestic formalities of applying the bank's seal to transfer deeds), or companies formed by stock jobbers and brokers, or private holding companies. The nominee company has advantages over the personal nominee; it has a continuous existence, and it cannot flee the country. But confidential clerks and bank managers are still identifiable by the trained eye in any return of shareholdings in a large public company. The distinction between the two types, however, is not so much one of legal constitution as of function. Taking bank nominee companies as an example, it is evident that they provide a useful function for many investors who cannot give regular attention to their holdings. The cumbersome technical routine of acquisition and transfer of shares may be avoided by using the bank's nominee company. Secondly, the latter may have shares registered in its name which have been hypothecated against a loan, either of a private client or of a professional security dealer. Such companies are plainly named nominee companies—for example, West Nominees Limited is

readily identifiable as one of the nominee companies of the Westminster Bank. And in so far as their functions are limited to those described above, they serve a sound utilitarian purpose.

Similarly, jobbers' or brokers' nominee companies may hold the securities of the firm in the ordinary course of business, or "contangoed" securities (in the case of jobbers' companies) or clients' securities (in the case of brokers' companies). Clearly, therefore, nominee companies provide many conveniences in the machinery of security dealings. If their functions were limited to these matters, they would be held in greater respect. But they provide further services, which may be comprehended in the general description of "camouflage." A bank nominee company, for instance, might hold unencumbered securities on behalf of clients, to mask the identity of the real owner, and to avoid the disclosure of operations which it would be tactless to conduct in the name of the actual principal. But it is certain that such concealment may be even more effective if it is carried out by a private holding company, of whose existence and controlling interests only a handful of people may have any knowledge. Cryptic names, constructed from the initials or names of the principal shareholders, or possibly from the country residence of the principal shareholder, are the characteristic feature of such companies, which ordinarily fall outside the common definition of nominee companies. But it is clear that they have a marked affinity to nominees, and provide opportunities at least as great for concealment.

Camouflage, however, takes many forms, not all of which can be regarded as inherently undesirable. Operations by insiders may be designed to sell out on the broad back of the public before adverse news becomes known to a wider circle, or of buying in advance of public knowledge of good news. But cases are conceivable in which directors might need to sell shares for cash, at a time when the market price of the shares in question is "correct." In such cases, the disclosure of a director's name to the market might produce an unwarranted reaction in the price. But the realisation of vendor's shares, and "shop" transactions scarcely warrant the same protection.

Employment of nominee holders evidently defeats the intention of the Companies Act, even if it does not promote positive abuse. How are these shortcomings to be remedied? An obvious method, though it would cut across existing concepts, is the registration of all beneficial owners, as well as legal owners, on the company's share register, and the entry of particulars of the former in the annual return of shareholders. Cases exist where successive layers of nominees mask the ultimate identity of the beneficial owner. To cover these instances, a statutory

declaration by the legal owner that he appears on the register as nominee for A, followed by an inquiry from the company, requiring an answer under penalty, whether A in turn was acting as nominee for a further party, would ultimately establish the true beneficial owner. This suggestion must not be taken to challenge the established principle that companies can only recognise the registered legal holder of the securities concerned. Yet even this system could hardly be applied to intricate cases of nomineehip. It would exclude the many instances of private companies which are in law principals but in fact nominees for one shareholder. And it would hardly be reasonable to call for the recording of beneficial owners of shares, purchased on borrowed money, or pledged against loans, which happen to be registered in the name of banks' or brokers' nominee companies. In legal fact, the speculator or borrower in the background is not a beneficial owner in such cases, but is merely entitled to an equity of redemption.

It has been seen, however, that one of the least welcome employments to which the nominee system is put is to mask the private operations of company directors. There are a few directors who regard their companies' chief function as a medium for their speculative pursuits. Others may regard occasional operation in their companies' shares as a legitimate perquisite of office, sanctioned by usage, and consolidated by immunity. The disclosure of such operations would depend upon regular inspection of the company's register, and upon publicity to the findings. A more effective method, however, could be patterned upon Section 16 of the American Securities Exchange Act of 1934, which requires the filing of a statement by each director, officer or person holding directly and indirectly more than 10 per cent. of any class of equity security, to show any change which has occurred in his ownership during the previous calendar month. If similar information were made available in this country, under statutory declaration, and filed by the company and also the Share and Loan Department of the Stock Exchange, it would constitute a desirable reform.

Thus, the nominee problem is not a matter of black and white. Up to a fairly advanced point, the system performs a useful market function; beyond that point, it may provide facilities for market practices which range from the mildly reprehensible to the specifically objectionable. It would be neither feasible, nor desirable, completely to abolish the nominee company. And if nominees were abolished, one simple way of avoiding the consequences would be to substitute bearer securities for registered securities. But the improvements suggested in this article would be capable of mitigating the more serious abuses of the system.

## Finance and Banking

**Circulation Record.**—The Bank of England note circulation appears to be set for the unprecedented feat of breaking its high record on three successive weeks. On Wednesday of last week the circulation broke by about £1,500,000 the previous record of £509,315,000 set up in December, 1937. The Bank return published this week leaves these previous peaks ranking among the minor ranges with a leap in the note circulation to £520,570,000. Next week, if the precedent of all previous August Bank holidays is to be followed, should see this record beaten once again. The reserve position can fortunately stand it, since the latest Bank return still shows unissued notes at £26,490,000. But it is evident that on this occasion the seasonal strengthening of the reserve effected by transferring £20,000,000 of gold from the Exchange Account to the Bank will most probably have been needed by the time the peak in the circulation has been passed. Had it not been for this strengthening the reserve would already be down to £6,490,000 and would probably have disappeared altogether over the holiday week-end. On past occasions when seasonal increases in the circulation have

been allowed for—by increasing the fiduciary circulation—it has been found that the seasonal peak was met without calling on the additional notes temporarily created. The authorities have largely neutralised the effect on Bank cash of the expanding circulation by buying bills in the market; hence the rise of £6,120,000 in Government securities and in addition an undisclosed increase in the holding of bills by public departments. These open-market operations largely explain the further decline in discount rates, despite the intimation given to the market during the past week that they must expect much heavier offerings of Treasury bills when the present seasonal increase in the flow of tax revenue dies down.

\* \* \*

**Fapi and Yuan.**—The first test of the highly elastic Tokyo formula is being provided by the discussions which are now taking place between the British and Japanese representatives on the currency position in Northern China. The Chancellor of the Exchequer, in answer to a question



In Parliament this week, declared quite unequivocally that the Anglo-Japanese agreement foreshadowed in no way a change in the Government's views as to the desirability of maintaining the Chinese currency in the interests of this country and of the countries which have important financial and trade interests in China. Inspired comment in the Japanese Press, on the other hand, makes it equally clear that in Japanese eyes the recognition accorded by the formula to the existing position in Northern China must imply a recognition of the currency sponsored by the Peiping Government and therefore the prohibition of the National dollar, or "fapi," in the Concession. Any other interpretation of the formula appears to the Japanese to be double-faced perfidy. The Japanese claims are twofold. In the first place, they demand the official recognition of the yuan and the prohibition of the fapi in the British Concession. Secondly, they demand the handing over to the puppet administration of the silver held for the National Government in the British and French Concessions. The Japanese are convinced—and quite rightly—that British submission to these demands would have a moral effect on the currency war in China, whose impact would be felt far beyond the confines of the Northern provinces to which the special issues now being discussed apply. The British Government has as yet refused to admit that the official discussions in Tokyo have concerned themselves with currency matters, but it is well known that a fact-finding committee has been inquiring into the history of Chinese currency and of the silver reserves in the Northern provinces. The committee has been presented with a Japanese contention that the silver now in Tientsin has never belonged to the Nanking Government, and that in 1935, when the National Government was carrying out the financial reforms under the guidance of Sir Frederick Leith-Ross, the silver in question was held in Tientsin in the name of the Political Affairs Commission of the Peking Government. Hence, according to this brief, it should now pass automatically to the new Provisional Government, which is another way of saying that it should be handed over to the Japanese.

It has apparently been rather more difficult to build up a historical case for the suppression of the National dollar and the official recognition of the yuan currency in Northern China, and on this issue it is reasonable to assume that the British representative will have received the necessary instructions from London to reject Japanese demands out of hand. There are those, however, who believe that firmness on this point may be softened by a readiness to comply with the Japanese demand for handing over the silver reserve. Meanwhile the Chinese dollar rate has again found a temporary resistance point at around 4½d., and is being held at this level without apparent support from the Stabilisation Fund. The problem of replenishing the depleted foreign currency reserves of the Fund has been discussed between this country, the United States and France, but no constructive step in this direction is to be expected while the talks are proceeding in Tokyo. It must be assumed from the statements made in Parliament this week that there is a genuine desire on the part of this country to help in the stabilisation of the Chinese dollar—both by reason of the trade we still conduct with China and because to abandon the Stabilisation Fund at this juncture must involve the loss of our earlier contribution to it. But before good money is again subscribed to this Fund means will have had to be devised to ensure that these resources do not indirectly find their way into Japanese hands. Meanwhile there is some reassurance to be gained from the knowledge that the Chinese National currency remains well managed and uninflated and retains the confidence of the Chinese population. Whatever may be the difficulties inherent in the balance of payments position this should at least save the exchange value of the currency from complete collapse. Even at the present level of 4½d. the Chinese dollar is so grossly undervalued that the pull against further depreciation must be acquiring considerable force.

**Silver Buffer Pool.**—The alternating fears and reassurances of the market on the fate of the Chinese silver reserves has played some part in causing the day-to-day fluctuations of silver during the past week. Broadly speaking, those fluctuations are taking place about the dead parity dictated by the American buying price of 35 cents per ounce. The most interesting feature of the market is the maintenance of an exceptionally large backwardation, the forward rate remaining at a discount of between ¾d. and 1½d. on the spot. The present balance of forces in the silver market is exceptionally interesting. On the one hand, American trade buying makes its appearance whenever the forward rate falls below the shipping parity, thus indicating some confidence in the maintenance of the present American price for imported metal. As against this, there is a persistent stream of forward selling, mostly of a hedge character, from producers. This selling has during the past few weeks been stimulated by continuing uncertainty in such countries as Mexico and Canada regarding the future course of the American import price for the metal. This selling would have had much greater effect on the forward price had it not been for the activities of what may be regarded as the silver buffer pool in London. This is a stock which is maintained here on behalf of the Indian Government and which is reputed to amount to between 10 and 14 million ounces of silver. Under conditions such as those which at present prevail this stock can be very profitably employed in swap operations—spot sales against forward purchases—which must have been yielding in the neighbourhood of 15 per cent. per annum. This important and often unsuspected factor in the market has during the past few weeks of unsettlement in silver been operated in such a way as to provide a very stabilising influence. Towards the end part of last week expectations of the defeat of the Townsend Bill, which provided for complete cessation of American purchases of imported silver, had a reassuring effect on the price of the metal, and on Monday when it was learned that the Bill had been defeated on the Saturday the spot price was raised ½d. and the forward ¾d. These gains, however, have since been lost, and uncertainty is increasing once again.

**"Outsiders" in the Gold Market.**—The main features of the gold market during the past week have been the reluctance of the Exchange Equalisation Account to satisfy the whole of the apparent demand for the metal and the persistent demand for coins which has now sent the premium to 1½ per cent. over the bullion value. The main demand for gold continues to come from the Continent, while on most days resales from these quarters have provided the bulk of the offerings. The authorities have been extremely diffident sellers of gold and in so far as sterling has needed support have preferred to give the necessary help by direct intervention in the foreign exchange market. These official purchases of sterling against dollars have been particularly apparent in the forward market—though it should be added that they have at no time had to acquire great importance. The severe rationing must not be taken to mean that a substantial demand for the metal remains unsatisfied day after day. When the market realises that the authorities are reluctant sellers it is apt to apply for rather more gold than it wishes to buy, assuming that a proportional allotment will approximately satisfy its real requirements. After one or two instances of genuine rationing therefore the apparent demand for gold tends to become inflated well beyond the real demand. The demand for coins continues to emanate from the Continent and supplies in London are now becoming rather scarce. Firms in the bullion market have recently been very surprised to discover competition in the coin business from a very unexpected quarter. A Stock Exchange firm, driven no doubt by the paucity of business in its own sphere, has taken a considerable interest in the traffic in gold coins. What is more, it has been providing facilities for option dealing in coins, a form of business from which the bullion market is barred by the

embargo on speculative forward dealings in gold. The amounts involved in these "outside" activities may not be substantial, but the development has none the less attracted considerable interest in the market.

**Borrowing for Defence in Australia.**—The problem of the best method of raising funds for defence programmes has now reached Australia where £78 millions are to be spent on defence in the next three years. At its June meeting the Loan Council allocated £14 millions to the Commonwealth Government as its borrowing programme for 1939-40; and as £10 millions of this is for defence, the opportunity was taken by the Commonwealth Bank, which acts as adviser to the Council, to present a memorandum on its views. A study of it shows that the same considerations that are causing anxiety here have been fully appreciated by the Bank. In brief, it is the question of whether the Government should obtain the money for defence by taxation or by borrowing, either from the public or from the Central Bank. Unfortunately, the Bank does not in its memorandum give any opinion as to the amount of unemployed resources, if any, at present existing in the Commonwealth, but it states without hesitation that if there is

general employment the worst method of all is that of loans by the Central Bank. Such loans would compete with existing money for the resources already being used; and the only effect would be rising prices. For Australia, more even than for Great Britain, a rise in prices would quickly bring disastrous results, because the price received for exports would not go up to correspond with the increase in the cost of production, while locally manufactured goods would no longer be able to compete with imports. The export surplus would, therefore, diminish rapidly with a consequent depletion of London funds. It is possible, of course, that the effects of defence programmes in other countries would mitigate these dangers, since, in Great Britain for instance, it is to be expected that industrial expansion will lead to a greater demand for imports of food and raw materials, and there is every likelihood of the cost of British exports increasing to an extent that would still allow Australian manufactures to compete with them. But though this may be of temporary consolation to Australia, it only means that the final results for all countries concerned would be as disastrous as the crisis of 1931. They can only be avoided by each country taking stern measures to prevent inflation, and the Commonwealth Bank has done Australia a great service in emphasising the dangers of unrestricted borrowing.

## MONEY MARKET NOTES

### The Bullion Market

AN interesting feature of the Customs returns of gold imports and exports for the week ended August 3rd is another shipment to Siam, amounting to £1.9 millions, which brings the total exports

| Date        | Gold               |                  |                      | Silver price per oz. standard |           |
|-------------|--------------------|------------------|----------------------|-------------------------------|-----------|
|             | Price per fine oz. | Prem. or Disc. % | Amt. dealt in £ '000 | Cash                          | Two Mths. |
| 1939        | s. d.              | d.               | £'000                | d.                            | d.        |
| July 28 ... | 148 6½             | 1 pm             | 233                  | 161½                          | 161½      |
| " 29 ...    | 148 6½             | 1 pm             | 230                  | 165½                          | 165½      |
| " 31 ...    | 148 6½             | 1 pm             | 233                  | 161½                          | 161½      |
| Aug. 1 ...  | 148 6½             | 1 pm             | 250                  | 161½                          | 161½      |
| " 2 ...     | 148 6½             | 1 pm             | 496                  | 161½                          | 161½      |
| " 3 ...     | 148 6½             | 1 pm             | 125                  | 165½                          | 161½      |

\* 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 for silver remained at 35 cents per ounce -999 fine during the week.

to that country since the beginning of the month up to nearly £5 millions. There was also an export of just under £1 million to Belgium and of £4.5 millions to the United States.

### The Bank Return

APART from the rise in the note circulation, which has been partly offset by an increase in Government securities, the chief item of interest in the Bank

|                        | Aug. 3, 1938 | July 19, 1939 | July 26, 1939 | Aug. 2, 1939 |
|------------------------|--------------|---------------|---------------|--------------|
| Issue Dept.: Gold      | 326.4        | 245.4         | 246.4         | 246.4        |
| Value per oz. fine...  | 85.1         | 148.6         | 62.148.6      | 148.6        |
| Notes in circulation   | 497.8        | 507.6         | 510.9         | 520.6        |
| Banking Dept.: Reserve | 29.7         | 39.4          | 36.1          | 26.5         |
| Public Deps.           | 9.5          | 28.4          | 26.0          | 23.3         |
| Bankers' Deps.         | 113.4        | 95.5          | 91.4          | 89.6         |
| Other Deps.            | 34.7         | 36.4          | 36.7          | 36.2         |
| Govt. Secs.            | 114.7        | 105.1         | 106.5         | 112.6        |
| Discounts & Advances   | 9.6          | 9.1           | 8.0           | 6.9          |
| Other Secs.            | 21.8         | 24.7          | 21.5          | 21.2         |
| Proportion             | 18.8%        | 24.5%         | 23.4%         | 17.7%        |

Return is the maintenance of public deposits at a high level. For the last four weeks they have been over £20 millions; and although there is a drop of £2.7 millions this week, they are £13.8 millions higher than at the corresponding date of last year.

### The Money Market

THERE was a further fall, of about 4½d., in the average rate of allotment at last week's Treasury Bill tender, and the market's quota dropped to 27 per cent., compared with 39 per cent. in the previous week. This disappointing result was due to an increase in total applications from £68.6 millions to £73.8 millions, while the amount allotted, £36 millions, was only £1 million higher. The reason why the full £40 millions on offer was not allotted is presumably to be found in the present high level of public deposits at the Bank of England. Other discount rates have turned easier since the tender, the downward tendency being helped by special purchases. The clearing banks on Monday reduced their buying rates

|                          | Aug. 4, 1938 | July 27, 1939 | Aug. 3, 1939 |
|--------------------------|--------------|---------------|--------------|
| Bank Rate                | 2            | 2             | 2            |
| London Deposit Rate      | 1½           | 1½            | 1½           |
| Short Loan Rates:        |              |               |              |
| Clearing Banks           | 1½-1*        | 1½-1*         | 1½-1*        |
| Others                   | ¾            | ¾             | ¾-¾          |
| Discount Rates:          |              |               |              |
| Treasury bills           | 1½           | 2½-3½         | 1½           |
| Three months' bank bills | 1½           | 2½-3½         | 1½           |

\* 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.

for September and October bills to 1½ and ¾ per cent., respectively; but in spite of the weak undertone they have not made any further reduction, and as the market has only a small amount of bills to pay for this week, it is holding back bills from the banks in the hope of a further cut in the rates, with the result that business is rather restricted.

The Government of Northern Ireland has placed £600,000 of 77-day bills at an average rate of just under ½ per cent.

The big rise in the note circulation, though largely offset by the special buyer, has made money rather more usable; but bond money is still obtainable at ½ per cent., although occasionally ¾ per cent. is paid.

### Foreign Exchanges

INTEREST in the foreign exchange market continues to be centred in the guilder and the Shanghai dollar. Movements in the guilder have been very erratic, but on the whole the trend has been against Holland. The news of the resignation of the new Government caused a rise in the rate to 8.81½f.; and although there was a recovery on Saturday, sales from Amsterdam produced further weakness on Monday, when at one time the rate reached the official limit of 8.82f. At this point official intervention was responsible for a brief rally; and the fact that the authorities showed themselves immediately willing to check any further depreciation when their limit was reached was probably responsible for the bear covering, which gave a firmer appearance to the guilder on Tuesday and Wednesday morning. On Wednesday afternoon, however, the absence of any solution to the present political difficulties caused a fresh wave of selling from Amsterdam; but there was a slight recovery the following day, and on Thursday afternoon the rate was quoted at either side of 8.80f. The sterling-dollar rate has been steady at around 4.68½ with some intervention from the Control, but forward dollars have been in demand and the premium has risen to 1½c. for one month and 1¼c. for three months. The Canadian dollar continues to be firm, and on Thursday was quoted at a slight premium on the U.S. dollar. Little change has occurred in the quotations for Swiss francs and belgas.

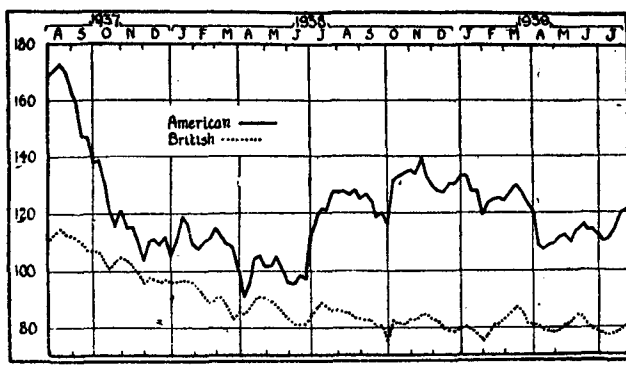
# Investment

**Equities Take the Lead.**—After recording further moderate gains on Monday this week, the industrial share markets have receded slightly. This is not a matter for great surprise, for the combination of a three-week account, the Danzig question, the demands of the locomotive engineers and a few disappointing industrial results, like those of Arthur Guinness, Son and Company, is truly formidable. But over the past month, which has included the revised outline of the defence-borrowing programme, the emphasis on equities, as opposed to gilt-edged securities, has become clear. Casting the eye back on the accompanying chart of British and American industrial share prices, two facts stand out. Firstly, despite the succession of political crises since September last year, the equity markets have remained astonishingly stable. The maximum deviation of the *Financial News* index has been 10 per cent. above, and  $7\frac{1}{2}$  per cent. below, the level of 80. The recovery of the past three weeks has put the index once

## 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.



more on the right side of this psychological barrier, and, whatever may befall the markets as a whole, equities are likely to take the lead over gilt-edged. Secondly, in this period—up to the beginning of July, at least—the trend of Wall Street was unmistakably downwards. The past month's recovery may have some chartist significance, as a break from the parallels. But many investors will prefer to look at the forces which inspired the rise. In part, these were economic; there are signs, such as the recent improvement in steel operations, which suggest that a mild recovery is in progress in the United States. But the major factor in the month's rise is probably to be found in the market's cheerful reaction to President Roosevelt's difficulties in keeping Congress in rein. If this interpretation is correct, it deserves to be heeded; for when Wall Street plays politics, its economic judgment sometimes comes to grief. And President Roosevelt is a master in the art of turning the political tables on his opponents.

**New Zealand Conversion Reactions.**—Lists for conversion and cash applications for the £16 millions  $3\frac{1}{2}$  per cent. New Zealand conversion stock, 1939-45, close on Saturday this week. New Zealand stocks have not fully accepted the rate of 4 per cent. on the new stock, for a

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"short" like the 3 per cent. issue of 1945 still stands at  $89\frac{1}{2}$ , to offer a redemption yield of the order of  $5\frac{1}{4}$  per cent. The existing  $3\frac{1}{2}$  per cent. redeemable on January 1st next year has been established as a prime "short" for money market purposes, in view of the informal but official assurances regarding the subscription of the new loan. On Monday this week the price rose to  $101\frac{3}{8}$ , a level which attracted a considerable supply of stock, since it offered a favourable opportunity to sell the old and subscribe in cash for the new, rather than convert for a payment of £1 per cent. Since one interest payment remains to be made, the net worth of the stock can be put at £101 5s. 4d., after income tax, to the public, but at £101 15s. to a money house. Hence the fall in the bonds to 101 on Thursday (after having been slightly lower) still leaves them attractive as a five months' holding to the money market. It would not be surprising, however, if the houses have tempered their demand for the old bonds, if only for the reason that the larger the volume of old stock taken into money market portfolios, the larger must be the cash subscriptions, either from the public or from the authorities, for the new loan.

**League Loans Review.**—The seventh report of the League Loans Committee underlines the difficult task of those who are charged with the responsibility of protecting the bondholder's interests in a world confused by economic impediments. It is not a negative record, however. Estonia, the model debtor, continues to transfer the service of her League loans in full; Hungary fulfils her undertakings under the 1937 settlement; and Bulgaria last year agreed to a temporary arrangement for 1939, which has provided slightly improved coupon payments. The intransigent debtor, to whom the Committee addresses some plain words, is Greece. The Committee records its "grave disappointment" that all endeavours to reach agreement with the Greek Government have so far proved in vain. It has, in fact, indicated precisely its willingness to consider far-reaching concessions, but the Greek Government obdurately insists on its offer of 50 per cent. of contractual interest, and refuses to consider a temporary arrangement. Clearly, as the Committee points out, there is no case for the limitation of current interest payments to 40 per cent., when the Greek Government is already prepared to transfer 50 per cent. under a permanent settlement. It is well that Greece and Danzig should be reminded of the contribution which the League loans made to their economic development. The recent blunt announcement by the Bank of Danzig that transfer of the service of the League and other loans has been suspended has been the subject of representations by the Committee to the Danzig authorities. Such unilateral action, particularly following the modification of service in 1937, lacks all justification.

**"Outside" Dealers' Licences.**—At the end of May, the Board of Trade issued draft rules of conduct for "outside" licensed dealers under sections 7 and 20 of the Prevention of Fraud (Investments) Act, 1939. The Board has now issued an order giving the names of recognised exchanges whose members are exempt from acquiring a dealer's licence, with details of application and the fee for such a licence. The Board of Trade will recognise as stock exchanges and associations under the Act, the London Stock Exchange, the Mincing Lane Exchange, the Provincial Brokers' Stock Exchange, and some twenty provincial Exchanges, together with the Association of Stock and Share Dealers. Application for

dealers' licences must be made not later than September 15th, and after the appointed day it will be unlawful to carry on the business of dealing in securities without possession of a Board of Trade licence. A principal's licence, which will be required by corporations, partnerships and persons carrying on a business on their own account, will cost £25 in the case of a corporation and £10 for an individual or partner. The fee for a representative's licence, required by persons acting as servants or agents of persons requiring a principal's licence, is £2; while the same fee is charged for a substituted licence, that is, one granted for the remainder of a period of an original licence, where, for example, there has been a change of partnership, or the firm has changed its name. Under section 4 of the Act, the Board of Trade may not grant a principal's licence without the deposit of £500. A guarantee by an approved person may be accepted, however, in lieu of deposit, or a deposit may be dispensed with altogether in cases where hardship might be caused, or in which the Board is satisfied that the applicant has dealt in securities since the beginning of 1939. The final rules have removed the restriction, which appeared in the draft rules, on circularisation, for in their original form they defined any inquiry in response to a circular as "solicited." Restrictions imposed on transactions involving payment by instalments limit the payments to intervals not exceeding one month, in amounts not less than 10 per cent. of the total consideration, at interest not exceeding 10 per cent. per annum of the balance outstanding. Such transactions must be supported by a corresponding transaction with a member of a recognised stock exchange.

**Inactive Capital Market.**—Judged by new issue business in July, whether computed on our "old" or "new" basis, the London capital market still qualifies as a distressed area. The old basis total of £718,000 compares with £22,631,000 in June. Indigestion resulting from a spate of trustee issues which culminated in the unsuccessful L.C.C. loan at the end of June, is plainly marked in these figures. The holiday season cannot be accepted as an explanation of the decrease, for the corresponding old basis figures for July, 1938, was £14,681,000, which itself could not be described as a phenomenal amount. New basis figures last month totalled £4,887,000 compared with £29,056,000 a month earlier and £27,281,000 a year earlier. The trend of new issue business is shown in the following table:—

|                   | (£'000's omitted) excluding conversions |            |            |         |           |            |            |            |         |         |
|-------------------|-----------------------------------------|------------|------------|---------|-----------|------------|------------|------------|---------|---------|
|                   | Old Basis                               |            |            |         |           | New Basis  |            |            |         |         |
|                   | U.K. Govt.                              | U.K. Other | Brit. Emp. | Foreign | Total     | U.K. Govt. | U.K. Other | Brit. Emp. | Foreign | Total   |
| Monthly av., 1938 | 6,325                                   | 6,424      | 2,025      | 235     | 15,009    | 6,325      | 14,146     | 1,761      | 528     | 22,760  |
| Apr., 1938        | Dr. 1,300                               | 125        | Nil        | Nil     | Dr. 1,425 | Dr. 1,300  | 3,110      | 478        | Nil     | 2,888   |
| May, 1938         | Dr. 350                                 | 14,155     | 11,554     | Nil     | 25,359    | Dr. 350    | 17,508     | 12,193     | Nil     | 29,351  |
| June, 1938        | Dr. 7,800                               | 6,136      | 250        | Nil     | 84,186    | Dr. 7,800  | 8,795      | 19,478     | Nil     | 106,073 |
| July, 1938        | Dr. 350                                 | 10,751     | 4,280      | Nil     | 14,681    | Dr. 350    | 21,199     | 6,432      | Nil     | 27,281  |
| 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   |
| June, 1939        | Dr. 500                                 | 15,790     | 7,341      | Nil     | 22,631    | Dr. 500    | 20,266     | 7,379      | 1,911   | 29,056  |
| July, 1939        | Dr. 300                                 | 796        | 222        | Nil     | 718       | Dr. 300    | 4,505      | 682        | Nil     | 4,887   |

The Sudan and New Zealand conversion offers for £2,000,000 and £15,840,000 respectively are both excluded from these figures. The month's new issue business is hardly relevant to the question of defence borrowing tactics which the capital market awaits with expectancy rather than eagerness.

**Foreign Bonds in July.**—July was a quiet month in the foreign bond market. Prices showed little change, and the complete index compiled by the Municipal and General Securities Company shows a minor fall from 54.6 to 54.2 (January-June, 1934 = 100). Czecho-Slovakia

8 per cent. bonds were an exception to the general weakening in prices, on renewed hope of early repayment. Further defaults by China have been followed by a marking down of most Chinese issues, but Japanese bonds maintain their prices on the Tokyo agreement. Brazilian bonds also improved on the forthcoming departure of bondholder representatives to Rio de Janeiro. The index and its component series since the beginning of 1938 are reproduced in the following table:—

| End of Month | Europe   | Near & Far East | Egypt | South and Central America |           |       | Complete Index | Unaffected Bonds | Defaulted Bonds |
|--------------|----------|-----------------|-------|---------------------------|-----------|-------|----------------|------------------|-----------------|
|              |          |                 |       | States                    | Provinces | Total |                |                  |                 |
|              |          |                 |       |                           |           |       |                |                  |                 |
| 1938         |          |                 |       |                           |           |       |                |                  |                 |
| January      | 98.9     | 71.7            | 97.8  | 75.5                      | 67.1      | 73.4  | 79.5(109)      | 80.8(53)         | 78.4(51)        |
| February     | 97.2     | 74.7            | 97.6  | 75.4                      | 63.8      | 72.4  | 79.7           | 83.4(52)         | 76.8(5)         |
| March        | 84.2     | 73.9            | 97.2  | 61.3                      | 49.4      | 58.2  | 69.7           | 76.3             | 64.4            |
| April        | 89.8     | 77.3            | 98.5  | 69.8                      | 51.4      | 64.9  | 75.3           | 79.1(50)         | 71.8(5)         |
| May          | 86.6     | 74.9            | 98.4  | 63.0                      | 47.2      | 58.8  | 70.8           | 76.6(49)         | 66.1(6)         |
| June         | 90.2     | 68.5            | 98.0  | 65.9                      | 51.2      | 62.0  | 71.4           | 75.7(48)         | 67.6(6)         |
| July         | 92.0(27) | 67.7            | 97.5  | 65.4                      | 53.4      | 62.3  | 71.6(108)      | 75.0(44)         | 68.5(6)         |
| August       | 88.3     | 72.1            | 97.3  | 61.4                      | 50.4      | 58.6  | 70.3           | 75.1             | 66.3            |
| September    | 90.4(26) | 66.2            | 96.1  | 57.7                      | 44.4      | 54.2  | 66.7(107)      | 72.8(43)         | 61.9            |
| October      | 88.6     | 70.8            | 95.7  | 59.4                      | 45.3      | 55.7  | 68.4           | 75.0(42)         | 63.3(6)         |
| November     | 86.8     | 65.0            | 91.7  | 56.3                      | 40.9      | 52.1  | 64.5           | 72.7             | 58.6            |
| December     | 79.8     | 64.2            | 87.0  | 53.7                      | 40.7      | 50.2  | 61.9           | 70.6             | 55.7            |
| 1939         |          |                 |       |                           |           |       |                |                  |                 |
| January      | 71.6     | 57.7            | 83.2  | 56.2                      | 40.2      | 51.9  | 59.1           | 66.9             | 53.7            |
| February     | 77.8(25) | 59.1            | 82.0  | 55.8                      | 42.9      | 52.4  | 61.0(106)      | 65.0(41)         | 55.4            |
| March        | 68.9     | 60.3            | 78.8  | 57.5                      | 45.7      | 54.4  | 60.4           | 62.5             | 56.6            |
| April        | 65.7     | 59.1            | 74.0  | 54.2                      | 41.4      | 50.8  | 57.6           | 59.9(40)         | 53.1(6)         |
| May          | 73.9     | 59.9            | 78.6  | 52.2                      | 40.3      | 49.1  | 58.6           | 62.1             | 53.7            |
| June         | 71.1     | 49.2            | 75.7  | 51.2                      | 40.9      | 48.5  | 54.6           | 54.6             | 51.6            |
| July         | 70.8     | 46.3            | 75.6  | 52.7                      | 42.2      | 50.0  | 54.2           | 53.8(34)         | 51.6(7)         |

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

The growing extent of default has compelled a revision of the index. Changes have been made in the composition of the defaulted and defaulted groups to give effect to the Brazil and China defaults, on the basis that a loan enters into default one clear month following the date of the first coupon not paid in full. The series have also been linked by the chain method, to avoid discontinuity.

## Company Notes

**L.N.E.R. Savings.**—The savings achieved by the L.M.S. during the first half of the year have been outstripped by those recorded by the L.N.E.R. The statement issued last Friday showed that an increase of £125,000 had been recorded in gross receipts of the railway and ancillary businesses (including net miscellaneous receipts) while the estimated reduction in expenditure was put as high as £734,000. Hence the increase in net receipts was £859,000 for the half-year. These results represent a distinct achievement, which is further reflected in the reduction of 2.6 per cent. in goods engine mileage, compared with the reduction of 0.8 per cent. in tonnage of merchandise originating on the system. The L.N.E.R.

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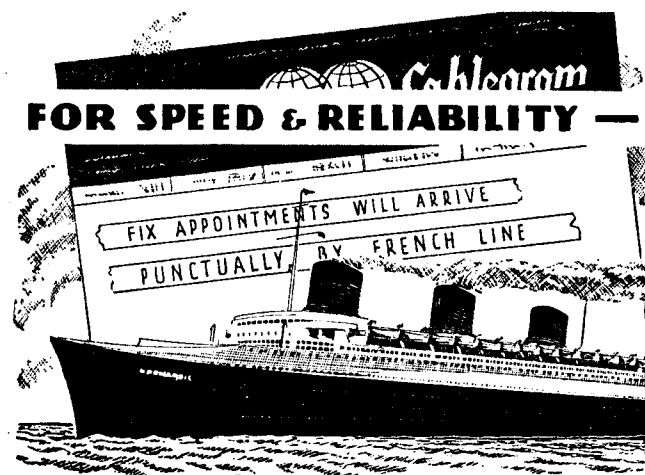
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brought forward into 1939 unexpired economies totalling £1,035,000, of which it has retained £734,000, despite a rapid rise in traffics during the second quarter of the year. Moreover, since the 26 weeks' traffics showed a gain of only £7,000, it would appear that ancillary businesses have made a satisfactory contribution to the half-year's gross gain. After a certain stage, ancillary services tend to provide a high proportion of net revenue from a given increase in gross takings, a point of importance for the L.N.E.R. stockholder. Both the northern lines, however, have shown that railway operation on the largest scale is compatible with close supervision of costs, even in the face of a dramatic improvement in traffics. The L.N.E.R. interim dividends are maintained at last year's levels, namely 2 per cent. on the first and second guaranteed stocks, but it will be recalled that twelve months ago the statement indicated that the payments had not been fully earned.

\* \* \*

**A Great Western Contrast.**—Great Western, whose traffics recovery has been proportionately more rapid than that of other lines, showed a rise in gross receipts from railway and ancillary businesses of £456,000 for the half-year. But expenditure shows an increase of £60,000—a somewhat surprising result, at first sight, since the "unexpired economies" brought forward from the end of 1938 appear to have been of the order of £500,000. Hence, the effective increase in costs over the past half-year may be put at £560,000. Net revenue from all sources increased by £383,000, compared with the first half of 1938. Total railway receipts for the half-year increased by £404,000, towards which goods receipts contributed £396,000; hence, the increase in ancillary takings was £52,000 gross. The directors have decided to defer consideration of a dividend on the ordinary stock until the full year's results are available, following the cautious lead adopted by the other lines. The diverse movement



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of costs shown by the Great Western limits the opportunity for attempting any earnings forecast for the full year. The gain in net revenue for the first half of the year was equivalent to somewhat less than one per cent., and it would be premature to count upon a sufficient recovery in traffics and stability of costs in the remaining months of the year to establish the stock on a 3 per cent. earnings basis. Indeed, the entire railway market is now taking stock of the possibility of strike action by the Associated Society of Locomotive Engineers and Firemen, which is based on the rejection of the union's claims, as set out on page 282. Whether such action would be supported by the National Union of Railwaymen—or, indeed, whether the Society's tactics is part of a war of nerves, rather than a serious threat of hostilities—it is impossible to estimate. At any rate, the market, although inclining to the view that a strike would be avoided, recognised the possibility that peace might exact its price, and marked prices down to the extent of 3½ in L.N.E.R. second guaranteed, and as much as two points for debentures on Wednesday, before taking a more hopeful week-end view.

\* \* \*

**Arthur Guinness Setback.**—The announcement of a total dividend and bonus of 26 per cent. by Arthur Guinness, Son and Company, was followed by a check to the recovery in brewery shares, and by a fall of 4s. 6d. in Guinness ordinary stock to 101s. 6d. The preliminary statement, like the Distillers' statement a month ago, provides no specific information regarding the level of profits—an omission which runs counter to the expressed wishes of the Stock Exchange Committee, and seems the less necessary since the information provided is sufficient to enable the stockholder, with a little ingenuity, to work out an estimated profits figure for himself. The reserve allocation is £100,000—for 1937–38 no provision was made—and the balance carried forward is reduced to £876,311, against £905,285 brought in. These figures suggest that ordinary earnings amounted to approximately £1,485,000 after tax for the year to June 30th, compared with £1,602,112 for 1937–38, £1,834,804 for 1936–37, and £1,933,623 for 1935–36. It was in the latter year that the Park Royal brewery first came into production, and the sequence of profits since that date raises some question regarding the new plant's success. This point, however, is pure conjecture, for the course of development at Park Royal has not been explained in detail to stockholders. Is the company's rightly-famed publicity proving less effective? Or is it now having to combat a change in taste in favour of lighter beverages? These questions are of importance, since the earnings for the 26 per cent. distribution (which, incidentally, is at a lower rate even than for 1933 and 1934, when 27 per cent. was paid) leave a margin of only 1.3 per cent. over the latest payment. After this week's decline, the ordinary stock offers a yield of £5 5s. 5d. per cent. Hence, despite its recent profits trend, the stock retains a place in the front rank among brewery stocks.

\* \* \*

**Associated British Picture Progress.**—Mr John Maxwell's forecast at last year's meeting of Associated British Picture Corporation that the accounts for the year to March 31, 1939, would show a record profit has proved correct. Trading profits, including dividends received, have increased from £1,302,778 to £1,347,001, while earnings for the ordinary shares have advanced from £466,489 to £543,751. This improvement, even greater than the rise in trading profit, is due to a somewhat surprising reduction in the taxation provision from £315,738 to £216,103, which more than offsets a sharp increase in mortgage interest from £58,434 to £134,718. Hence the 20 per cent. ordinary dividend is covered with a margin of 17½ per cent., after providing £200,000, as before, for taxation, and thus permits the raising of the general reserve allocation from £200,000 to £250,000. The progressive results for the past three years are set out as follows:

|                                           | Years to March 31 |           |           |
|-------------------------------------------|-------------------|-----------|-----------|
|                                           | 1937              | 1938      | 1939      |
| Trading profit, including dividends ..... | 1,265,830         | 1,302,778 | 1,347,001 |
| Taxation and fees .....                   | 166,406           | 318,738   | 216,103   |
| Depreciation .....                        | 175,000           | 200,000   | 200,000   |
| Mortgage and debenture interest .....     | 232,779           | 227,551   | 300,147   |
| Preference dividend .....                 | 91,500            | 90,000    | 87,000    |
| Ordinary shares:—                         |                   |           |           |
| Earned .....                              | 600,145           | 466,489   | 543,751   |
| Paid .....                                | 220,797           | 266,875   | 290,000   |
| Earned % .....                            | 48.9              | 35.0      | 37.5      |
| Paid % .....                              | 18                | 20        | 20        |
| General reserve .....                     | 375,000           | 200,000   | 250,000   |
| Carried forward .....                     | 93,346            | 81,336*   | 85,087    |

\* After writing off £11,623 new issue expenses.

Such figures suggest that satisfactory profits can be consistently made by an efficient film exhibiting chain. But even the Associated British report leaves some questions unanswered. Further analysis of the single profits item, for example, might be welcomed, and consolidated figures would be even more advantageous. There is no reference to the Union Cinemas holding, nor to the holding of non-voting shares in Metropolis and Bradford Trust, which are at present earning no income. The consolidated balance sheet for the group indicates a position of considerable strength, with free reserves approaching £4 millions. Yet, on a generous computation, the group's net current assets as at March 31 last leave no margin to cover the parent company's final dividend. The group, however, makes satisfactory provision for depreciation, backed by liberal reserve allocations. And it also maintains a steady production of films which find ready display in its cinemas. The current yield of the 5s. ordinary shares, at 12s. 6d., is £8 6s. 8d. per cent. This is not unduly high for a cinema share, but Associated British is the only issue in its class which is likely to interest the speculative investor.

\* \* \*

**Gaumont-British Report.**—It has long been impossible to regard the annual reports of Gaumont-British Picture Corporation as satisfactory, and the latest report, for the year to March 31st, is one in a series which have provided shareholders with the minimum of information. In view of the substantial losses which the group incurred in 1937, and of the absence of ordinary dividend payments since 1936, this fact is the more to be regretted. The profit and loss account, admittedly, shows a token improvement in "Profit, including income from investments, profit on redemption of debenture stock, etc.," from £684,033 to £713,498, while ordinary shareholders may draw some limited consolation from an increase in earnings from £41,846 to £118,639. But the essential facts of the group's earning position are certainly not contained in the following figures from the last three reports:—

|                                      | Years to March 31st |          |          |
|--------------------------------------|---------------------|----------|----------|
|                                      | 1937                | 1938     | 1939     |
| Profit .....                         | 561,702             | 684,033* | 713,498* |
| Provision against subsidiaries ..... | ...                 | 50,332   | 30,399   |
| Taxation .....                       | 57,680              | 76,790   | 65,499   |
| Depreciation .....                   | 13,951              | 42,498   | 28,882   |
| Debt service .....                   | 294,858             | 293,817  | 291,329  |
| Preference dividend .....            | 178,750             | 178,750  | 178,750  |
| Ordinary and "A" ord. shares:        |                     |          |          |
| Earned .....                         | 16,463              | 41,846   | 118,639  |
| Paid .....                           | Nil                 | Nil      | Nil      |
| Earned (%) .....                     | 0.7                 | 1.9      | 5.5      |
| Reserve .....                        | Dr. 435,278         | 15,000   | 100,000  |
| Carried forward .....                | 31,953†             | 58,799   | 77,438   |

\* Includes profit on redemption of debenture stock.

† After crediting £200,000 from special reserve, and providing for £766,809 film production and distribution losses.

Nor, judged by the accounts themselves, is the rise in profits a matter for undiluted satisfaction. The directors

have reduced the depreciation and amortisation provision from £42,498 to £28,882, on assets, including properties and studios and equipment, booked at £2,006,333. There has also been a "moderate decrease" in profits from film exhibiting, possibly a significant point, since reference was made in the previous report to a fall in the combined profits of the theatres within the group.

\* \* \*

Hence, a fuller explanation of the rise in profits seems desirable, for it has not resulted from Bush Radio, nor from exhibiting. The balance sheet provides no fuller information than in past years. Out of total assets of £12,975,720, gross interests in subsidiary companies account for £9,688,822. The parent company has reduced its bank overdraft from £373,991 to £240,789, but the reduction in the amounts due from subsidiaries on loan and current accounts might conceivably have some connection with reduced bank indebtedness. The balance sheet shows a sharp expansion in debtors, including payments in advance, from £578,367 to £827,849, which is unexplained in the directors' report. Nor does the latter refer to several points of importance to Gaumont-British shareholders. No mention is made of the state of the merger negotiations between the Gaumont and Odeon groups. Nor, perhaps understandably, is there any reference to the appointment last February of a Board of Trade inspector to inquire into the Corporation's affairs. Shareholders will recall, however, that Mr Oliver Stanley recently described the directors' attitude as unhelpful. Further, shareholders would appreciate the fullest information regarding the progress of consolidating the group, with its 100 subsidiary and associated companies, to which the chairman referred two years ago. A radical improvement in the Corporation's earnings position is necessary before the ordinary shares can command even speculative support. Meanwhile, shareholders can only continue to press for much fuller information than the board is at present disposed to make available.

\* \* \*

**Watney Combe Reid Profits.**—The full report of Watney Combe Reid and Company hardly bears out the market's favourable interpretation of the preliminary figures, which showed an improvement in net profits, after providing for debenture interest and preference dividends, from £1,014,635 to £1,020,948. In fact, trading profits have been reduced from £1,978,985 to £1,961,155, while

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SALVADOR, VENEZUELA, BRAZIL  
SPAIN, PORTUGAL, FRANCE

Head Office:

6, 7 and 8, TOKENHOUSE YARD, LONDON, E.C.2

Agencies in: New York, Bradford, Manchester

August 5, 1939

rent and dividend income is slightly lower at £530,258. Hence the company's total income has been reduced from £2,514,948 to £2,491,413. Trade and other expenses are higher, but appreciably less has been needed for repairs and depreciation of brewery and other properties, the allocation being reduced from £291,756 to £238,095. This reduction contains the key to the company's improved net profits, and provides an increase in the balance of earnings available for the deferred stock from £887,219 to £893,532. This is equivalent, as the following table shows, to 31.9 per cent.:

|                                                 | Years to June 30 |           |           |
|-------------------------------------------------|------------------|-----------|-----------|
|                                                 | 1937             | 1938      | 1939      |
| Trading profit .....                            | 2,028,808        | 1,978,985 | 1,961,155 |
| Rents, dividends, etc. ....                     | 544,128          | 535,962   | 530,258   |
| Total profits .....                             | 2,572,936        | 2,514,948 | 2,491,413 |
| Trade and office expenses, etc.                 | 773,572          | 799,188   | 825,712   |
| Fees, licence duties and deposit interest ..... | 75,077           | 75,246    | 77,100    |
| Repairs and depreciation .....                  | 295,703          | 291,756   | 238,095   |
| Debt interest .....                             | 254,441          | 249,875   | 245,310   |
| Prof. and pref. ord. dividends                  | 211,663          | 211,663   | 211,663   |
| Deferred Ordinary Stock:—                       |                  |           |           |
| Earned .....                                    | 962,480          | 887,219   | 893,532   |
| Paid .....                                      | 605,228          | 573,374   | 573,373   |
| Earned % .....                                  | 34.0             | 31.6      | 31.9      |
| Paid % .....                                    | 19               | 18        | 18        |
| To property improvement reserve .....           | 350,000          | 325,000   | 325,000   |
| Carried forward .....                           | 325,586          | 314,430   | 309,588   |

Although the deferred stock units responded briskly to the preliminary profits announcement, the full report will accordingly lead to a revision of first thoughts. The company may be said to have fared well in a difficult year, and if further taxation imposts are avoided it may recover some of the ground lost during the past two years, in view of the present rising trend of purchasing power and expanding beer output. The balance sheet reveals the customary strong position, the chief movement being the reduction in gilt-edged and other securities from £1,828,283 to £1,611,417. Possibly as a result of last year's unexpected reduction in the bonus, Watney deferred stock has recently been standing on a significantly higher yield basis than brewery shares in general. This week's improvement, which has raised the price to 65s. 6d., may be regarded as a welcome corrective to a relative undervaluation of the deferred stock. But the revised yield basis of £5 14s. 1d. per cent. is probably now in line with its prospects.

**Tootal Broadhurst Lee Recovery.**—The excellent impression created by this company's preliminary figures has been confirmed by the year's full accounts. Profits for year to June 30th (after deducting general charges, directors' fees and depreciation) amount to £290,256, compared with £257,301 for the previous year. The directors' report offers no explanation for this improvement of 12.8 per cent., but doubtless the continued public demand for the company's branded products in the home market, on which it largely depends, assisted by its highly efficient distributive organisation and a certain expansion in the United States market following the Anglo-American trade agreement, are sufficient to explain the increase. Taxation and N.D.C. reserve receives £95,000 this year against £85,000, while interest and preference dividends absorb approximately the same amount as last year at £16,598. There is thus a balance of £178,658, compared with £155,573, available for the ordinary and employees' shares, from which the directors again recommend a dividend of 10 per cent., plus a 2½ per cent. bonus which in turn necessitates the provision of £40,000, as last year, under the employees' bonus scheme. The allocation to reserve is raised from £25,000 to £60,000 leaving £123,065 to be carried forward against £123,994 brought in. The profit and loss accounts for the past three years are analysed below.

August 5, 1939

|                                  | Years to June 30 |         |         |
|----------------------------------|------------------|---------|---------|
|                                  | 1937             | 1938    | 1939    |
| Trading profit† .....            | 295,661          | 257,301 | 290,256 |
| Taxation .....                   | 88,000           | 85,000  | 95,000  |
| Interest .....                   | 2,185            | 1,978   | 2,098   |
| Preference dividend .....        | 15,125           | 14,750  | 14,500  |
| Ordinary and Employees' shares:— |                  |         |         |
| Earned .....                     | 190,351          | 155,573 | 178,658 |
| Paid .....                       | 80,367           | 78,648  | 79,587  |
| Earned (%)‡ .....                | 19.1             | 16.4    | 18.7    |
| Paid (%)§ .....                  | 12½              | 12½     | 12½     |
| Staff bonus .....                | 40,000           | 40,000  | 40,000  |
| To reserve .....                 | 25,000           | 25,000  | 60,000  |
| Carried forward .....            | 112,069          | 123,994 | 123,065 |

\* Including bonus of 2½ per cent.

† After deducting general charges, fees, depreciation, etc.

‡ After allowing for employees' rights under bonus scheme.

The balance sheet shows fixed assets at £695,882 compared with £744,188, the decrease being largely due to the smaller value of additions made during the year, while £66,111 has been written off compared with £59,937 for 1937-38. The already strong liquid position of the company is now reinforced with an increase in the cash item from £414,144 to £455,595 though this may indicate only a lull in a long-term policy of maintaining technical efficiency by large annual expenditure on capital equipment. The increased holdings of stocks and stores from £877,591 to £981,125 suggests the anticipation of good business in the next few months. The company's trade-marked products certainly stand to gain from the rising purchasing power of the wage-earner generated by the re-armament programme. The ordinary shares are quoted at 46s. 6d. to yield £5 7s. 6d.

**Gold Fields Rhodesian Development.**—The report of Gold Fields Rhodesian Development for the year to May 31, 1939, shows simply that the company has been subject to the influences which have affected all mining finance concerns. Net profit is shown at £127,277, as against £139,963 for the preceding year, though both figures are shown before providing for depreciation of securities. The extent of this depreciation during the period under review is not clear, but a sum of £50,000 is provided from the year's revenue balance, and after allowing for this provision the market value of the quoted investments appears in the aggregate to show an appreciation over book values at May 31st last. The profit and loss account to that date shows, for the first time, revenue derived from profit on sales of investments as distinct from dividend on investments and sundry revenue, and during 1938-39 the former provided just under 50 per cent. of the total. A figure given for comparative purposes in the current report indicates that ordinary income was £2,272 higher at £73,253. The review of the Rand interests of the company (which form only part of the portfolio) provided by Mr D. Christopherson at this week's meeting, may be regarded as entirely satisfactory. In particular, Vogelstruisbult, in which the company is substantially interested, continues to show improved profits and encouraging development results, and declared an initial dividend in June. With a well-chosen portfolio, active management, and an established market following, the 10s. shares at the present level of 7s. 3d. are a good representative among shares of the smaller type of mining finance concern.

**The Week's Company Profits.**—The table of profit and loss accounts on page 298 analyses the results of 28 companies, which show net profits of £3,365,253, compared with £3,216,958 a year ago. This improvement of 4.3 per cent.—the first for a considerable time—is largely due to the Associated British Picture and Gaumont-British results. Aggregate net profits of 1,666 companies whose reports have been published this year to date amount to

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£212,834,363 compared with £230,731,333, a decline of 7.7 per cent. This week's results are discussed in preceding Notes and on page 298 under the heading "Shorter Comments."

**Company Meetings of the Week.**—Reports of company meetings will be found from page 287 of this issue. Mr D. Christopherson's speech at the *Gold Fields Rhodesian Development* meeting is reviewed on page 287. Major C. M. Threlfall informed shareholders of *Threlfall's Brewery* that the company was now deriving benefit from the new and improved properties. Permission had

been obtained to erect four new fully licensed hotels. At the meeting of *Palestine Electric Corporation*, Viscount Samuel discussed the capital expenditure of almost £1,000,000 in 1937 and 1938 on new power stations at Haifa and near Tel-Aviv. The first five months of this year showed a 6½ per cent. increase in revenue. At the meeting of *Brush Electrical Engineering*, Sir Ronald W. Matthews dealt with the company's transformer department, and the latest arrangements for manufacturing Diesel engines. He declared that the directors looked forward to the future with confidence. Viscount Horne advised shareholders of *New Broken Hill Consolidated* that although the geological survey of the company's leases held out prospects of highly profitable working, evidence was not yet conclusive, and the report should be treated with caution.

## THE STOCK EXCHANGES

### London

#### SETTLING DAYS

TICKET ACCOUNT  
AUGUST 22 AUGUST 24

ALTHOUGH the industrial market maintained a show of firmness at the opening of the three-week holiday account, business and prices have declined as the week has progressed. The reasons are not far to seek. A slight increase in nervousness regarding Danzig, apparent differences of view regarding the Tokyo agreement, the railway engineers' demands, and the psychological effect of the Guinness dividend on a firm brewery market—all these factors have played their part in producing duller markets. Some recovery, however, was reported on Thursday.

*Gilt-edged securities* have not been featured in the headlines, but the trend has become distinctly adverse this week. Undated stocks, led by War Loan, were depressed from the outset, and by mid-week War Loan had touched 91½ compared with 92½ at the close last week. Redeemable stocks were at first content to remain dull, but they too suffered a sharp reaction in mid-week. The improvement in New Zealand stocks continued, although the balance of trading prevented any dashing rise in prices. Apart from certain Australian issues and the South African scrip, the Dominion list did not react immediately to the setback in gilt-edged prices, although interest fell to a low level. The L.C.C., Herts. and Sudan scrips were all marked lower.

German issues were the feature in the *foreign bond market*, for a small volume of selling due to political nervousness produced significant reaction throughout the list. Czech 8 per cents. experienced a sharp fall, after an equally sharp initial rise. Further reactions occurred in Japan bonds, and dealings earlier in the week could only be conducted by negotiation.

*Home rail stocks* were depressed by strike fears and a sharp fall was recorded throughout the marginal, preference and senior stocks. The relatively favourable traffics were without effect and on Wednesday the entire market showed significant signs of weakness, L.N.E.R. second guaranteed falling no less than 3½ to 60, while some of the debentures lost two points. Except for an early rise in Pacific Consolidated debentures the foreign railway market was entirely lacking in features, although prices were unchanged in mid-week.

Though conditions in the *industrial share market* were quiet after the week-end, the undertone was firm. Good class equities were in demand and leading steel issues showed improvement. Whitehead were outstanding, but they offered little resistance in the general decline on Wednesday. Engineering shares were favoured on Monday, and held their gains well into the week. In the electrical list, prices of equipment issues were mainly easier on Wednesday, but supply issues showed little reaction from Tuesday's higher levels. Motor shares were rather subdued this week, though Albion has provided an exception. The continued uncertainty of the effects of Government contract price-fixing and taxation on the aircraft industry had an unsettling effect on leading issues, prices slipping fractionally on Wednesday and Thursday.

Brewery shares were at first assisted by the good beer output figures for June, and Watney deferred were outstanding on the preliminary profits figures. The reduced Guinness distribution, however, was an unsettling factor later in the week. Tobacco shares, after an irregular opening, receded as the week progressed. Leaders in the textile group, and also several low-priced issues had a firm appearance but were unable to resist the easier tendency later. Courtaulds and British Celanese were subject to selling for the greater part of the week, though Courtaulds improved on Thursday. In the stores group, Great Universal found support on Monday. Later, Harrods and Marks and Spencer provided a short-lived diversion. Provision and catering issues opened strongly, with J. Lyons in the lead, but scattered sales of the leaders later caused a depressed tone. Shipping shares lost ground on Tuesday, but prices were held at the lower levels in

mid-week. Turnover in the miscellaneous section has been small, and fractional losses among the leaders on Monday set the trend for the rest of the week, though Associated Cement and Crittall offered resistance.

In the *oil share market*, prices opened firm on Monday with some investment demand for Anglo-Iranian. On Tuesday, the disappointing overnight performance of Wall Street and doubts regarding the international situation caused a marking down of prices which was later accentuated by sales of "Shell" and Royal Dutch from the Continent. The improved rubber price after the weekend caused a harder tone in the share market, and both professional and public support was in evidence. Later, the turnover of shares increased, though interest was concentrated on the outside issues. Among tea shares, Ceylon issues were a feature.

Among *mining* shares, the new account opened on a subdued note, though Geduld continued their rise. Fractional improvements in Kaffirs were due, however, to short supplies of stock, rather than sustained buying, and prices eased later, despite the favourable July profits statements. Among developing issues, Blyvoor responded favourably to the latest news on the flooded shaft, but other counters, after ruling steady in the early part of the week, reacted sharply on Wednesday. Central Mining were in demand among finance shares on Monday, but prices eased in mid-week. Ashanti created a diversion early in the week, but later lost ground on profit-taking. In the base metal market, copper shares failed to respond to the higher commodity price.

## 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<br>No. of<br>Stocks and<br>Shares in<br>Portfolio | YIELD<br>Gross<br>Approx. Last<br>Dividends<br>Current Prices |
|---------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------------|
| A General Portfolio                               |                                                          |                                                               |
| HUNDRED SECURITIES TRUST                          | 102                                                      | 8½%                                                           |
| Unique Savings Facilities                         |                                                          |                                                               |
| SAVINGS UNIT TRUST                                | 28                                                       | 5½%                                                           |
| Protection against possible<br>Currency Inflation |                                                          |                                                               |
| INVESTORS' GOLD SHARE TRUST                       | 15                                                       | 8½%                                                           |
| Household Goods and Services                      |                                                          |                                                               |
| PROVIDENT INVESTORS' TRUST                        | 30                                                       | 5½%                                                           |
| Completely Flexible Management Powers             |                                                          |                                                               |
| INVESTORS' FLEXIBLE TRUST                         | 124                                                      | 5½%                                                           |

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. Investors' Second General 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.

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London, E.C.2

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(£72,811). To tax, £36,769 (£19,232). To reserve, £45,000 (£15,000). Ordinary dividend, 20 per cent., plus bonus 10 per cent., against a dividend of 10 per cent. plus bonus 5 per cent. Carry-forward raised from £13,220 to £22,051.

| Year to date     | £.          | Pct.       | Ord.       |
|------------------|-------------|------------|------------|
| 1939 (New Basis) | 43,170,145  | 6,191,074  | 31,436,803 |
| 1938 (New Basis) | 137,070,732 | 14,060,596 | 60,788,987 |
| 1939 (Old Basis) | 56,183,921  | 2,688,459  | 10,041,482 |
| 1938 (Old Basis) | 126,311,813 | 8,200,246  | 17,247,182 |

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.

To Shareholders Only  
Odham's Properties, C/O 1, 2, 3, 4

**Odham's Properties.**—Offer by Odham's Press to shareholders of Odham's Press.

AFTER the sharp recession at the end of June, following the pessimistic reports on the Danzig situation, a sharp recovery set in, and lost ground was quickly regained. But the market remains nervous and incapable of any sustained improvement until the international skies clear. The only stocks to enjoy any considerable support have been companies interested in the fortunes of the prairies on optimistic reports about the western grain crop. The "Investors" index of the Bureau of Statistics, which stood on June 30th and 92.8, had regained 94.7 by July 7th and 96.7 by July 13th. In the mining market silver stocks slumped badly on the United States Government's announcement that foreign silver purchases would cease. In the general market, despite a fractional setback in the fourth week, prices have advanced several points on the month, particularly among industrials, newspaper, gold and base metal shares. The bond market has remained strong, with a good demand for high-class issues, the Bureau's Index for the price of long-term Dominion bonds for the week July 7-13 being 118.0, as compared with 181.1 for the corresponding week of June and 118.0 for the corresponding week of 1938.

## Berlin

THE Bourse last month showed no decided trend. On balance, a more optimistic tone developed, but shares showed little inclination to follow any general trend, and remained insulated from the political reactions in other bourses. After a firm opening, led by electrical

THE Bourse last month showed no decided trend. On balance, a more optimistic tone developed, but shares showed little inclination to follow any general trend, and remained insulated from the political reactions in other bourses. After a firm opening, led by electrical and shipping issues, prices became somewhat hesitant, and by the middle of the month shipping, steel, munition and bank shares had all slipped back. An improvement set in later, however, but gains were irregular, and shares in the same industry frequently showed widely divergent trends.

|                     | June<br>28,<br>1939 | Aug.<br>2,<br>1939 |                   | June<br>28,<br>1939 | Aug.<br>2,<br>1939 |
|---------------------|---------------------|--------------------|-------------------|---------------------|--------------------|
| Reichs-<br>bank.... | 185.25              | 180                | Nord.<br>Lloyd .. | 46.50               | 48.75              |
| D.D.                |                     |                    | A.E.G....         | 109.25              | 113.90             |
| Bank ...            | 111.50              | 111.50             | Siemens           |                     |                    |
| Dresdner            | 105.50              | 106.10             | & H....           | 186.50              | 186.50             |

JULY opened under the bane of international tension and domestic political problems. Prices were marked up fractionally in the first half of the month, due to periodic spurts in market leaders and commodity shares, but restraint remained the keynote. Even the sudden mid-month spurt in Wall Street affected local markets for only twenty-four hours. By the third week, however, a more optimistic reading of political news resulted in a firmer tendency, activity in rubber shares spreading to other sections. Shipping issues were firm and even Dutch Government bonds had a stronger appearance. This improvement coincided with the sudden appreciation of Amsterdamsche Bank and Rotterdamsche Bankvereeniging shares on news of their amalgamation. A fresh Cabinet crisis towards the end of the month depressed the bond market, but equities were able to consolidate their recent gains. The *Telegraaf*

|                              |       |       |                  |      |      |
|------------------------------|-------|-------|------------------|------|------|
| Ac. American...              | 255   | 2518  | Caterpillar ...  | 45   | 4514 |
| Pac. Gas & El.               | 3314  | 3334  | Int. Harvester   | 5514 | 5514 |
| Pub. Serv N.J.               | 40    | 4158  | Johns Manville   | 79   | 76   |
| United Corp.                 | 314   | 3158  | Amn. Radiator    | 123  | 1134 |
| U. S. Gas Imp.               | 1314  | 1319  | Corn Prods...    | 6212 | 63   |
| Am. Tel. Int.                | 16714 | 169   | 11 Case & Co.    | 76   | 7616 |
| Western Tel. For.            | 714   | 714   | Glidden .....    | 191  | 181  |
| Western Union                | 2558  | 2814  | Celanese of A.   | 263  | 2834 |
| Radio .....                  | 614   | 658   | Eastm'n Kdk.     | 169  | 173  |
|                              |       |       | Loews .....      | 465  | 47   |
|                              |       |       | 20th Cen. Fox    | 2034 | 2118 |
| <b>5. Retail Trade, etc.</b> |       |       |                  |      |      |
| Am. Met. Mill                | 16    | 1512  | Mont. Ward...    | 5314 | 5412 |
| Reph. Steel ...              | 6312  | 6374  | Mont. Ward...    | 7934 | 7918 |
| Public Serv. St.             | 181   | 1814  | Woolworth ...    | 4834 | 4912 |
| J.S. Steel ...               | 535   | 525   | Nat. Biscuits... | 2714 | 2574 |
| Am. Metal Pl.                | *9910 | 110   | Nat. Dairy ...   | 1714 | 1814 |
| Am. Steel ...                | 2934  | 29    | Am. Tob. B...    | 8512 | 8518 |
| Am. Smelting                 | 4612  | *4654 | Nat. Distillers  | 2534 | 2434 |
| Am. Anaconda                 | 2658  | 274   |                  |      |      |
| Cerro de Pas.                | 374   | 3634  |                  |      |      |
| Int. Nickel ...              | 5014  | 5058  |                  |      |      |
| Kennecott...                 | 5634  | 5718  |                  |      |      |
| J.S. Smelt...                | 534   | 5312  |                  |      |      |
| Phillips Petr.               | 3512  | *3532 |                  |      |      |
| <b>6. Finance</b>            |       |       |                  |      |      |
|                              |       |       | Comcl. Credit    | 4834 | 48   |
|                              |       |       | Com. Inv. Tr.    | 5434 | 55   |
| <b>* x d</b>                 |       |       |                  |      |      |
| <b>Pears</b>                 |       |       |                  |      |      |

THE "war of nerves" was endured with fortitude by the Bourse last month. The first week saw a reaction against the previous dulness. Although turn-

By courtesy of the Standard Statistics Company, Inc., of New York, we print the following index figures of American

### CAPITAL ISSUE TOTALS

| Week ending            | Nominal     | Con-        | New         |
|------------------------|-------------|-------------|-------------|
| August 5, 1939         | Capital     | versions    | Money       |
| To the Public.....     | £ Nil       | ... Nil     | £ Nil       |
| To Shareholders.....   | 714,900     | ... Nil     | 704,900     |
| By S. E. Introduction  | Nil         | ... Nil     | Nil         |
| By Permission to Deal  | 389,073     | ... Nil     | 608,773     |
| Saving Certs., week to |             |             |             |
| July 29, 1939          | Dr. 150,000 | ... Nil     | Dr. 150,000 |
|                        | Including   | Excluding   |             |
|                        | Conversions | Conversions |             |
| Year to date           | £           |             |             |
| 1939 (New Basis).....  | 103,220,103 |             | 80,770,022  |
| 1939 (New Basis).....  | 231,811,278 |             | 211,920,315 |
| 1939 (Old Basis).....  | 70,306,941  |             | 48,876,862  |
| 1938 (Old Basis).....  | 170,694,109 |             | 151,753,241 |

**Destination  
(Excluding Conversions)**

|                  | U.K.        | Brit. Emp.<br>ex. U.K. | Foreign<br>Countries |
|------------------|-------------|------------------------|----------------------|
| Year to date     | £           | £                      | £                    |
| 1939 (New Basis) | 53,719,870  | 24,869,148             | 2,181,004            |
| 1938 (New Basis) | 163,590,670 | 45,900,416             | 2,429,229            |
| 1939 (Old Basis) | 32,716,771  | 15,840,091             | 320,000              |
| 1938 (Old Basis) | 129,318,976 | 20,035,141             | 2,399,124            |

## MISCELLANEOUS

**MISCELLANEOUS**

**Steel and Company, Ltd.**—Second report for year to March 31, 1939, shows trading profits £34,714 against £36,243 for the initial 12½ months' period. To depreciation, £3,755 (£3,455). To tax and N.D.C., £4,416 (£5,047). To general reserve, £1,500 (nil). To reserve for doubtful debts, £2,000 (nil). Ordinary dividend, 10 per cent. as before. Carry-forward, £1,127 (£845).

**Magnet Joinery, Ltd.**—Trading profits year to February 28, 1939, £17,234 (£27,325). To depreciation, £2,614 (£3,625). Profits before tax, £13,829 (£22,989). To tax and N.D.C., £4,022 (£7,593). Ordinary dividend maintained at 10 per cent. Carry-forward raised from £2,493 to £9,272.

**Clifford Motor Components, Ltd.—**  
Net profit year to May 31, 1939, £90,806  
(£47,616). Total income, £137,508

**Saker Bartle (South Africa).**—Total income year to March 31, 1939, £18,910 (£24,289). To tax, £1,500 (£1,505). Net profit, £9,413 (£13,729). Carry-forward reduced from £1,232 to £270. Cash, £149 (£2,606). To bank loan, £104,110 (£88,001).

## SHORTER COMMENTS

**Company Results of the Week.**—The increase in the net profits of **SHOWELLS BREWERY** from £28,826 to £32,816 is encouraging, and against the trend of recent brewery companies' results. Investment trusts continue to feel the pinch of falling profits, though shareholders of **EDINBURGH & DUNDEE SECOND CLYDESDALE** and **THIRD-SCOTTISH AMERICAN** (whose reports are to hand this week) avoid the brunt of the decline. **CONTINENTAL AND INDUSTRIAL**, however, has lowered the distribution on the year to 4½ per cent. compared with 5½ per cent. Though the company's markets have been affected by political difficulties, **BENN BROTHERS** have well maintained their revenues, net profits having increased from £38,718 to £40,007. **W. AND H. M. GOULDING** continue their steady record over the last decade with net profits, but little changed, of £34,884 and pay the customary 6 per cent. ordinary dividend. Net profits of **BRITANNIA ELECTRIC LAMP WORKS** at £21,521 are down on the year, due partly to the large allocations to depreciation and amortisation, but despite satisfactory progress at the Acton and Wembley factories, a further £12,500 has been required to write off losses in subsidiaries. Another of the newer concerns, **KAY AND CO. (ENGINEERS)**, has reduced its ordinary dividend from 20 per cent. to 15 per cent. The profits of **SAKER BARTLE (SOUTH AFRICA)** show a serious fall, for the second year in succession, from £24,289 to £18,910, which is stated to be due to severe competition in the motor-car distribution business. The accounts of **STEEL AND CO.** reveal a satisfactory profits position compared with past years, the dividend for the 15 months to March 31, 1938, being repeated at 10 per cent.

**Celanese Corporation of America.**  
—Net profit second quarter 1939, \$1,691,060, making \$3,027,774 for first half of 1939. Net profit second quarter 1938, \$426,050, making total first half of 1938, \$540,325. Construction on the company's new plant in Virginia is proceeding rapidly, and it is anticipated that the plant will be in operation at the end of 1939.

**London and Thames Haven Oil Wharves.**—The company intimates that it is not anticipated that the committee's report to the shareholders can be completed until late in the autumn owing to the volume of accounts and documents to be examined and the complexity of the transactions entered into by those companies.

**Royal Bank of Canada.**—The Royal Bank of Canada announce the appointment of Mr W. F. Angus as a Vice-President of the Bank, to fill the vacancy recently caused by the death of Mr Julian C. Smith, and the appointment of Mr S. G. Dobson as a Director of the Bank and Member of the Executive Committee.

**Brightside Foundry and Engineering Company.**—Profits year to June 30, 1939, £137,000 (£90,850). Ordinary dividend 15 per cent., together with a cash bonus of 20 per cent. For preceding year the ordinary dividend was 15 per cent., together with a cash bonus of 10 per cent.

**Cossor Share Deal.**—Provisional terms have been settled for the disposal of a block of 1,000,000 ordinary shares of A. C. Cossor, Ltd., subject to approval of shareholders. These shares represent 50 per cent. of the issued capital and are owned by A. C. Cossor (Holdings), a subsidiary of Sterling Industries, formerly Ismay Industries. It is stated that the company's turnover for the first three months of the current financial year has reached record figures.

**Burma Corporation.**—Final dividend of 5 annas on ordinary shares of 9 rupees, making 9 annas tax free for year to June 30, 1939. The dividend is equal to 6½ per cent., tax free. For previous year dividend was 10 annas tax free, or 6⅔ per cent.

**Broken Hill Proprietary Mines, Ltd.**  
—Net profit year to May 31, 1939, of £1,431,513 shows a rise of £131,052. This figure is arrived at after providing £850,670 for depreciation, against £709,054 for previous year. Ordinary dividend maintained at 12½ per cent. on a capital of £6,950,776 against £5,220,371.

**Witwatersrand Working Profit.**—Total estimated working profit of Witwatersrand gold mines for June, 1939, amounted to £2,912,124, against £2,961,769 for May, 1939.

(Continued on page 295)

# Industry and Trade

**Record Employment.**—The continued expansion in business activity is reflected in the employment and unemployment returns for July. Between June 12th and July 10th, the number of insured persons aged 16 to 64 (exclusive of agriculture) estimated to be in employment in Great Britain rose by 95,000 to 12,064,000. This is the highest number ever recorded; it exceeds the record reached in August, 1937, by some 350,000, and the figure for July last year by about 650,000. That the improvement is not due to seasonal influences is revealed by the movement of *The Economist's* indices of employment and unemployment, given in the accompanying table. Moreover, the fall in unemployment last month was again fairly widespread; it was almost as marked in the

EMPLOYMENT AND UNEMPLOYMENT IN GREAT BRITAIN

| Date of Return | Unemployment                                               |                                         |                           |                                                                           | Employment                                              |                                         |
|----------------|------------------------------------------------------------|-----------------------------------------|---------------------------|---------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------|
|                | Registered unemployed aged 14 and over (incl. agriculture) |                                         | Of whom wholly unemployed | Percentage of insured persons (aged 16-64) unemployed (excl. agriculture) | Insured persons aged 16-64 employed (excl. agriculture) |                                         |
|                | Total                                                      |                                         |                           |                                                                           | Number                                                  | Index, adjusted for seasonal variations |
|                | Number                                                     | Index, adjusted for seasonal variations |                           |                                                                           |                                                         |                                         |
|                | '000                                                       | 1935 = 100                              | '000                      | %                                                                         | '000                                                    | 1935 = 100                              |
| 1937           |                                                            |                                         |                           |                                                                           |                                                         |                                         |
| Sept. 13.....  | 1,339                                                      | 66.1                                    | 1,091                     | 9.5                                                                       | 11,706                                                  | 112.2                                   |
| 1938           |                                                            |                                         |                           |                                                                           |                                                         |                                         |
| 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                                     |
| Oct. 12 .....  | 1,799                                                      | 88.6                                    | 1,324                     | 12.9                                                                      | 11,429                                                  | 110                                     |
| Sept. 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                     | 11.3                                                                      | 11,685                                                  | 112½                                    |
| May 15 .....   | 1,492                                                      | 74.7                                    | 1,234                     | 10.3                                                                      | 11,838                                                  | 113½                                    |
| June 12 .....  | 1,350                                                      | 67.6                                    | 1,099                     | 9.5                                                                       | 11,969                                                  | 115                                     |
| July 10 .....  | 1,256                                                      | 62.2                                    | 1,014                     | ...                                                                       | 12,064*                                                 | 116                                     |

\* Estimated.

consumption goods trades as in the industries on which defence expenditure is mainly concentrated. The expansion in the demand for consumption goods is a direct consequence of the increase in Government expenditure. But how long will it be possible to increase the production of armaments as well as that of consumption goods? As the number of registered unemployed on July 10th was still 1,256,000, there appears to be considerable scope for a further expansion in production. Actually, however, the limit is much closer than this total suggests. It is quite possible, in fact, that a number of industries may soon reach the stage when their total output cannot be increased much further. When that stage will actually be reached, however, depends largely on the rate of increase in defence expenditure. The Government will then be faced with the task of curtailing production for non-military purposes; this can be done through taxation and rationing or by allowing prices to rise. So far, however, the Government has given no indication of the policy it is likely to adopt.

**Engineering Faces Labour Shortage.**—One industry in which a shortage of labour may soon be seriously felt is engineering, for unemployment in this branch of activity has already been virtually eliminated. The table

below shows how small the industry's labour reserves now are:—

| Administrative Division | PERCENTAGE OF INSURED PERSONS UNEMPLOYED IN JULY |                        |                    |  |
|-------------------------|--------------------------------------------------|------------------------|--------------------|--|
|                         | General Engineering                              | Electrical Engineering | Motor and Aircraft |  |
| London.....             | 2.5                                              | 2.9                    | 3.0                |  |
| South East.....         | 2.2                                              | 4.9                    | 2.0                |  |
| South West.....         |                                                  | 2.0                    |                    |  |
| Midlands.....           | 2.6                                              | 2.1                    | 4.8                |  |
| North.....              | 8.2                                              | 4.6                    | ...                |  |

The proportion of insured persons unemployed in general and electrical engineering and in the motor and aircraft industries is now only about 2 per cent. in the principal centres of these industries. The scope for further expansion in these industries thus appears to be limited in the absence of the dilution of skilled labour; but the unions, aware of their responsibilities, have virtually agreed to permit dilution when all skilled workers have found employment.

**Volume and Value of Overseas Trade.**—The volume of Britain's imports in the second quarter of this year was higher than in the corresponding quarters of 1929 and 1937. In view of the unprecedented expansion in industrial production this is scarcely surprising. Domestic exports, though appreciably higher in volume than in April-June last year, were still well below the level of the corresponding quarter in 1937. Nevertheless, the figures show that the revival in the export trades has played a part in recovery. Despite the increase in the volume of imports, however, their average price in the second quarter was scarcely higher than in the first quarter and remained well below that reached in 1937. The absence of a rise in import prices is probably due, in a large measure, to the

INDICES OF THE AVERAGE PRICE AND VOLUME OF IMPORTS AND EXPORTS (1935=100)

|                     | AVERAGE PRICE    |       |       | VOLUME           |       |       |
|---------------------|------------------|-------|-------|------------------|-------|-------|
|                     | Retained Imports |       |       | Domestic Exports |       |       |
|                     | 1937             | 1938  | 1939  | 1937             | 1938  | 1939  |
| First quarter.....  | 113.5            | 117.6 | 107.9 | 105.2            | 113.9 | 109.1 |
| Second quarter..... | 119.9            | 113.4 | 108.1 | 109.2            | 111.9 | 108.6 |
| Third quarter.....  | 123.7            | 111.3 | ...   | 113.1            | 111.7 | ...   |
| Fourth quarter..... | 120.4            | 108.8 | ...   | 113.2            | 111.1 | ...   |
| First quarter.....  | 106.0            | 111.4 | 108.0 | 108.2            | 99.7  | 102.5 |
| Second quarter..... | 110.5            | 104.4 | 113.8 | 112.0            | 94.3  | 101.4 |
| Third quarter.....  | 110.6            | 106.7 | ...   | 111.6            | 95.5  | ...   |
| Fourth quarter..... | 127.7            | 112.4 | ...   | 112.8            | 105.0 | ...   |

recession in the United States early this year, which has only recently given way to an improvement. If recovery in the United States is sustained during the next few months, import prices will probably show a more marked upward trend. The decline in import prices since 1937 largely explains why the rapid expansion in domestic business activity has not been accompanied by a more marked rise in costs. Industry has been able to obtain cheap raw materials, while the fall in the prices of imported food, reflected in the decline in the cost of living, largely explains why there has been no marked intensification so far in the pressure for higher wage rates.

**Railwaymen's Wages.**—The announcement at the end of last week that the minimum wage of railway employees in the conciliation grades would be raised at the end of

July from 43s. to 45s. was welcomed as an expression of a spirit of conciliation within the industry. The initial gratification at this move, which was made by the general managers of the four main line companies and not through the normal machinery of the Railway Staff National Tribunal, was somewhat damped by a fuller consideration of the general railway wage position. At the end of February of this year the Railway Staff National Tribunal turned down an application by the unions for increases of pay and improved conditions of work. The granting of this claim would have added at least £6,869,000 to the railways' annual working costs. The unions have since modified their demands, and present claims would involve an addition to annual wages of not much less than £2,000,000. The decision actually made affects directly about 15,000 men in station, train movement and clerical staffs, and will cost the companies about £100,000 a year. The Locomotive Engineers, in particular, seem to have accepted the award as an insult, and their executive has issued a warning that unless its original claims are met in full resort may be had to a strike. Every sympathy must be felt for those members of the lower-paid grades of railway employees who have asked for bread and have been given an amorphous object which is neither bread nor a stone. But, on the other hand, it must be recognised that the reasons why the companies expressed themselves unable to meet the full demand of last February still hold good to a very great extent. At that time they said that traffic receipts and net earnings would not permit so great an addition to annual outgoings. The argument was a strong one; and the rise in net revenue during the past six months by £1,896,000 as compared with last year does not weaken it very appreciably, since the net revenue is still £2,772,000 less for the half-year than in the first six months of 1937. The National Tribunal last February said that an increase in the wages of the lowest grades should be a first claim when revenues rose sufficiently to make concessions possible. Revenues have risen; and concessions have become possible. It would be difficult to argue that these concessions should be limited to so small an amount as £100,000.

**Petrol in War-time.**—During the first six months of the current year Britain imported 1,691 million gallons of crude oil and petroleum products (something like six million tons) at a cost of over £24 millions; of this quantity 804 million gallons, or almost one-half, consisted of petrol. In view of the certainty of a large increase in mineral oil consumption in time of war and the fact that Britain is able to cover only about 7 per cent. of her peace-time requirements from domestic raw materials, it has long been evident that the most rigid economy would have to be practised in case of an emergency. From a statement made by Mr Geoffrey Lloyd, Secretary of the Mines Department, in the House of Commons on Tuesday, it would appear that the Government's emergency plans for oil are now virtually complete. Arrangements have been made, so Mr Lloyd revealed, for the maintenance of supplies, the accumulation of reserves, marketing and price control. As an inevitable corollary to the control of prices, a scheme of rationing has been prepared for the various categories of consumer. Fears had been expressed that private motoring would be prohibited altogether in war time, but while this is not the Government's present intention, it does not follow that it will in fact be possible to provision a fleet of two million private cars. Rationing will be on a horse-power basis, and owners will have the right to appeal against their allocation to a local petroleum officer. The necessary ration books and petrol coupons have already been printed and distributed throughout the country. Rationing of fuel will also be applied to public service and goods vehicles, though, in view of differences in operating conditions, separate arrangements have been made for each of these branches of road transport. As long ago as last January it was announced that the half-million goods vehicles would be arranged in voluntary "shadow" groups of 25 to 100

vehicles for the purpose of economising transport facilities in time of war; and a month ago the Minister of Transport stated that 316,000 vehicles had already been enrolled. Rationing would be on a group basis and "outside" firms would probably have great difficulty in obtaining supplies. For the 50,000 buses and coaches there will be no grouping system, but services will in all probability be drastically curtailed. Quotas for rationing will be fixed mainly on the basis of actual consumption in 1938, details of which have already been supplied to the Ministry of Transport. Meanwhile, supplies of other petroleum products to industrial users will be regulated by a system of priorities. Although, as Mr Lloyd revealed on Tuesday, the possibility of an extended use of substitute fuels in war time is being investigated, there is no evidence that the Government is contemplating any radical departure from the policy of reliance on imported supplies with adequate storage, recommended last year by the Falmouth Committee.

**American-Japanese Trade.**—On July 26th the Government of the United States notified Japan of its decision to denounce the trade agreement with that country. The decision takes effect after six months. An analysis of the most important products exchanged between the two countries, as given in the American trade returns, is given below:—

U.S. TRADE WITH JAPAN (Million \$)

|                                           | 1929  | 1936  | 1937  |                          |
|-------------------------------------------|-------|-------|-------|--------------------------|
|                                           | Value | Value | Value | As % of total U.S. trade |
| U.S. Imports from Japan:—                 |       |       |       |                          |
| Total.....                                | 431.9 | 171.7 | 195.1 | 6                        |
| Fish and products.....                    | 7.2   | 5.3   | 7.2   | 24                       |
| Undressed furs.....                       | 4.2   | 2.6   | 3.1   | 2                        |
| Tea.....                                  | 5.2   | 2.2   | 3.7   | 17                       |
| Cotton manufactures.....                  | 3.2   | 11.8  | 17.4  | 34                       |
| Raw silk.....                             | 356.1 | 95.0  | 99.6  | 93                       |
| Silk manufactures.....                    | 8.7   | 3.5   | 4.8   | 43                       |
| U.S. Exports to Japan:—                   |       |       |       |                          |
| Total.....                                | 259.1 | 204.3 | 288.6 | 9                        |
| Wheat.....                                | 8.5   | 0.1   | ...   | ...                      |
| Raw cotton.....                           | 109.4 | 88.3  | 61.7  | 17                       |
| Logs.....                                 | 4.8   | 2.2   | 1.4   | 18                       |
| Sawmill products.....                     | 10.1  | 2.4   | 3.1   | 6                        |
| Wood pulp.....                            | 0.6   | 9.0   | 14.4  | 63                       |
| Petroleum, etc.....                       | 22.9  | 28.9  | 43.7  | 12                       |
| Iron and steel and manufactures.....      | 22.3  | 18.2  | 75.1  | 26                       |
| Copper, ingots and bars.....              | 1.6   | 7.3   | 19.3  | 25                       |
| Machinery, electrical and industrial..... | 12.3  | 6.5   | 16.3  | 5                        |
| Cars and parts.....                       | 19.0  | 11.6  | 13.6  | 4                        |
| Chemical products.....                    | 12.2  | 9.9   | 7.3   | 5                        |

The value of American imports from Japan has fallen considerably since 1929, due very largely to the severe fall in prices of raw silk; although the value of the American imports of Japanese raw silk fell from \$356 millions in 1929 to \$100 millions in 1937, the quantity declined only from 70 to 54 million lbs. In 1938 the value of American-Japanese trade again declined; American imports from Japan were valued at \$131.7 millions and her exports to Japan at \$288.6 millions. Japan supplied in 1937 practically the whole of the raw silk used in the United States and an appreciable proportion of her imports of cotton and silk manufactures. In recent years Japan has bought a smaller proportion of her raw cotton requirements from America, but she is still her best market for wood pulp. As in the case of Anglo-Japanese trade, Japan's

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

MATURED AND BOTTLED AT CHATEAU DE COGNAC



exports are largely luxury goods, while her imports consist mainly of raw materials, necessary both for her export trade and her armament industries. If, therefore, the denunciation of the American-Japanese trade agreement were followed by measures restricting the imports of Japanese goods into the United States, it would be extremely difficult for Japan to maintain her existing level of industrial activity.

**French Wheat Policy.**—The fall in cereal prices in 1930 led in France as well as in Britain to measures designed to maintain to the home producer of wheat the customary level of prices. In January, 1933, the French Government, by offering a price considerably above the then world price for wheat, obtained possession of large stocks which it could not resell without heavy loss. In July, therefore, the Government instituted a fixed minimum price for all wheat sold within France and in August, 1936, this measure was reinforced by the setting up of a National Wheat Board to control the prices, production and marketing of wheat. The Board is administered by a Central Council on which are representatives of wheat growers and users, and various Government Departments; it obtains funds by the imposition of a levy on all wheat growers, in proportion to the amount of wheat sold and also obtains the proceeds of the import duty on wheat. In the first two years of its existence, the short harvests enabled the Wheat Board to concentrate its energies on the disposal on world markets of the stores accumulated in 1933-4, but last autumn, when world prices were again declining, the Board was faced with a domestic crop of almost record size. Details of production and trade are given below:—

| FRENCH WHEAT PRODUCTION AND TRADE       |      |      |      |      |
|-----------------------------------------|------|------|------|------|
|                                         | 1935 | 1936 | 1937 | 1938 |
| Area under wheat (mill. acres) .....    | 13.3 | 12.7 | 12.7 | 12.5 |
| Production (mill. quintals)...          | 77.6 | 69.3 | 70.2 | 94.1 |
| Imports (mill. quintals).....           | 7.0  | 5.3  | 4.6  | 4.7  |
| Exports of wheat (mill. quintals) ..... | 8.2  | 3.2  | 0.3  | 0.7  |
| Exports of flour (mill. quintals) ..... | 1.5  | 1.3  | 0.8  | 1.2  |

Arrangements were made with the milling trade to lower the extraction rate of flour, while the State Alcohol monopoly arranged to take over nearly two million quintals of wheat for distilling, and further large quantities have been stored by the State against an emergency. The Board increased by 50 per cent. the levy on growers in order to obtain funds to meet the cost of disposing of the surplus, but this measure was inadequate and subsidies had to be granted from the French Treasury. The latest series of decrees issued in Paris on Monday deals, among other matters, with the problems of the Wheat Board. In future, in years when a special administrative committee considers that the wheat crop, taken in conjunction with any surplus remaining unsold from the previous year, will exceed domestic consumption, growers will surrender to the Wheat Board that proportion of their crop which is considered to be surplus to French requirements and they will be paid for this surplus only on the basis of its realisation value. In effect, the growers will obtain the fixed minimum price (at present 204 francs per hectolitre, less the levy) for that part of their crop which is bought by the trade and a different and presumably lower price for any excess.

**Depressed Oil Markets.**—British oil prices, and those of the world market in general, are dependent in large measure on the course of quotations at the Gulf of Mexico,

for the United States is the world's most important exporter of petroleum products. For most products Gulf export prices in recent months have continued to run below the level of a year ago, despite the fact that total demand has compared very favourably with last year's figures. This fact is revealed by the following table of price indices taken from a recent issue of the *Petroleum Press Service*:—

| EXPORT PRICES F.O.B. GULF<br>(Average of 1929 = 100) |            |          |            |         |                    |                 |
|------------------------------------------------------|------------|----------|------------|---------|--------------------|-----------------|
|                                                      | Petrol     |          | Kerosene   |         | Gas and Diesel Oil | Bunker Fuel Oil |
|                                                      | U.S. Motor | 64/66 B. | 41/43 p.w. | 77 w.w. |                    |                 |
| Annual average:—                                     |            |          |            |         |                    |                 |
| 1934 .....                                           | 51.9       | 48.4     | 58.0       | 54.1    | 86.2               | 122.0           |
| 1935 .....                                           | 57.4       | 51.8     | 56.9       | 54.3    | 76.2               | 103.4           |
| 1936 .....                                           | 62.2       | 56.5     | 52.6       | 51.4    | 78.0               | 113.3           |
| 1937 .....                                           | 67.6       | 60.9     | 68.5       | 64.1    | 99.7               | 121.7           |
| 1938 .....                                           | 55.4       | 48.7     | 59.1       | 55.5    | 89.5               | 93.5            |
| Monthly average:—                                    |            |          |            |         |                    |                 |
| 1938—January .....                                   | 59.1       | 52.0     | 68.9       | 65.0    | 107.4              | 108.8           |
| March .....                                          | 57.3       | 50.4     | 65.3       | 58.9    | 95.8               | 102.3           |
| June .....                                           | 55.6       | 49.4     | 54.7       | 53.2    | 83.5               | 92.1            |
| September .....                                      | 54.7       | 48.1     | 55.5       | 53.2    | 86.2               | 83.0            |
| December .....                                       | 50.3       | 44.1     | 55.5       | 50.9    | 85.4               | 90.5            |
| 1939—January .....                                   | 49.6       | 43.8     | 55.4       | 50.9    | 85.8               | 91.2            |
| February .....                                       | 49.6       | 43.8     | 54.2       | 50.9    | 85.4               | 92.0            |
| March .....                                          | 49.6       | 44.1     | 53.3       | 50.9    | 82.8               | 90.8            |
| April .....                                          | 50.3       | 45.9     | 51.1       | 49.0    | 82.0               | 95.6            |
| May .....                                            | 51.1       | 46.9     | 50.3       | 47.1    | 78.7               | 99.9            |
| June .....                                           | 51.1       | 46.9     | 49.0       | 46.4    | 79.0               | 105.4           |

A seasonal advance in motor fuel prices is normal in the second quarter of the year. Last year, however, seasonal influences were outweighed by the effects of the recession in business activity in general, with the result that American petrol prices showed a progressive decline. Owing to the excessive optimism of the American refiners and their consequent failure adequately to reduce their stocks, the incipient recovery movement has been arrested during 1939, and petrol prices have risen very little from their low level. Kerosene, gas and diesel oil have actually continued to decline in price during the past six months, though in the case of the last two products the fall now appears to have been arrested. Bunker fuel oil has undoubtedly made the best showing; with Gulf coast stocks reduced below the level of a year ago, and with demand on the up-grade, this product has risen to its highest level for over twelve months. This, however, is no compensation for the low level of petrol prices, from which the industry's profits are largely derived. With the summer consuming season now well under way, a drastic restriction of refinery activity will be necessary if the industry is not to be burdened with excessive stocks of motor fuel next autumn.

**Messrs Bunting and Company.**—The difficulties of Messrs Bunting and Company, produce brokers, to which reference was made on page 131 of *The Economist* of July 15th, have reached a decisive stage. A statement was issued by the company's solicitors, according to which the committee appointed by the meeting of interested parties has recommended the liquidation of the firm. The company has decided to accept the recommendation. The approximate statement of the company's position, submitted to a statutory meeting of creditors, showed that against liabilities of £583,583 expected to rank, there appears to be a deficiency of £522,264 on the estimated realisable value of the assets. A trading associate of Messrs Bunting and Company, Messrs J. and I. Batten and Company, has also decided to wind up. A declaration of solvency has been filed and the liquidation will be a voluntary one. Fortunately, the tea market will not be endangered by the difficulties of Messrs Bunting and Company. It has been officially stated by the firm's solicitors late last week that the tea stocks involved—they are valued at £1,250,000—are "strongly held." This statement has had a reassuring effect on the tea market. Prices were firm this week, and they have virtually recovered to the level prevailing before rumours of Messrs Bunting's difficulties gained currency early in July.

**Further Fall in Freight Rates.**—Tramp shipping freight rates continued their downward movement last month, and *The Economist* index for July is lower than for any other month this year:—

| The Economist INDEX OF FREIGHT RATES<br>(1898 = 1913 = 100) |              |            |            |             |           |            |            |
|-------------------------------------------------------------|--------------|------------|------------|-------------|-----------|------------|------------|
|                                                             | Average 1913 | June, 1938 | July, 1938 | April, 1939 | May, 1939 | June, 1939 | July, 1939 |
| European waters                                             | 110.0        | 107.3      | 106.2      | 113.8       | 119.8     | 117.1      | 115.6      |
| North America .....                                         | 113.1        | 108.0      | 108.5      | 111.3       | 113.2     | 114.0      | 112.9      |
| South America .....                                         | 123.4        | 127.0      | 119.9      | 97.2        | 103.2     | 94.1       | 91.7       |
| India .....                                                 | 106.3        | 111.9      | 112.3      | 114.8       | 122.2     | 113.2      | 110.3      |
| Far East & Pacific .....                                    | 117.4        | 104.7      | 105.2      | 97.0        | 99.7      | 96.1       | 92.3       |
| Australia .....                                             | 127.9        | 112.8      | 112.5      | 107.7       | 109.1     | 107.5      | 108.5      |
| Total .....                                                 | 116.3        | 111.9      | 110.8      | 106.9       | 111.2     | 107.0      | 105.2      |
| 1913 = 100                                                  | 100.0        | 96.1       | 95.2       | 91.8        | 95.6      | 92.0       | 90.4       |

As the next table shows, tramp rates showed a decline last month on the majority of trade routes:—

|                     | Index No. | Inc. or Dec. Points |                                | Index No. | Inc. or Dec. Points |
|---------------------|-----------|---------------------|--------------------------------|-----------|---------------------|
| Home trade .....    | 106.3     | ...                 | South America — Outwards ..... | 61.0      | — 5.5               |
| Bay—outwards .....  | 134.0     | + 2.0               | Homewards .....                | 122.4     | + 0.8               |
| Bay—homewards ..... | 127.5     | ...                 | India—outwards .....           | 96.1      | — 2.9               |
| Mediterranean:—     |           |                     | India—homewards .....          | 124.5     | — 2.9               |
| Outwards .....      | 94.8      | — 5.4               | Far East, etc. ....            | 92.3      | — 3.8               |
| Homewards .....     | 124.4     | — 6.2               | Australia .....                | 108.5     | + 1.0               |
| North America ..... | 112.9     | — 1.1               |                                |           |                     |

The fall in freight rates is not unconnected with the growth in the world's merchant shipping tonnage; according to *Lloyd's Register of Shipping* it rose from 67.8 million gross tons in June, 1938, to 69.4 million gross tons in June this year.

**Sugar Supplies in 1939-40.**—The poor beet crops in Europe last autumn and the buying of sugar by Governments for emergency stocks, which has led to a temporary shortage of supplies in the current season, has scarcely affected the problem of excess supplies in the new season beginning on September 1st. During the past month the International Sugar Council has been considering this

problem, and in a *communiqué* issued on Monday it published its solution. The basic export quotas, amounting to 3,647,500 tons, have been reduced, firstly by the 80,000 tons which have been shipped in the current season to meet the shortage, secondly by 71,000 tons to allow for quotas which will probably not be used, and thirdly by voluntary surrenders of quotas amounting to 385,500 tons by parts of the British Empire. The supplies available for the free market are thus reduced to 3,111,000 tons, which just balances the expected consumption, after an allowance of 38,000 tons has been made for the renewal of stocks depleted during this summer. The table below shows the estimates of free market requirements and supplies in 1939-40, given by the Council:—

| SUGAR SUPPLIES AND FREE MARKET REQUIREMENTS IN 1939-40<br>(Metric tons)                                                                                            |           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| FREE MARKET SUPPLIES                                                                                                                                               |           |
| Basic quotas .....                                                                                                                                                 | 3,647,500 |
| Less—                                                                                                                                                              |           |
| (a) Voluntary surrenders under Resolution of June 24, 1939 .....                                                                                                   | 385,500   |
| (b) Reductions of third year quota on account of sugar shipped to United Kingdom in second quota year under arrangement announced on July 13, 1939 .....           | 80,000    |
| (c) Estimate of quotas which will not be used .....                                                                                                                | 71,000    |
| Total free market supplies .....                                                                                                                                   | 3,111,000 |
| FREE MARKET REQUIREMENTS                                                                                                                                           |           |
| Estimated consumption requirements of free market... ..                                                                                                            | 3,218,000 |
| Plus—                                                                                                                                                              |           |
| Carry-over from second quota year .....                                                                                                                            | 38,000    |
| Less—                                                                                                                                                              |           |
| Share of British Dominions and Colonies in estimated increase in United Kingdom and Empire requirements (after deducting 30,000 tons not at present claimed) ..... | 145,000*  |
| Available to suppliers of the free market .....                                                                                                                    | 3,111,000 |

Provided, therefore, supplies of sugar from beet are of normal size and consumption is not unduly disturbed, a balance has been struck for the coming season. But, in view of the speed with which such a balance can be upset by vagaries of the weather or of international politics, it is to be hoped that the Council will find some procedure by which supplies can in the future be more quickly adjusted to changes in demand.

## INDUSTRIAL REPORTS

**THE** holiday month has opened with activity in many industries at a higher level than ever before. The coal trade remains active, though output has naturally been reduced by holidays. The iron and steel industry, too, continues to operate at a high level and production has not been curtailed as much as usual. The tinplate industry will cease operations next week, but orders on hand remain substantial. New business in cotton goods has been less active, but the industry remains busy. The production of wool textiles is now at a higher level than at any time since the beginning of 1937. Owing to the heavy pressure for delivery, operations in many industries will be curtailed as little as possible this summer.

### Coal

**Sheffield.**—The market remains very firm, although demand this week has been slower on the eve of the holiday, particularly for industrial steams. The forward export market is gathering strength, but prompt business is limited. The Swedish State Power

Board has placed a contract for 25,000 tons of best South Yorkshire washed smalls for shipment during August, September and December, which will help to reduce the heavy stocks at pits. Swedish buyers have bought 100,000 tons of patent oven coke for stock, and to deal with this the Midland district has received a special allocation of 50,000 tons from the International Coke Cartel.

**Newcastle-on-Tyne.**—Market conditions in this area remain steady and the prospects for some months to come are regarded as satisfactory. Northumberland steam collieries are comfortably placed and, with the exception of smalls, a fair amount of business has been placed ahead. Durham collieries producing manufacturing coals are heavily sold ahead; substantial contracts have been placed with Germany and Italy. Patent oven coke is a firm market under a persistent demand from both home and foreign consumers.

**Glasgow.**—Except in Lanarkshire, production is now in full swing after

the holidays, and in all areas demand is brisk. In Fife and the Lothians export supplies are fully booked until the end of the month, and in the West Country inland and shipping business combined absorbs the bulk of the output. With prices due to rise by 2s. 6d. per ton on Monday next house coal meets a ready off-take, especially the better qualities, while public utility, general industrial and London requirements account for the supply of washed smalls. Irish business is an important factor in the Ayrshire field. Owing to the slow return of labour, shipments last week, at 150,000 tons, were 30,000 tons down on the year. The excess over last year's shipments to date, at 609,000 tons, is encouraging; aggregate loadings to date total 6,430,000 tons.

**Cardiff.**—The Egyptian State Railways have invited tenders for between 360,000 and 480,000 tons and the Lithuanian Railways for 65,000 tons of locomotive coals, and the Piraeus Electricity Works for 30,000 tons of duff coals. These orders have been the only feature of a very quiet prompt market

**HOTEL WESTMINSTER**  
NEW MANAGEMENT  
**Le Touquet**  
FULL BOARD  
From 27/6

and shipments under contract are now averaging about 400,000 tons per week. There are fairly considerable stocks of large and ordinary small steam coals, but these will probably be depleted next week when work will be suspended practically throughout the coalfield for the annual "holidays with pay." Prices are a shade easier for spot positions.

## Iron and Steel

**Sheffield.**—The iron and steel market has been quiet this week on the eve of the holiday. Consumers, however, are taking heavy deliveries of material under contract, their stocks in many cases having run rather low. Forge pig iron continues very limited in demand, but for foundry there is a steady inquiry. Hematite business remains active for mixed numbers, and there is heavy booking of special qualities. Finished iron transactions are few and of little weight.

American imports are helping to meet the shortage of heavy basic steel billets, but the fact that they are more expensive than British billets causes buyers to prefer the latter. Small steel bars are in heavy demand, as are wire rods and acid steel billets. Structural steel business shows a week-to-week improvement.

The pressure of national defence work continues to increase, and to meet this the holiday is being reduced at some of the big works.

★

**Middlesbrough.**—Shipments of pig iron from the Tees during July amounted to 6,435 tons; 4,940 tons went to coastwise destinations. The largest purchaser was South Wales; the clearances of pig iron to that district were the heaviest for six years. The total of manufactured iron and steel shipped during the month from the Tees was approximately 42,000 tons, of which 27,000 tons went to foreign destinations. Imports of iron ore in July were 169,000 tons, compared with 179,800 tons in June.

There is little change in the position. Production of basic iron is well maintained and is all absorbed in the local steelworks. Very little foundry iron is being produced, but the statistical position with regard to East Coast hematite pig iron is better owing to the shipments to South Wales. The steel output is still below requirements but the position has been eased by the arrival of foreign semi-manufactured steel. It is expected that further quantities of heavy steel scrap will be arriving from America but in the meantime steelworks are taking any quantities available from local merchants. Another blast-furnace has been lighted in this district during the past week and is producing ferro-manganese.

★

**Glasgow.**—Plants in Glasgow have now an exceptionally heavy programme of work before them and have made an excellent start after the holidays. Extensive repairs and alterations have been carried out and as a result outputs have been increased at many establishments. The amount of work now on the books of the steelmakers is exceedingly heavy

and new business very plentiful. Sheet makers are in a like position, and orders are being placed quite freely for delivery in October and November. Tube makers continue to be fairly well employed and in some branches are very busy. Supplies of Continental semis have been more plentiful of late and re-rollers are obtaining regular deliveries.

★

**Cardiff.**—Production in the tinplate industry continues at over 70 per cent. of capacity, but there has been a little quieter trend in current business and at the beginning of the present week unexecuted orders stood at 4,227,405 boxes, compared with 4,252,000 boxes a week ago. The new mills at Ebbw Vale are reported to be operating at capacity. The trade in sheets is exceptionally active in the home market, where A.R.P. orders are still the dominating factor. Other re-rolling sections as well as the heavy branches of the industry are fully employed. The tinplate works will be idle next week for the usual summer holidays, but in view of the abnormal pressure for steel the melting furnaces will continue working. The quotation for good cast-iron scrap is now 80s. per ton and upwards, but other scrap iron prices are fixed.

★

**News from Abroad.**—The demand on international steel markets has slowed down further in view of the holidays, and many consumers have postponed their purchases. But during the last few days a number of medium orders for particularly speedy delivery have been offered to American makers, especially by Scandinavian shipyards, suggesting that there is some difficulty in obtaining prompt delivery from European works. In some cases, consumers seem to be anxious to increase their stocks in order to be prepared for an emergency. It is generally expected that the seasonal slackness will soon be overcome and that the spring business will be satisfactory this year.

Current steel consumption for armament orders is everywhere substantial, and requirements are likely to increase considerably as soon as the political outlook is clearer. Inquiries from several South American countries, Holland and Scandinavia have recently been on a tolerably satisfactory scale, but the Far Eastern business is very quiet. Semi-products, merchant bars and thick plates are in fairly good request, but the demand for thin sheets, strips and wire products has perceptibly decreased.

Rebates on official prices have experienced a further increase on unorganised markets. For merchant bars and sections concessions of about 6s. to 8s. (gold) per ton are granted by certain Continental re-rollers. Thin sheets are offered by French mills below official prices and a similar situation is prevailing in regard to strip. On the other hand, prices on the Scandinavian markets have been slightly increased for certain products owing to the diminished Swedish competition.

## Textiles

**Cotton (Manchester).**—The demand for yarn and piece goods has been fair and some useful orders have been secured; firms engaged in the coarser

end of the trade are much busier than producers of fine goods. The Government has decided to buy a new style of cloth and specifications and samples will be available next week. It will be similar to a denim and mule yarns may be used. Contracts are expected for about 5,000,000 yards.

There has been very little change in raw cotton prices. Trading appears to be settling down after the adjustments to the export subsidy in the United States. Diverse weather reports have been received from the American belt, but on the whole the plants appear to be doing fairly well. The first Government estimate of the yield will be published next Tuesday, and the forecast is expected to be between 11,500,000 bales and 12,000,000 bales.

★

**Wool (Bradford).**—At the fourth series of London sales the home trade purchased more wool than at any series so far this year; it took 59,000 bales and the Continent 24,000 bales. Nothing is credited to the United States, although a few lots were taken for that country. The carry-over of 39,000 bales is small. Although cross-breeds failed to maintain the full opening rise, the improvement in greasy crossbred fleece was considerable. The limitation of prices for khaki fabrics which the Government has decided upon clearly indicated to spinners and manufacturers that they could not afford to pay a great deal more than at the May series. The trade is now entering the longest vacation of the year; the next London sales will begin on September 19th.

The past month has seen a marked improvement in the civilian demand, a reflection of the increase in purchasing power. But the chief concern of spinners and manufacturers is to execute their contracts with the War Office as quickly as possible, and there is virtually no idle machinery in any part of Great Britain where khaki contracts are being carried out. The past week has produced some speculation regarding a further important Government order for some Continental ally, but nothing has yet materialised. It would probably be difficult to find more machinery which could tackle additional Army orders. Mills are now busier than they have been since the early months of 1937, and prices all round are steady and firm.

★

**Jute (Dundee).**—While the Dundee markets were closed last week, prices for raw jute showed a decided fall in London and Calcutta. This was not unexpected in view of the favourable reports of the new crop, combined with the fact that there will be a much smaller consumption this season through curtailment of production in India. The mills there have now commenced working with 20 per cent. of their hessian and 7½ per cent. of their stacking looms sealed up.

The raw material has now fallen to fairly reasonable levels for new crop, and old crop has also gone down in sympathy, at least where it is quoted. There is now extremely little old crop on offer, perhaps a little Daisee and Tossa to Dundee, but white jute is not mentioned. The price of old crop Daisee-2/3 is still about £27 per ton,

(Continued on page 289)

## COMPANY MEETINGS

### GOLD FIELDS RHODESIAN DEVELOPMENT COMPANY, LIMITED

#### REVIEW OF MINING INTERESTS

#### MR D. CHRISTOPHERSON'S SPEECH

The twenty-seventh ordinary general meeting of the Gold Fields Rhodesian Development Company, Limited, was held, on the 28th ultimo, at the Chartered Insurance Institute, 20 Aldermanbury, London, Mr D. Christopherson, C.B.E., the chairman of the company, presiding.

The chairman, in the course of his speech, said that the balance carried down to appropriation account showed a decrease of £12,686 as compared with the previous year. That decrease, a comparatively small one having regard to the unsettled world conditions which had existed, was accounted for by an increase of some £3,000 on account of Kenilworth maintenance and depreciation, due to loss of cattle, and a decrease in the net profit on sales of investments of £12,178, against which, however, there was an increase of £2,272 in the revenue received from dividends on investments and sundry revenue.

It was hardly necessary to say that the reduced profit on sales of investments was entirely due to unfavourable market conditions which had existed practically throughout the year, making profitable realisation of investments extremely difficult. Receipts from dividends and sundry revenue were made up by £65,452 from dividends, a slight decrease of about £650 as compared with the previous year, and by revenue from such sources as interest, underwriting commission and from farms and royalties, etc. They had hoped that the receipts from dividends would have exceeded the amount shown in the previous year from this source, but owing to the fact that certain companies, who had declared dividends last year just previous to the end of their financial year, did not do so this year until after the year had closed, they would not receive the benefit of those dividends until the current year.

Out of the available balance, £50,000 had been placed to reserve for depreciation and £15,000 transferred to reserve account, and the directors recommended a dividend of 5 per cent. for the year. Investments stood in the balance sheet at £1,088,372, and their market value showed in the aggregate an appreciable excess over this figure.

They still retained their large shareholding in the Wanderer Consolidated Gold Mines, from which they continued to receive a yearly dividend of 12½ per cent., a very satisfactory return on the value of their holding. In Northern Rhodesia they still retained a moderate interest in Rhodesian Selection Trust, Rhodesian Anglo-American, and Rhodesia Katanga Company.

#### INTERESTS ON WITWATERSRAND

Turning to their main interests on the Witwatersrand, their investment in the Luipaards Vlei Estate and Gold Mining Company had been somewhat increased. The development on this mine continued excellent, both as regarded value and percentage of payability. They had little doubt but that this investment would eventually show material appreciation on the capital invested therein.

Their holding in the Simmer and Jack Mines remained substantial, with which they were well satisfied.

The Vogelstruisbult Gold Mining Areas, in which they were substantially interested, had continued to show improved profits, while development also continued to show encouraging results both as regarded tonnage and values. An initial dividend of 6d. per share had been declared last month.

They still retained their interest in Spaarwater Gold Mining Company, which company continued to open up a fair percentage of payable development.

With regard to Venterspost Gold Mining Company, in which they still retained their holding, it was hoped eventually to see this mine milling at the rate of 200,000 tons or more per month with resultant very satisfactory profits. Meanwhile development continued to show good results both as regarded values and percentage of payability.

#### WEST AFRICAN INVESTMENTS

Turning to their West African interests, they still held a substantial interest in Ashanti Goldfields, which company continued to open up exceptionally fine values. This was an investment they had just cause to be well satisfied with.

They retained a holding in Gold Coast Selection Trust, which company was a large shareholder in Marlu Gold Mining Areas,

Ariston Gold Mines, Amalgamated Banket Areas, Bremang G Dredging Company, and Gold Coast Main Reef, all of which were either good dividend payers or were likely to become so in not distant future.

Other West Coast companies in which they held interests were Taquah and Abosso Mines, Konongo Gold Mines, Ariston G. Mines, all of which were dividend-paying companies with prospects of paying increased dividends in the near future, while without exception the development results were most encouraging.

In Australia they retained their holding in Gold Fields Australi Development Company. Their interest in Lake View and Star had been somewhat increased in view of the continued satisfactory development results and the good return to be obtained on investment at present market prices.

The prospects of Oroville Dredging Company continued to be the highest order, and they expected to see that company pay increased dividends in the near future.

In conclusion, the chairman said that he regretted to say that again it was impossible at that early stage of the financial year to give any forecast as to the prospects for the year. To attempt to do so with so much uncertainty as to the course of events. Europe and elsewhere would make any such attempt of little value. He thought, or at any rate hoped, they would agree that the company's capital was well invested and under normal conditions should show profitable returns, while at the same time their liquid resources were very sound, and placed the company in a position to take up new promising business when such presented itself.

The report and accounts were unanimously adopted.

### THRELFALL'S BREWERY COMPANY, LIMITED

#### IMPROVED RESULTS

The fifty-second annual general meeting of Threlfall's Brewery Company, Limited, was held, on the 2nd instant, at Southern House, Cannon Street, London, E.C., Major C. M. Threlfall, J.P. (the chairman) presiding.

The Chairman, in the course of his speech, said that he felt sure stockholders would have perused the report, balance sheet and profit and loss account with much satisfaction, and the directors were equally pleased that the trading results under review exceeded those of the previous year. General industrial activity throughout the country had been stimulated during recent months by the intensified re-armament programme, and in the Liverpool and Merseyside district business had been more active and a general improvement had been noticeable.

A certain proportion of the increased sales of the company's products was naturally due to such improved conditions, but he felt, however, that he would like to express the view of their directors that it was not caused by that alone, as a decided benefit was now being derived from their new and improved properties, which were furnishing them with an increased proportion of their income. In that connection permission was granted at the last Brewster Sessions to erect four new fully licensed hotels. With regard to the properties generally, in structure, appearance and comfort they compared very favourably with those of any other licensed premises throughout the areas in which they operated.

Whilst the profits showed an increase over those of the previous year, the accounts had had to bear a considerably higher charge in consequence of the rating assessments under the recent "Robinson" judgment. In addition they had borne the full amount payable by the company in respect of National Defence Contribution.

The gross profit for the year was £430,800, and the net profit £313,367.

The report was adopted and a dividend at the rate of 20 per cent. per annum on the ordinary stock for the half-year, making 18 per cent. for the year, approved.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to:—

The Reporting Manager,

THE ECONOMIST,

8 Bouverie Street,

Fleet Street,

London, E.C.

Telephone: Central 8631



# PALESTINE ELECTRIC CORPORATION, NEW BROKEN HILL CONSOLIDATED, LIMITED

## STRONG POSITION

### VISCOUNT SAMUEL'S SURVEY

The sixteenth ordinary general meeting of the Palestine Electric Corporation, Limited, was held, on the 28th ultimo, at 2 Grosvenor Gardens, London.

The Rt. Hon. Viscount Samuel, P.C., G.C.B., G.B.E. (chairman of the company), in the course of his speech, said: Throughout the year under review Palestine continued in a disturbed state. This has been the third year of unrest and violence; and to these conditions political uncertainty had now been added. The economic life of the country has of necessity been greatly affected. In these circumstances, it is gratifying to find that the business of the corporation suffered no shrinkage, and that the gross revenue for 1938 was at no lower level than that of the previous year. There was, indeed, in the number of consumers an increase of over 4,500, or 6 per cent., but there was not a corresponding increase in the energy that was consumed.

In consequence of the larger capital now invested in our power stations and transmission system, the provision for depreciation is increased in these accounts by £21,550 to the total for the year of £116,700. Fuel prices have also been increased, and the cost of meter-reading and collection of accounts has been higher on account of the disturbed conditions. We have also charged to profit and loss account a sum of £10,279, being part of the special expenditure that has been involved. These are the chief reasons why, although our receipts have remained the same, our net profit is less by £52,374.

### CAPITAL EXPENDITURE

The capital expenditure for the year was £330,710, principally on equipment for the new Reading power house, near Tel-Aviv, which was put into commission last August, and on extensions of the distribution and transmission lines. In these matters again the conditions of the country have had their influence. It has been largely in order to secure the South of Palestine—where the greater part of our consumption lies—from the danger of interruption in the supply (the economic results of which to the whole population might be very serious) that your directors thought it necessary to press on with the construction of the power house near Tel-Aviv.

Our two new power houses at Haifa and near Tel-Aviv, together with some other developments, have involved a capital expenditure of almost exactly £1,000,000 in the years 1937 and 1938. We have, however, raised additional capital only to the extent of £500,000—that being the amount of 4½ per cent. second redeemable cumulative preference shares issued in 1937; the remainder having been provided by the utilisation of reserves. Our balance sheet now shows that on December 31, 1938, the assets of the undertaking at cost stand, in round figures, at £4,000,000, while our issued capital amounts to under £3,000,000. Our general reserve, our depreciation reserve, and share premium account amount to well over a million pounds. Further, we are now providing annually for capital amortisation, as well as for the preference shares sinking fund. So it will be seen that our general position is a strong one.

### ALLOCATION OF PROFIT

The net profit for the year was £183,192. To this we have to add the carry-forward from last year of £25,851, making a total of £209,043. Deducting the dividends already paid on Preference and Second Preference shares and the interim dividend of 2½ per cent., free of United Kingdom income-tax, on the Ordinary and "A" Ordinary shares, which together absorb £92,034, we have a balance of £117,009. We now recommend the allocation of a further sum of £20,000 to general reserve, of £30,000 to reserve for income-tax and contingencies, and a final dividend on the Ordinary and "A" Ordinary shares of 2½ per cent., free of United Kingdom income-tax, requiring £43,441, making 5 per cent., free of tax, for the year 1938, leaving a carry-forward of £23,568.

### THE CURRENT YEAR

I am somewhat chary of making any observations with regard to the present year's receipts, since last year I mentioned that the first six months had shown a satisfactory increase of revenue, a promise which the remaining months did not maintain. But I may nevertheless mention, without, I hope, arousing any undue expectations, that the first five months of 1939 have shown an increase in revenue of 6.5 per cent. on last year.

The report and accounts were unanimously adopted.

## DEVELOPMENT PROGRESS

The third ordinary general meeting of this company was held, on the 3rd instant, in London.

The Rt. Hon. Viscount Horne, in the course of his speech, said: You will, I am sure, have read with interest the statement in our report regarding the geological and geophysical surveys made of your leases by or under the direction of Dr J. K. Gustafson, of the Central Geological Survey of Broken Hill. Dr Gustafson has reported that the:

"... correlation of the geophysical and geological data ... has resulted in a geological interpretation which, if correct," (I desire to emphasise this qualification) "will profoundly affect the future of the New Broken Hill Consolidated Company."

His report dealing with the major conclusions affecting the future of New Broken Hill Consolidated states:—

"There are no major faults or transverse structures such as occur elsewhere in the district which are likely to interrupt seriously the extension southwards of The Zinc Corporation ore-bodies."

Still quoting Dr Gustafson's report we find this statement:—

"Although the evidence is not conclusive there appears to be a very reasonable chance that the favourable beds which contain the Broken Hill orebodies will continue within the known ore-bearing structure at mineable depths above 4,000 feet for nearly three miles south of The Zinc Corporation boundary."

### THE PROSPECTS

If what Dr Gustafson refers to as a "very reasonable chance" is shown by exploration and development to be a fact and the favourable beds continue within the known ore-bearing structure "at mineable depths for a distance of nearly three miles," the prospects of your leases, already proved by the work near The Zinc Corporation boundary to be attractive, will be greatly enhanced. I use the word "prospects" advisedly, because it has yet to be proved whether these favourable beds will be found to be mineralised as heretofore in these same structures. Dr Gustafson adds that if similar mineralisation is established, then

"... the entire past production of Broken Hill will be duplicated within the limits of New Broken Hill Consolidated property." The geologist's report is based on expectations which include that "the ore occurrence in the New Broken Hill Consolidated is one of extension rather than repetition," and that "the ore bodies in the southern area will be elevated closer to the surface than elsewhere as a result of 'pitch crests,' one of which is indicated in the vicinity of the new air shaft, and another halfway between the White Leads and Rising Sun" (two of New Broken Hill Consolidated leases).

In all these estimates and anticipations of the geologists much depends on what I may describe as the "flattening out" of the ore occurrence and the presence and influence of the "pitch crests."

### TESTS BY DIAMOND DRILLING

We have set out to test the views set forth in the report in the first place by diamond drilling. We will keep you fully and promptly informed of all developments, but, if you accept my advice, you will, in the meantime, treat the report with reserve and exercise caution in making estimates until the results of actual exploration show to what extent the views of the experts are justified. It goes without saying that I earnestly hope they will be found to have a solid basis in fact.

The date at which we are likely to enter production obviously is governed by the speed with which we can, by using the deeper levels of The Zinc Corporation, reach the ore body within our leases, and that in turn depends on bringing their new main shaft into operation. Unfortunately, that company ran into very bad ground in the final stages of sinking its shaft, and there has, in consequence, been a corresponding delay in our developments, but, in my opinion, this has not adversely affected our prospects. From now on our progress should be more rapid. You must not, however, overlook the fact that, until we have the results from the special exploration I have referred to, our present main objective is to exploit the extension into our leases, at a vertical depth of about 2,000 feet, of the great ore body of The Zinc Corporation, and we may perhaps hazard the opinion that present indications favour a satisfactory result.

The report was unanimously adopted, and a resolution was passed authorising the conversion of the shares into stock.

# BRUSH ELECTRICAL ENGINEERING COMPANY, LIMITED

## EXCELLENT ORDER BOOK

The annual general meeting of the Brush Electrical Engineering Company, Limited, was held, on the 1st instant, at Winchester House, Old Broad Street, London.

Sir Ronald W. Matthews (the chairman) said that the efforts of Mr Keep, the new managing director, during the last six months of 1938 had been mainly concentrated upon reorganisation following the capital reduction scheme. The trading profit was admittedly, but not unexpectedly, unsatisfactory, but the directors did not consider that any great importance should be attached to the trading results of the year under review, as the directors looked forward with confidence to the future.

They had successfully established themselves as manufacturers of the Brush Ljungstrom Turbine, a machine second to none as regards reliability and efficiency. They had supplied recently a new large installation for the Brighton Corporation and had obtained a

number of orders, including five large turbines. The transformer department continued to develop.

The manufacture of Diesel and oil engines was now one of their largest departments. Since the end of their last financial year they had entered into an arrangement with Blackstone and Company, Limited, of Stamford, who took over entirely the sales of their Brush Horizontally-opposed Diesel engine, marketing it under the name of Blackstone-Brush. The Brush Engine was maintaining its pre-eminent position and the Petter engines had proved themselves outstanding in their class. Since December 31, 1938, they had acquired the business of the manufacture of the "Bates" Diesel engine and the "Fielding" Diesel engines. Those two ranges were complementary to their existing programme. He felt it necessary to add his voice to the many protests which had been made against the policy of the Government of allowing Diesel marine engines of foreign manufacture to enter the country free of duty provided they were consigned to a registered shipyard.

Brush Coachwork Limited continued to maintain a fairly constant order book. Viewing the position as a whole, the order book was eminently satisfactory, their total orders on hand to-day being almost four times what they were a year ago.

The report was adopted.

## INDUSTRIAL REPORTS—continued from page 286

but new crop can be obtained at £19 5s. per ton for October-November, with Tossa-2/3 for same shipment ruling at £20 15s. and fours at £19 7s. 6d.

Dundee spinners and manufacturers are still very busy and they are unwilling to make any change in their quoted prices, at least for anything wanted early. Should anyone wish to buy forward from October onwards, however, considerable discounts would probably be obtained, but there is reluctance on the part of buyers to purchase any distance ahead. The price of common 8-lb. cops and 8-lb. spools, now both quoted at the same level, is 2s. 8½d., while for 10-oz. 40-in. hessians 3½d. is still named, with 8-oz. at 2½d. Calcutta goods are all distinctly easier.

smelters have now raised their price to 10½ cents per lb. to equal the official producers' quotation. Sales in the United States reached over 182,500 tons in July, about three times as large as sales in the previous month and the highest monthly level of this decade.

★

Tin.—Standard cash remained stable at £229 17s. 6d. per ton throughout the week, but the backwardation has narrowed by 5s. to £4 17s. 6d. The market gave a strong appearance and sales were heavier. The Pool, however, was a willing seller at the official price. According to Messrs A. Strauss and Company, Limited, the visible supply of tin fell in July, compared with the end of June, by 420 tons to 28,431 tons. New supplies, at 8,408 tons, showed an advance of 783 tons on the month, while deliveries, at 8,508 tons, were 171 lower than in June.

★

Lead and Spelter.—The price of cash lead gained 15s. to close on Wednesday at £15 8s. 9d. per ton, while spelter gained 3s. 9d. by closing at £14 10s. per ton. Demand for lead was very active. Home warehouse stocks in this country totalled only 11,691 tons at the end of July against 12,209 tons a month before and 13,976 tons at the end of February. Trade in spelter benefited from the general strength of the markets, but it was less active than in the other three metals. Home warehouse stocks of spelter fell from 21,560 tons at the end of June to 20,060 tons at the end of July after having been at 25,771 tons on February 28th last.

## Grains

THE international wheat markets developed a firmer tone this week, owing to the extreme heat and drought which has persisted in Western Canada and the United States. Some damage to the standing crops is reported but it is not probable that it will seriously affect the prospects of a bumper crop in Canada, where the area sown to spring wheat is now officially estimated at 25,813,000 acres, compared with 24,946,000 acres in 1938. Crops in South-Eastern Europe are also reported to have suffered from a heat wave, while prospects in Northern Europe have been adversely affected by the continuation of wet cold weather. After a period of weakness, the maize market rallied

later in the week; shipping continues steadily from the Plate and South Africa, but little interest is shown in American maize. Prices of feeding barley also improved with the firmer tone in other cereal markets.

## Other Foods

Provisions.—Egg prices remain at a level considerably below the normal, English eggs being most depressed in price. The offtake of meat at the Central London markets remains poor, in spite of the unusually cold weather.

★

Colonial Produce.—Prices of refined sugar were reduced by 1½d. per cwt. on three occasions during last week, following the easier tendency in the market for raws. Prices at the London tea auctions have improved slightly in the past fortnight, particularly for Indian varieties.

★

Fruit and Vegetables.—The continuing cold weather has reduced the demand for salads and tomato prices, in particular, have been unsatisfactory to many growers. English apples are arriving on the London markets, but soft fruit is still plentiful and in good demand.

## Miscellaneous Commodities

Oils and Oilseeds.—With a stronger tendency in grain prices, there has also been some recovery in the volume of business in these markets. The American linseed crop is reported to be suffering from excessive heat. Shipments of Indian linseed continue to this country, while Continental crushers have bought fair quantities of Plate. Trade in Egyptian cottonseed is poor, but prices have slightly improved and linseed oil has risen by 10s. per ton in price, in sympathy with the firmer market in linseed. Trade in oilcakes is extremely slow and there have been some reduction in mill prices.

★

Rubber.—After the stagnation of last week, there was some improvement in the volume of trade in spot and nearby positions, but forward business remains on a small scale. Prices have been firm throughout the week and closed slightly higher.

## THE COMMODITY MARKETS

UNFAVOURABLE weather reports from both America and Europe helped to strengthen the grain markets in the past week, and this improvement has been reflected by a similar trend in prices for vegetable oilseeds. In London the metal markets have shown a firm tendency and prices for the main non-ferrous metals improved. A similar trend was noticeable in the United States, where Moody's index of commodity prices rose from 141.5 (December 31, 1931 = 100) to 142 in the week ended last Wednesday. In contrast, sugar prices continue to decline and quotations for raw cotton remain at a low level.

## Metals

Copper.—Demand showed an improvement while sellers were extremely reserved and the price of standard cash gained exactly £1 to close on Wednesday at £44 per ton, the highest level since January 9th last. Extra-U.S.A. stocks are now less than seven weeks' consumption, while stocks in United Kingdom warehouses fell at the end of last month to 28,273 tons (a year ago 36,537 tons), the lowest level of this year. At the present rate these stocks are insufficient to meet any buying movement on the L.M.E. In the United States, too, the position has strengthened this week and customs

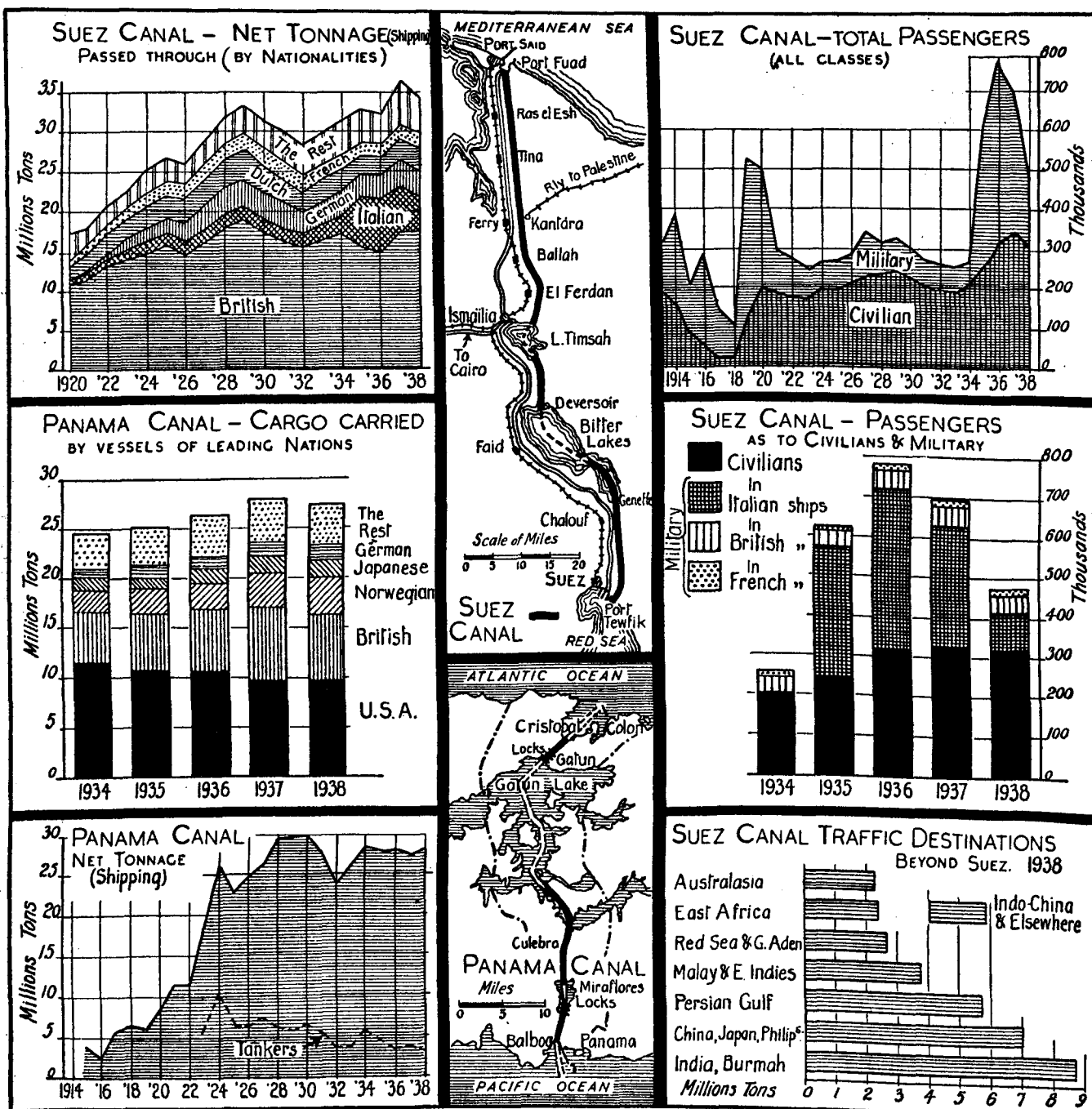
## CURRENT STATISTICS

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## Panama and Suez



## GOVERNMENT RETURNS

For the week ended July 29, 1939, total ordinary revenue was £13,285,000, against ordinary expenditure of £16,510,000, issues of £10,250,000 under the Defence Loans Acts, and £245,000 issued to Sinking Funds. Thus, including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1st last is £143,834,000, against £125,739,000 a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                    | Receipts into the Exchequer (£ thousands) |                                |                          |                          |
|----------------------------|-------------------------------------------|--------------------------------|--------------------------|--------------------------|
|                            | Apr. 1, 1938, to July 30, 1938            | Apr. 1, 1939, to July 29, 1939 | Week ended July 30, 1938 | Week ended July 29, 1939 |
| ORDINARY REVENUE           |                                           |                                |                          |                          |
| Income Tax                 | 28,166                                    | 27,241                         | 3,485                    | 2,303                    |
| Sur-tax                    | 7,070                                     | 7,770                          | 1,660                    | 280                      |
| Estate, etc., Duties       | 27,040                                    | 28,640                         | 1,800                    | 1,870                    |
| Stamps                     | 6,540                                     | 6,110                          | 960                      | 1,000                    |
| Nat. Defence Cont.         | 3,150                                     | 7,610                          | 330                      | 970                      |
| Other Inland Rev.          | 330                                       | 300                            | 50                       | 10                       |
| Total Inland Rev.          | 72,296                                    | 77,671                         | 6,785                    | 6,433                    |
| Customs                    | 72,656                                    | 82,365                         | 4,036                    | 4,984                    |
| Excise                     | 36,300                                    | 36,773                         | 1,000                    | 853                      |
| Total Customs and Excise   | 108,956                                   | 119,138                        | 5,036                    | 5,837                    |
| Motor duties               | 6,488                                     | 6,599                          | 717                      | 765                      |
| P.O. (Net Receipts)        | 3,940                                     | 4,064                          | 370                      | 50                       |
| Crown Lands                | 520                                       | 530                            | ...                      | 210                      |
| Receipts from Sundry Loans | 1,522                                     | 1,512                          | ...                      | ...                      |
| Misc. receipts             | 1,957                                     | 1,724                          | 127                      | 90                       |
| Total Ordinary Rev.        | 195,679                                   | 211,238                        | 13,035                   | 13,285                   |
| SELF-BAL. REVENUE          |                                           |                                |                          |                          |
| P.O. and Broadcasting      | 24,210                                    | 24,736                         | 1,980                    | 2,800                    |
| Total                      | 219,889                                   | 235,974                        | 15,015                   | 16,085                   |

| Expenditure                            | Issues out of the Exchequer to meet payments (£ thousands) |                                |                          |                          |
|----------------------------------------|------------------------------------------------------------|--------------------------------|--------------------------|--------------------------|
|                                        | Apr. 1, 1938, to July 30, 1938                             | Apr. 1, 1939, to July 29, 1939 | Week ended July 30, 1938 | Week ended July 29, 1939 |
| ORDINARY EXPENDITURE                   |                                                            |                                |                          |                          |
| Interest & Management of National Debt | 87,501                                                     | 89,265                         | 370                      | 340                      |
| Pay to N. Ireland                      | 2,290                                                      | 2,259                          | 410                      | 346                      |
| Other Consol. Fund Services            | 1,198                                                      | 3,209                          | 21                       | 23                       |
| Total                                  | 90,990                                                     | 94,733                         | 801                      | 709                      |
| Supply Services                        | 228,197                                                    | 258,047                        | 22,952                   | 15,801                   |
| Ditto, plus loans*                     | 228,197                                                    | 301,547                        | ...                      | 26,051                   |
| Total Ord. Expend.                     | 319,187                                                    | 352,780                        | 23,753                   | 16,510                   |
| Issues from Def. Loans                 | ...                                                        | 43,500                         | ...                      | 10,250                   |
| SELF-BALANCING EXPENDITURE             |                                                            |                                |                          |                          |
| P.O. and Broadcasting                  | 24,210                                                     | 24,736                         | 1,980                    | 2,800                    |
| Votes                                  | ...                                                        | ...                            | ...                      | ...                      |
| Total                                  | 343,397                                                    | 377,516                        | 25,733                   | 19,310                   |

\* Supply Services, after addition of issues under Defence Loans Acts.

After raising Exchequer balances by £207,036 to £2,848,218, the other operations for the week (as shown below, excluding issues from loans or to sinking funds) raised the gross National Debt by £13,927,000 to about £8,474 millions.

## WEEK'S CHANGES IN DEBT

| NET INCREASES (£ thousands) |        | NET REPAYMENTS, ETC. (£ thousands) |        |
|-----------------------------|--------|------------------------------------|--------|
| Treasury Bills              | 11,812 | P.O. and Teleg.                    | 850    |
| Public Dept. Adv.           | 3,150  | Nat. Sav. Certs.                   | 150    |
|                             |        | N. At. Shipping                    | 27     |
|                             |        | Ang.-Turk. Arms                    | 8      |
|                             |        | Credit                             | 1,035  |
|                             |        |                                    | 14,962 |

## AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to July 29, 1939, are shown below:—

| (£ thousands)                                        |         | (£ thousands) |         |
|------------------------------------------------------|---------|---------------|---------|
| Ordinary Exp.                                        | 352,780 | Ord. Rev.     | 211,238 |
| Issues under Def. Loans Acts                         | 43,500  | Gross borr.   | 190,183 |
| Temporary Advances to Essential Commodities Reserves | 2,500   | Sinking fds.  | 2,292   |
| Fund                                                 | 349     | Net borrowing | 187,891 |
| Inc. in balances                                     | 399,129 |               | 399,129 |

## FLOATING DEBT

(£ millions)

| Date    | Treasury Bills |       | Ways and Means Advances |                 | Total Floating Debt | Floating Assets |
|---------|----------------|-------|-------------------------|-----------------|---------------------|-----------------|
|         | Tender         | Tap   | Public Depts.           | Bank of England |                     |                 |
| 1938    |                |       |                         |                 |                     |                 |
| July 30 | 565.0          | 309.1 | 46.6                    | ...             | 920.7               | 355.7           |
| 1939    |                |       |                         |                 |                     |                 |
| 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   | 419.0          | 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                    | ...             | 990.0               | 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           |
| " 24    | 479.0          | 540.4 | 45.7                    | ...             | 1065.1              | 586.1           |
| " 30    | 489.0          | 563.0 | 45.7                    | 37.5            | 1097.3              | 608.3           |
| July 7  | 494.0          | 562.8 | 43.1                    | ...             | 1099.8              | 605.8           |
| " 14    | 499.0          | 558.1 | 43.1                    | ...             | 1100.2              | 601.2           |
| " 21    | 504.0          | 564.9 | 46.3                    | ...             | 1115.2              | 611.2           |

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

## TREASURY BILLS

(£ millions)

| Date of Tender | Amount  |             |          | Average Rate | Per Cent. Allotted at minimum Rate |
|----------------|---------|-------------|----------|--------------|------------------------------------|
|                | Offered | Applied for | Allotted |              |                                    |
| 1938           |         |             |          |              |                                    |
| July 29        | 40.0    | 82.4        | 40.0     | 10 1.90      | 58                                 |
| 1939           |         |             |          |              |                                    |
| 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 8.63      | 28                                 |
| " 26           | 40.0    | 58.3        | 40.0     | 13 1.91      | 74                                 |
| June 2         | 45.0    | 64.0        | 45.0     | 13 1.65      | 73                                 |
| " 9            | 45.0    | 66.8        | 45.0     | 14 5.23      | 65                                 |
| " 16           | 50.0    | 70.1        | 50.0     | 16 7.81      | 60                                 |
| " 23           | 50.0    | 60.7        | 50.0     | 14 6.51      | 77                                 |
| " 30           | 50.0    | 66.6        | 47.0     | 17 0.00      | 58                                 |
| July 7         | 40.0    | 63.3        | 37.0     | 16 8.32      | 44                                 |
| " 14           | 35.0    | 64.8        | 35.0     | 15 8.99      | 51                                 |
| " 21           | 35.0    | 68.6        | 35.0     | 14 8.61      | 39                                 |
| " 28           | 40.0    | 73.8        | 36.0     | 14 4.08      | 27                                 |

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills except those paid for each Tuesday, which are 88-day bills. On July 28th applications at £99 16s. 4d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted at about 27 per cent. of the amount applied for and applications at higher prices in full. Applications at £99 16s. 5d. for bills to be paid for on Saturday were accepted in full. £35.0 millions of Treasury bills are being offered on August 4th.

## NATIONAL SAVINGS CERTIFICATES

| Sales in               |            | Number     |            | Purchase Price |  |
|------------------------|------------|------------|------------|----------------|--|
| Twenty-eight weeks to: |            | £          |            | £              |  |
| July 16, 1938          | 18,354,147 | 17,209,924 | 13,765,616 |                |  |
| July 15, 1939          | ...        | ...        | 12,907,406 |                |  |
| Week to:—              |            |            |            |                |  |
| July 16, 1938          | 630,847    | 473,141    |            |                |  |
| July 8, 1939           | 577,711    | 433,283    |            |                |  |
| July 15, 1939          | 596,799    | 447,599    |            |                |  |

## BANK OF ENGLAND RETURNS

AUGUST 2nd, 1939

## ISSUE DEPARTMENT

| (£ thousands)           |            | (£ thousands)                                   |             |
|-------------------------|------------|-------------------------------------------------|-------------|
| Notes Issued:           |            | Govt. Debt                                      | 11,015,100  |
| In circula. 520,569,938 |            | Other Govt. Securities                          | 288,253,500 |
| In Bnkg. Department     | 25,847,027 | Other Secs.                                     | 19,570      |
|                         |            | Silver Coin                                     | 711,830     |
|                         |            | Amt. of Fid. Issue                              | 300,000,000 |
|                         |            | Gold Coin & Bullion (at 148s. 6d. per oz. fine) | 246,416,965 |
|                         |            |                                                 | 546,416,965 |

## BANKING DEPARTMENT

| (£ thousands)   |             | (£ thousands)              |             |
|-----------------|-------------|----------------------------|-------------|
| Props. cap. ... | 14,553,000  | Govt. Secs. ...            | 112,611,164 |
| Rest. ...       | 3,533,586   | Other Secs. : Discs., etc. | 8,857,037   |
| Public Depts. * | 23,279,442  | Securities ...             | 21,108,027  |
| Other Depts. :  |             |                            |             |
| Bankers ...     | 89,578,164  | Notes ...                  | 28,025,064  |
| Other Accs. ... | 36,181,602  | Gold & Silver Coin ...     | 25,847,027  |
|                 | 125,759,766 |                            | 642,539     |
|                 |             |                            | 167,125,794 |

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

## THE WEEK'S CHANGES

| (£ thousands)                                           |         | Compared with     |           |
|---------------------------------------------------------|---------|-------------------|-----------|
|                                                         |         | Amt. Aug. 2, 1939 | Last Week |
| Both Departments                                        |         |                   |           |
| COMBINED LIABILITIES                                    |         |                   |           |
| Note circulation                                        | 520,570 | + 9,672           | + 22,787  |
| Deposits : Public                                       | 23,279  | + 2,731           | + 13,789  |
| Bankers                                                 | 89,578  | + 1,799           | + 23,846  |
| Others                                                  | 36,182  | + 561             | + 1,441   |
| Total outside liabilities                               | 669,609 | + 4,581           | + 14,171  |
| Capital and rest                                        | 18,087  | + 32              | + 45      |
| COMBINED ASSETS                                         | 411,880 | + 6,129           | + 9,220   |
| Govt. debt and securities                               | 6,855   | + 1,192           | + 2,750   |
| Discounts and advances                                  | 21,188  | + 340             | + 596     |
| Other securities                                        | 712     | + 4               | + 703     |
| Silver coin in issue dept.                              | 247,050 | + 19              | + 80,452  |
| Gold coin and bullion                                   | 26,490  | + 9,653           | + 3,239   |
| Res. of notes & coin in banking department              | ...     | ...               | ...       |
| Proportion of reserve to outside liabilities—           |         |                   |           |
| (a) Banking dept. only                                  | 17.7%   | 5.7%              | 1.1%      |
| (b) Gold stocks to deposits and notes ("reserve ratio") | 36.9%   | 0.2%              | 13.1%     |

## COMPARATIVE ANALYSIS\*

| (£ millions)                  |       | 1939   |         |         |         |        |
|-------------------------------|-------|--------|---------|---------|---------|--------|
|                               |       | Aug. 3 | July 12 | July 19 | July 26 | Aug. 2 |
| Issue Dept. :                 |       |        |         |         |         |        |
| Notes in circ.                | 497.8 | 507.9  | 507.6   | 510.9   | 520.6   |        |
| Notes in banking dept.        | 28.6  | 38.5   | 38.8    | 35.5    | 25.8    |        |
| Govt. debt and securities     | 200.0 | 299.1  | 299.1   | 299.3   | 299.3   |        |
| Other sec.                    | 0.0   | 0.2    | 0.2     | 0.0     | 0.0     |        |
| Silver coin                   | 0.0   | 0.7    | 0.7     | 0.7     | 0.7     |        |
| Gold, valued at s. per f. oz. | 326.4 | 246.4  | 246.4   | 246.4   | 246.4   |        |
| Deposits :                    |       |        |         |         |         |        |
| Public                        | 9.5   | 29.5   | 28.4    | 26.0    | 23.3    |        |
| Bankers                       | 113.4 | 87.1   | 95.5    | 91.4    | 89.6    |        |
| Others                        | 34.7  | 36.8   | 36.4    | 36.7    | 36.2    |        |
| Total                         | 157.6 | 153.4  | 160.3   | 154.1   | 149.1   |        |
| Bkg. Dept. Sect.              |       |        |         |         |         |        |
| Government                    | 114.7 | 100.4  | 105.1   | 106.5   | 112.6   |        |
| Discounts, etc.               | 9.2   | 9.1    | 9.1     | 8.0     | 6.9     |        |
| Other                         | 21.8  | 22.6   | 24.7    | 21.5    | 21.2    |        |
| Total                         | 146.1 | 132.2  | 138.9   | 136.0   | 140.7   |        |
| Banking dept. reserve         | 29.7  | 39.1   | 39.4    | 36.1    | 26.5    |        |
| " Proportion "                | 18.8  | 25.5   | 24.5    | 23.4    | 17.7    |        |
| Reserve ratio                 | 50.0  | 37.4   | 37.0    | 37.1    | 36.9    |        |

\* 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.—The latest returns of the Bank of International Settlements and the Bank of Denmark appeared in *The Economist* of July 8th; Iran, Lithuania and Roumania, of July 15th; Argentina and Sweden, of July 22nd; Bulgaria, Danzig, Egypt, Finland, Hungary, Japan, Yugoslavia, New Zealand and Norway, of July 29th.

## U.S. FEDERAL RESERVE BANKS

| 12 U.S.F.R. BANKS                              | Aug. 6, 1938 | July 27, 1938 | July 13, 1939 | Aug. 3, 1939 |
|------------------------------------------------|--------------|---------------|---------------|--------------|
| Gold cert. on hand and due from Treas.         | 10,633       | 13,535        | 13,709        | 13,869       |
| Total reserves                                 | 11,039       | 13,861        | 14,089        | 14,228       |
| Total cash reserves                            | 397          | 318           | 371           | 350          |
| Total bills discounted                         | 6            | 5             | 5             | 5            |
| Bills in open mkt.                             | 1            | 1             | 1             | 1            |
| Total bills on hand                            | 7            | 5             | 5             | 5            |
| Industrial advances                            | 2,564        | 2,551         | 2,488         | 2,453        |
| Total U.S. Govt. sec.                          | 2,587        | 2,568         | 2,506         | 2,470        |
| Total bills and sec.                           | 14,291       | 17,130        | 17,338        | 17,461       |
| LIABILITIES                                    |              |               |               |              |
| F.R. notes in circ.                            | 4,139        | 4,543         | 4,499         | 4,531        |
| Aggregate of excess mkt. bank res. over reqts. | 2,920        | 4,290         | 4,490         | 4,460        |
| Deposits — Member-bank reserve account         | 8,074        | 10,151        | 10,436        | 10,413       |
| Govt. deposits                                 | 775          | 820           | 742           | 863          |
| Total deposits                                 | 9,241        | 11,649        | 11,869        | 11,939       |
| Cap. paid in and surplus                       | 309          | 311           | 312           | 312          |
| Total liabilities                              | 14,291       | 17,130        | 17,338        | 17,461       |
| Reserve to depts. and F.R. notes               | 82.5%        | 85.6%         | 86.1%         | 86.4%        |
| U.S.F.R. BANKS AND TREASURY COMBINED RESOURCES |              |               |               |              |
| Monetary gold stock                            | 13,025       | 16,136        | 16,227        | 16,248       |
| Treasury and Nat. Bk. currency                 | 2,721        | 2,880         | 2,893         | 2,895        |
| Money in circulation                           | 6,465        | 7,100         | 7,002         | 7,054        |
| Treasury cash and deposits with F.R. Bks.      | 3,132        | 3,397         | 3,248         | 3,233        |

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

|                                        | Aug. 4, 1938 | July 27, 1938 | July 13, 1939 | Aug. 3, 1939 |
|----------------------------------------|--------------|---------------|---------------|--------------|
| Total gold reserves                    | 464.7        | 5,699.8       | 6,708.9       | 6,682.4      |
| Total bills discounted                 | 1.1          | 1.4           | 1.2           | 1.2          |
| Bills in open mkt.                     | 0.2          | 0.2           | 0.2           | 0.2          |
| Total U.S. Govt. sec.                  | 780.1        | 753.1         | 729.6         | 716.5        |
| Total bills and sec.                   | 785.1        | 757.6         | 733.7         | 720.0        |
| Deposits — Member-bank reserve account | 383.5        | 4,548.8       | 6,566.6       | 3,554.9      |
| Reserve to depts. and F.R. notes       | 86.9%        | 90.7%         | 91.1%         | 91.2         |

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

| ASSETS                 | July 20, 1938 | June 21, 1938 | July 12, 1939 | July 19, 1939 |
|------------------------|---------------|---------------|---------------|---------------|
| Loans, total           | 8,208         | 8,072         | 8,131         | 8,116         |
| Investments            | 12,410        | 13,851        | 13,892        | 13,909        |
| Reserve with Federal   | 6,709         | 8,475         | 8,649         | 8,706         |
| Due from domestic bks. | 2,428         | 2,747         | 2,790         | 2,767         |
| LIABILITIES            |               |               |               |               |
| Deposits: demand       | 15,127        | 17,238        | 17,368        | 17,387        |
| Time                   | 5,208         | 5,238         | 5,224         | 5,223         |
| U.S. Government        | 449           | 554           | 550           | 550           |
| Inter-bank             | 6,346         | 7,319         | 7,539         | 7,530         |

## BANK OF FRANCE.—Million francs

| ASSETS                                       | July 28, 1938 | June 29, 1938 | July 20, 1939 | July 27, 1939 |
|----------------------------------------------|---------------|---------------|---------------|---------------|
| Gold*                                        | 55,808        | 92,266        | 92,266        | 92,266        |
| Bills: Commercial                            | 7,499         | 9,906         | 9,275         | 10,136        |
| Bought abroad                                | 744           | 692           | 592           | 692           |
| Advances on securities                       | 3,545         | 3,471         | 3,461         | 3,461         |
| Thirty-day advances                          | 623           | 374           | 504           | 472           |
| Loans to State without interest: (a) general | 3,200         | 10,000        | 10,000        | 10,000        |
| (b) provisional                              | 40,134        | 20,577        | 20,577        | 20,576        |
| Negotiable bonds                             | 5,574         | 5,470         | 5,470         | 5,470         |
| Sinking Fund Dept.                           | 3,939         | 4,768         | 4,396         | 4,473         |
| Other assets                                 | 101,117       | 122,611       | 122,483       | 123,239       |
| LIABILITIES                                  |               |               |               |               |
| Deposits: Public                             | 3,135         | 5,188         | 5,218         | 5,468         |
| Private                                      | 14,041        | 16,271        | 16,022        | 15,832        |
| Other liabilities                            | 2,774         | 3,004         | 2,920         | 3,008         |
| Gold to sight liabilities                    | 47.1%         | 63.8%         | 64.1%         | 63.7%         |

## REICHSBANK Million Reichsmarks

| ASSETS                   | July 30, 1938 | June 30, 1938 | July 22, 1939 | July 31, 1939 |
|--------------------------|---------------|---------------|---------------|---------------|
| Gold & for. currencies   | 76.0          | 76.7          | 76.9          | 76.7          |
| Bills and cheques        | 626.4         | 2,815.9       | 789.0         | 5,846.7       |
| Token money              | 137.7         | 129.7         | 184.5         | 121.1         |
| Renten bank notes        | ...           | 14.6          | 25.2          | 19.9          |
| Advances                 | 48.5          | 47.8          | 27.4          | 36.2          |
| Secs.: for note cover    | 847.1         | 929.5         | 924.7         | 925.0         |
| Other assets             | 1149.1        | 1,514.1       | 1,079.6       | 1,510.7       |
| LIABILITIES              |               |               |               |               |
| Notes in circulation     | 664.9         | 5,873.1       | 1,822.8       | 1,898.0       |
| Daily maturing liab.     | 919.8         | 1,281.4       | 1,108.1       | 1,293.7       |
| Other liabilities        | 286.8         | 400.4         | 423.8         | 424.6         |
| Cover of note circulatn. | 1.14%         | 0.88%         | 0.93%         | 0.85%         |

## AUSTRALIAN COMMONWEALTH BANK.—Million £'s

| ASSETS                   | July 25, 1938 | June 26, 1938 | July 17, 1939 | July 24, 1939 |
|--------------------------|---------------|---------------|---------------|---------------|
| Gold and English stg.    | 16.01         | 16.03         | 16.03         | 16.03         |
| Other coin, bullion, &c. | 5.48          | 5.20          | 4.58          | 4.85          |
| Call money, London, &c.  | 25.22         | 19.08         | 16.30         | 16.02         |
| Secrts. and Treas. bills | 89.03         | 93.26         | 99.64         | 99.70         |
| Discounts and advances   | 13.82         | 16.58         | 17.65         | 17.78         |
| LIABILITIES              |               |               |               |               |
| Notes issued             | 49.03         | 47.53         | 47.78         | 47.78         |
| Res. pm. on gold sold    | 7.75          | 7.75          | 7.75          | 7.75          |
| Deposits, etc.           | 85.64         | 84.23         | 87.21         | 87.76         |

## SOUTH AFRICAN RESERVE BANK Million £'s

| ASSETS                                 | July 22, 1938 | June 23, 1938 | July 14, 1939 | July 21, 1939 |
|----------------------------------------|---------------|---------------|---------------|---------------|
| Gold coin and bullion                  | 22.64         | 26.64         | 26.64         | 26.64         |
| Bills discounted                       | 6.51          | 8.06          | 5.66          | 5.69          |
| Advances to Govt.                      | 2.20          | 1.30          | 1.20          | 1.20          |
| Inves. & other assets                  | 12.27         | 15.74         | 16.26         | 15.79         |
| LIABILITIES                            |               |               |               |               |
| Notes in circulation                   | 15.69         | 16.57         | 17.25         | 16.78         |
| Deposits: Government                   | 2.25          | 3.04          | 1.83          | 2.38          |
| Bankers                                | 19.18         | 23.43         | 23.43         | 22.00         |
| Others                                 | 3.45          | 4.35          | 3.99          | 4.93          |
| Cash reserves to liabilities to public | 55.5%         | 56.4%         | 57.1%         | 57.7%         |

## NATIONAL BANK OF BELGIUM Million belgas

| ASSETS                 | July 28, 1938 | June 28, 1938 | July 19, 1939 | July 26, 1939 |
|------------------------|---------------|---------------|---------------|---------------|
| Gold                   | 2,954         | 3,187         | 3,304         | 3,381         |
| Silver and other coin  | 47            | 54            | 48            | 48            |
| Foreign exchange, etc. | 817           | 739           | 810           | 854           |
| Bills and securities   | 721           | 702           | 610           | 630           |
| Advances               | 52            | 48            | 68            | 53            |
| LIABILITIES            |               |               |               |               |
| Notes in circulation   | 4,205         | 4,442         | 4,539         | 4,565         |
| Deposits: Govt.        | 16            | 161           | 13            | 8             |
| Other                  | 284           | 161           | 195           | 251           |

## BANK OF CANADA.—Million \$'s

| ASSETS                                    | July 28, 1938 | June 28, 1938 | July 19, 1939 | July 26, 1939 |
|-------------------------------------------|---------------|---------------|---------------|---------------|
| Reserve, of which:                        | 207.2         | 246.2         | 243.0         | 247.5         |
| Gold coin and bullion                     | 180.4         | 205.7         | 205.4         | 205.3         |
| Securities                                | 168.1         | 160.0         | 163.9         | 163.8         |
| LIABILITIES                               |               |               |               |               |
| Note circulation                          | 155.7         | 164.6         | 169.2         | 168.9         |
| Deposits: Dom. Govt.                      | 15.9          | 28.8          | 24.8          | 27.8          |
| Chartered banks                           | 193.6         | 203.1         | 202.5         | 206.1         |
| Reserves to notes and deposit liabilities | 56.4%         | 61.3%         | 60.4%         | 60.7%         |

## BANK OF ESTONIA Million Estonian kroones

| ASSETS                                     | July 7, 1938 | June 15, 1938 | July 7, 1939 | July 15, 1939 |
|--------------------------------------------|--------------|---------------|--------------|---------------|
| Gold coin & gold bullion                   | 34.25        | 40.89         | 40.90        | 40.90         |
| Net foreign exchange                       | 15.21        | 8.59          | 7.71         | 7.77          |
| Home bills discounted                      | 9.51         | 11.92         | 12.39        | 11.09         |
| Loans and advances                         | 9.69         | 12.45         | 12.13        | 12.28         |
| LIABILITIES                                |              |               |              |               |
| Notes in circulation                       | 45.30        | 49.75         | 49.57        | 50.37         |
| Sight dep. and current accounts, of which: | 31.82        | 27.54         | 26.29        | 23.77         |
| (a) Government                             | 16.60        | 10.20         | 10.56        | 9.06          |
| (b) Bankers                                | 12.89        | 14.43         | 12.70        | 12.12         |
| Reserve to current liabilities             | 64.1%        | 64.0%         | 64.1%        | 65.7%         |

## BANK OF GREECE.—Million drachmae

| ASSETS                    | May 15, 1938 | May 23, 1938 | May 19, 1939 | June 7, 1939 |
|---------------------------|--------------|--------------|--------------|--------------|
| Gold and for. exchange    | 4,201        | 4,197        | 4,134        | 4,056        |
| State sec. in for. curr.  | 123          | 124          | 125          | 124          |
| Bills discounted          | 862          | 860          | 853          | 850          |
| Advances                  | 9,085        | 9,136        | 9,288        | 9,454        |
| State debt                | 4,130        | 4,131        | 4,131        | 4,132        |
| LIABILITIES               |              |              |              |              |
| Notes in circulation      | 8,176        | 8,271        | 8,195        | 8,141        |
| Dep. and current accs.    | 9,998        | 9,982        | 10,130       | 10,330       |
| Foreign exch. liabilities | 387          | 383          | 424          | 382          |

## BANK OF GREECE.—continued.

| ASSETS                    | June 15, 1939 | June 23, 1939 | June 30, 1939 | July 7, 1939 |
|---------------------------|---------------|---------------|---------------|--------------|
| Gold and for. exchange    | 3,942         | 3,881         | 3,892         | 3,825        |
| State sec. in for. curr.  | 125           | 125           | 125           | 128          |
| Bills discounted          | 833           | 822           | 807           | 811          |
| Advances                  | 9,594         | 9,701         | 9,763         | 9,934        |
| State debt                | 4,132         | 4,132         | 4,132         | 4,079        |
| LIABILITIES               |               |               |               |              |
| Notes in circulation      | 7,962         | 7,922         | 8,002         | 8,111        |
| Dep. and current accs.    | 10,522        | 10,644        | 10,484        | 10,495       |
| Foreign exch. liabilities | 324           | 304           | 328           | 314          |

## BANK OF JAVA.—Million florins

| ASSETS                                  | July 30, 1938 | July 1, 1939 | July 22, 1939 | July 29, 1939 |
|-----------------------------------------|---------------|--------------|---------------|---------------|
| Gold and silver                         | 137.63        | 136.62       | 135.95        | 136.16        |
| Discounts, advances & other investments | 73.93         | 71.82        | 71.54         | 71.17         |
| Foreign bills                           | 2.76          | 15.19        | 12.65         | 11.47         |
| Other assets                            | 58.18         | 57.89        | 60.15         | 62.12         |
| LIABILITIES                             |               |              |               |               |
| Notes in circulation                    | 188.68        | 197.70       | 199.60        | 199.16        |
| Deposits and bills                      | 71.14         | 72.00        | 68.46         | 69.53         |

## NATIONAL BANK, PRAGUE Million Cz. kr.

| ASSETS                                 | July 23, 1938 | June 23, 1938 | July 15, 1939 | July 23, 1939 |
|----------------------------------------|---------------|---------------|---------------|---------------|
| Gold                                   | 2,653         | 1,799         | 1,725         | 1,722         |
| Balances abroad and foreign currencies | 260           | 767           | 798           | 801           |
| Discounts and advances                 | 3,301         | 2,775         | 2,728         | 2,548         |
| LIABILITIES                            |               |               |               |               |
| Notes in circulation                   | 7,069         | 6,193         | 6,246         | 6,199         |
| Cash vouchers in circ.                 | ...           | 455           | 429           | 427           |
| Deposits                               | 806           | 931           | 1,063         | 1,152         |

## RESERVE BANK OF INDIA Million rupees

| ASSETS                           | July 22, 1938 | June 23, 1938 | July 14, 1939 | July 21, 1939 |
|----------------------------------|---------------|---------------|---------------|---------------|
| Gold coin and bullion            | 444           | 444           | 444           | 444           |
| Rupee coin                       | 662           | 687           | 710           | 720           |
| Balances abroad                  | 29            | 83            | 39            | 37            |
| Sterling securities              | 695           | 595           | 595           | 595           |
| Indian Govt. rupee securities    | 323           | 374           | 374           | 374           |
| Investments                      | 65            | 73            | 75            | 76            |
| LIABILITIES                      |               |               |               |               |
| Notes in circ.: India            | 1,662         | 1,745         | 1,729         | 1,714         |
| Burma                            | 71            | 97            | 97            | 97            |
| Deposits: Govts.                 | 148           | 147           | 117           | 111           |
| Deposits: Banks                  | 231           | 169           | 193           | 252           |
| Gold and sterling to liabilities | 53.6%         | 49.5%         | 49.0%         | 48.7%         |

## BANK OF LATVIA Million lats

| ASSETS                   | July 25, 1938 | June 26, 1938 | July 17, 1939 | July 24, 1939 |
|--------------------------|---------------|---------------|---------------|---------------|
| Gold coin and bullion    | 77.60         | 92.84         | 92.84         | 92.84         |
| Silver coin              | 14.02         | 11.79         | 12.04         | 12.01         |
| Foreign currency         | 38.76         | 39.86         | 38.72         | 40.94         |
| Treas. notes and change  | 9.59          | 9.69          | 10.99         | 10.76         |
| Short-term bills         | 49.65         | 52.87         | 52.50         | 52.23         |
| Loans against securities | 76.17         | 94.17         | 91.46         | 91.15         |
| LIABILITIES              |               |               |               |               |
| Notes in circulation     | 61.40         | 83.68         | 79.33         | 81.17         |
| Deposits & curr. accs.   | 140.38        | 133.17        | 136.83        | 137.65        |
| Government accounts      | 57.06         | 75.16         | 69.12         | 67.20         |

## NETHERLANDS BANK Million florins

| ASSETS                                | Aug. 3, 1938 | July 24, 1938 | July 31, 1939 | July 31, 1939 |
|---------------------------------------|--------------|---------------|---------------|---------------|
| Gold                                  | 1480.8       | 1155.6        | 1129.5        | 1153.4        |
| Silver                                | 19.8         | 21.0          | 23.6          | 1153.4        |
| Home bills, etc.                      | 8.3          | 8.2           | 10.3          | 10.0          |
| Foreign bills                         | 5.0          | 2.3           | 1.8           | 1.8           |
| Loans and advances in current account | 324.8        | 222.5         | 220.8         | 223.7         |
| LIABILITIES                           |              |               |               |               |
| Notes in circulation                  | 949.4        | 1045.4        | 1008.6        | 1037.2        |
| Deposits: (a) Govt.                   | 170.5        | 34.4          | 43.8          | 43.8          |
| (b) Other                             | 737.0        | 351.9         | 355.4         | 372.9         |

## BANK OF POLAND Million zloty

| ASSETS                   | July 20, 1938 | June 20, 1938 | July 10, 1939 | July 20, 1939 |
|--------------------------|---------------|---------------|---------------|---------------|
| Gold                     | 446.9         | 443.7         | 443.9         | 443.9         |
| For. exch. and balances  | 11.4          | 13.4          | 12.5          | 12.1          |
| Bills discounted         | 659.5         | 522.0         | 530.8         | 531.8         |
| Loans against securities | 23.2          | 83.0          | 130.6         | 133.2         |
| Treas. bills discounted  | 29.6          | 124.6         | 153.5         | 138.7         |
| Other State credits      | ...           | 515.0         | 515.0         | 515.0         |
| Securities               | 127.5         | 155.7         | 159.0         | 160.0         |
| LIABILITIES              |               |               |               |               |
| Notes in circulation     | 1064.6        | 1767.1        | 1843.3        | 1796.0        |

## EXCHANGE RATES—cont.

## NEW YORK

| New York on        | July 27, 1939                     | July 28, 1939                     | July 31, 1939                       | Aug. 1, 1939                       | Aug. 2, 1939                       |
|--------------------|-----------------------------------|-----------------------------------|-------------------------------------|------------------------------------|------------------------------------|
| London:—           | Cents                             | Cents                             | Cents                               | Cents                              | Cents                              |
| 60 days            | 467 <sup>19</sup> / <sub>32</sub> | 467 <sup>19</sup> / <sub>32</sub> | 467 <sup>19</sup> / <sub>32</sub>   | 467 <sup>19</sup> / <sub>32</sub>  | 467 <sup>19</sup> / <sub>32</sub>  |
| Cables             | 468 <sup>1</sup> / <sub>8</sub>   | 468 <sup>1</sup> / <sub>8</sub>   | 468 <sup>1</sup> / <sub>8</sub>     | 468 <sup>1</sup> / <sub>8</sub>    | 468 <sup>1</sup> / <sub>8</sub>    |
| Demand             | 468                               | 468                               | 468                                 | 468                                | 468 <sup>1</sup> / <sub>8</sub>    |
| Paris, Fr.         | 2-64 <sup>7</sup> / <sub>8</sub>  | 2-64 <sup>7</sup> / <sub>8</sub>  | 2-64 <sup>15</sup> / <sub>16</sub>  | 2-64 <sup>15</sup> / <sub>16</sub> | 2-64 <sup>15</sup> / <sub>16</sub> |
| Brussels, Bel.     | 16-99                             | 16-99                             | 16-99 <sup>34</sup> / <sub>64</sub> | 16-99                              | 16-99                              |
| Switzerland, Fr.   | 22-56                             | 22-56                             | 22-56                               | 22-56                              | 22-56                              |
| Italy, Lira        | 5-26 <sup>1</sup> / <sub>4</sub>  | 5-26 <sup>1</sup> / <sub>4</sub>  | 5-26 <sup>1</sup> / <sub>4</sub>    | 5-26 <sup>1</sup> / <sub>4</sub>   | 5-26 <sup>1</sup> / <sub>4</sub>   |
| Berlin, Mark       | 40-13                             | 40-13                             | 40-13                               | 40-13                              | 40-13                              |
| Amsterdam, Guilder | 53-24                             | 53-18                             | 53-10                               | 53-20                              | 53-17                              |
| Copenhagen, Kr.    | 20-90                             | 20-90                             | 20-90                               | 20-90                              | 20-90                              |
| Oslo, Kr.          | 23-52 <sup>1</sup> / <sub>2</sub> | 23-52 <sup>1</sup> / <sub>2</sub> | 23-52 <sup>1</sup> / <sub>2</sub>   | 23-52 <sup>1</sup> / <sub>2</sub>  | 23-52 <sup>1</sup> / <sub>2</sub>  |
| Stockholm, Kr.     | 24-12 <sup>1</sup> / <sub>2</sub> | 24-12 <sup>1</sup> / <sub>2</sub> | 24-12 <sup>1</sup> / <sub>2</sub>   | 24-12 <sup>1</sup> / <sub>2</sub>  | 24-12 <sup>1</sup> / <sub>2</sub>  |
| Athens, Dr.        | 0-85 <sup>7</sup> / <sub>8</sub>  | 0-85 <sup>7</sup> / <sub>8</sub>  | 0-85 <sup>7</sup> / <sub>8</sub>    | 0-85 <sup>7</sup> / <sub>8</sub>   | 0-85 <sup>7</sup> / <sub>8</sub>   |
| Montreal, Can. \$  | 99-945                            | 99-985                            | 100-00                              | 100-00                             | 100-00                             |
| Yokohama, Yen      | 27-31                             | 27-31                             | 27-31                               | 27-31                              | 27-31                              |
| Shanghai, \$       | 8-45                              | 8-70                              | 8-70                                | 8-70                               | 8-80                               |
| B. Aires, Peso     | 29-04                             | 29-04                             | 29-04                               | 29-04                              | 29-04                              |
| Rio, Milreis†      | 5-10                              | 5-10                              | 5-10                                | 5-10                               | 5-10                               |

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 <sup>3</sup> / <sub>8</sub>      | 125                               | 124 <sup>3</sup> / <sub>8</sub>   | 125 <sup>1</sup> / <sub>2</sub>   |
| Sight                                | (†) 126 <sup>1</sup> / <sub>8</sub> | (†) 125 <sup>7</sup> / <sub>8</sub> | 125 <sup>1</sup> / <sub>16</sub> | 124 <sup>7</sup> / <sub>16</sub>     | 124 <sup>15</sup> / <sub>16</sub> | 124 <sup>11</sup> / <sub>16</sub> | 124 <sup>39</sup> / <sub>40</sub> |
| 30 days                              | 126 <sup>1</sup> / <sub>8</sub>     | 126 <sup>1</sup> / <sub>8</sub>     | ...                              | 124 <sup>1</sup> / <sub>2</sub>      | 124 <sup>3</sup> / <sub>8</sub>   | 123 <sup>1</sup> / <sub>2</sub>   | 124 <sup>7</sup> / <sub>8</sub>   |
| 60 days                              | 127 <sup>1</sup> / <sub>8</sub>     | 126 <sup>1</sup> / <sub>8</sub>     | ...                              | 124 <sup>1</sup> / <sub>2</sub>      | 124 <sup>3</sup> / <sub>8</sub>   | 123 <sup>1</sup> / <sub>2</sub>   | 124 <sup>7</sup> / <sub>8</sub>   |
| 90 days                              | 127 <sup>1</sup> / <sub>8</sub>     | 127 <sup>1</sup> / <sub>8</sub>     | ...                              | 124                                  | 123 <sup>3</sup> / <sub>8</sub>   | 123 <sup>1</sup> / <sub>2</sub>   | 124 <sup>1</sup> / <sub>2</sub>   |

\* 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 Aug. 3, 1939

| Imports           |           |        | Exports       |           |         |
|-------------------|-----------|--------|---------------|-----------|---------|
| From              | Bullion   | Coin   | To            | Bullion   | Coin    |
| GOLD              |           |        |               |           |         |
| South Africa      | 2,178,320 | ...    | Sweden        | 479,860   | ...     |
| S. Rhodesia       | 73,315    | ...    | Belgium       | 915,739   | ...     |
| British India     | 509,173   | ...    | France        | ...       | 50,923  |
| New Zealand       | 46,717    | ...    | Syria         | ...       | 35,235  |
| Trinidad & Tobago | 6,750     | ...    | Switzerland   | 113,170   | ...     |
| British Guiana    | 7,816     | ...    | Siam          | 1,903,713 | ...     |
| Switzerland       | ...       | 5,732  | United States | 4,480,795 | ...     |
| Total*            | 2,829,860 | 8,350  | Total*        | 7,914,311 | 119,042 |
| SILVER            |           |        |               |           |         |
| Eire              | ...       | 6,500  | British India | 20,190    | ...     |
| Hong Kong         | 9,655     | ...    | Sweden        | ...       | ...     |
| New Zealand       | 8         | 260    | France        | 18,618    | ...     |
| Belgium           | 25,097    | ...    | Syria         | ...       | ...     |
| Iraq              | 48,637    | ...    | Egypt         | 1,115     | ...     |
| Mexico            | 18,996    | ...    | ...           | ...       | ...     |
| Total*            | 104,218   | 19,243 | Total*        | 41,682    | 200     |

\* 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 June 30, 1939.                                                                                                             |
| Colombia.*   | Sight selling rate on New York was 175.15 pesos per 100 U.S. dollars on July 4, 1939. This rate applies to holders of permits buying in the "open" market.                                       |
| Ecuador.     | Sight selling rate on New York was 15.30 sucres per U.S. dollar on June 24, 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 June 23, 1939. |
| Paraguay.    | Exchange is quoted on Buenos Aires; the sight selling rate was 72 Paraguayan pesos per Argentine "free" paper peso on June 17, 1939.                                                             |
| El Salvador. | Sight selling rate on New York was 2.50½ colones per U.S. dollar on June 24, 1939.                                                                                                               |
| Venezuela.   | Sight selling rate on New York has been maintained at 3.19 bolivares per U.S. dollar since April 27, 1937.                                                                                       |

\* Exchange controls are operative in these countries.

## OVERSEAS BANK RATES

| Changed       | From          | To | Changed        | From         | To    |
|---------------|---------------|----|----------------|--------------|-------|
| Albania       | Apr. 1, '37   | 6½ | Montreal       | Mar. 11, '35 | 2½    |
| Amsterdam     | Dec. 2, '36   | 2½ | Oslo           | Jan. 5, '38  | 4     |
| Athens        | Jan. 4, '37   | 7  | Paris          | Jan. 3, '39  | 2½    |
| Batavia       | Jan. 14, '37  | 4  | Pretoria       | May 15, '33  | 4     |
| Belgrade      | Feb. 1, '35   | 6½ | Tallinn        | Oct. 1, '35  | 4½    |
| Berlin        | Sept. 22, '32 | 5  | Riga           | Jan. 1, '39  | 5½    |
| Brussels      | July 6, '39   | 3  | Rio de Janeiro | May 31, '35  | 3½    |
| Bucharest     | May 5, '38    | 4½ | Rome           | May 18, '36  | 5     |
| Budapest      | Aug. 28, '35  | 4½ | Sofia          | Aug. 15, '35 | 7     |
| Calcutta      | Nov. 28, '35  | 3½ | Stockholm      | Dec. 1, '33  | 2½    |
| Copenhagen    | Feb. 23, '39  | 4  | Swiss Bank     | Nov. 25, '36 | 2     |
| Danzig        | Jan. 2, '37   | 5  | Tokio          | Mar. 11, '38 | 3-285 |
| Helsingfors   | Dec. 3, '34   | 4½ | Warsaw         | Dec. 18, '37 | 5     |
| Kovno         | May 14, '39   | 5  | Wellington     | Nov. 22, '38 | 2     |
| Lisbon        | May 11, '36   | 5  | Irish          | June 30, '32 | 3     |
| New York Fed. | Aug. 26, '37  | 1½ |                |              |       |
| Reserve       | July 15, '35  | 5½ |                |              |       |

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

## OIL OUTPUTS

Anglo-Iranian Oil Company, Ltd.—Output in Iran, May, 1939, 888,000 tons. Total output for period January 1 to May 31, 1939, 4,232,000 tons.

Anglo-Ecuadorian Oilfields, Ltd.—Output, July, 1939: 24,836 tons.

British Burmah Petroleum Company, Ltd.—Output, June, 1939, 53,791 barrels.

British Controlled Oilfields, Ltd.—Total output week ended July 8, 1939: 19,914 barrels. Total output for June, 1939: 86,172 barrels. Total shipments, June, 1939: 75,682 barrels. Total output week ended July 15, 1939, 19,429 barrels. Total output week ended July 22, 1939,

19,224 barrels. Total output week ended July 29, 1939: 18,426 barrels.

Trinidad Leaseholds, Ltd.—The figures for June, 1939, are: Crude oil production (own fields only), 414,590 barrels; crude oil purchases (including own share of oil from jointly operated fields), 532,851 barrels.

Trinidad Petroleum Development Company, Ltd.—Output week ended June 17, 1939, 56,772 barrels. Output week ended June 24, 1939, 55,759 barrels. Total output week ended July 1, 1939, 57,907 barrels; output for June, 1939, 242,604 barrels; deliveries for June, 1939, including purchased oil, 251,387 barrels. Output week ended July 8, 1939, 59,209

barrels. Output week ended July 15, 1939, 62,831 barrels. Output week ended July 22, 1939, 61,116 barrels. Output week ended July 29, 1939: 59,611 barrels.

Venezuelan Oil Concessions, Ltd.—Total output, week ended May 20, 1939, 1,220,687 barrels. Total output week ended May 27, 1939: 1,143,221 barrels. Total output week ended June 3, 1939: 1,067,882 barrels. Total output week ended June 10, 1939, 1,028,967 barrels. Total output week ended June 17, 1939, 1,017,872 barrels. Total output week ended June 24, 1939, 1,110,244 barrels. Total output week ended July 1, 1939, 1,095,840 barrels. Total output week ended July 8, 1939, 1,076,418 barrels. Total output week ended July 15, 1939, 1,110,244 barrels.

## Investment

TRANSPORT RECEIPTS  
BRITISH RAILWAY TRAFFICS

|                | Gross Receipts, week ended July 30 (£'000) |             |             |         |       | Aggregate Gross Receipts, 30 weeks (£'000) |             |             |         |        |
|----------------|--------------------------------------------|-------------|-------------|---------|-------|--------------------------------------------|-------------|-------------|---------|--------|
|                | Passenger                                  | Merchandise | Coal & Coke | Freight | Total | Passenger                                  | Merchandise | Coal & Coke | Freight | Total  |
| L.M. & S.—     |                                            |             |             |         |       |                                            |             |             |         |        |
| 1938           | 1113                                       | 384         | 213         | 597     | 1,710 | 15,466                                     | 13,773      | 7,640       | 21,413  | 36,879 |
| 1939           | 763                                        | 485         | 244         | 729     | 1,492 | 14,816                                     | 14,127      | 8,016       | 22,143  | 36,959 |
| L. & N.E.(a)—  |                                            |             |             |         |       |                                            |             |             |         |        |
| 1938           | 634                                        | 288         | 203         | 491     | 1,125 | 9,866                                      | 9,684       | 7,167       | 16,851  | 26,717 |
| 1939           | 507                                        | 348         | 228         | 576     | 1,083 | 9,634                                      | 9,666       | 7,581       | 17,247  | 26,881 |
| Great Western— |                                            |             |             |         |       |                                            |             |             |         |        |
| 1938           | 490                                        | 173         | 102         | 275     | 765   | 6,441                                      | 5,627       | 3,291       | 8,918   | 15,359 |
| 1939           | 321                                        | 223         | 115         | 338     | 659   | 6,225                                      | 6,042       | 3,405       | 9,447   | 15,672 |
| Southern—      |                                            |             |             |         |       |                                            |             |             |         |        |
| 1938           | 604                                        | 62          | 33          | 95      | 699   | 9,658                                      | 1,823       | 925         | 2,748   | 12,406 |
| 1939           | 464                                        | 70          | 34          | 104     | 568   | 9,525                                      | 1,845       | 964         | 2,809   | 12,344 |
| Total—         |                                            |             |             |         |       |                                            |             |             |         |        |
| 1938           | 2841                                       | 907         | 551         | 1,458   | 4,299 | 41,431                                     | 30,907      | 19,023      | 49,930  | 91,361 |
| 1939           | 2055                                       | 1126        | 621         | 1,747   | 3,802 | 40,200                                     | 31,680      | 19,966      | 51,646  | 91,846 |

(a) Week ended July 29.

## CUMULATIVE AND WEEKLY COMPARISONS

(000's omitted)

|                                                         | L.M.S.  | L.N.E.R. | Great Western | Southern |
|---------------------------------------------------------|---------|----------|---------------|----------|
| Cumulative Figures                                      |         |          |               |          |
| Gross decrease, second half 1938, over second half 1937 | - 2,423 | - 1,812  | - 926         | - 54     |
| Gross increase, first half 1939, over first half 1938   | + 110   | + 7      | + 309         | + 57     |
| Gross increase, second half 1939, over second half 1938 | - 30    | + 157    | + 4           | - 129    |
| Weekly Figures                                          |         |          |               |          |
| Av. weekly increase, 2nd half 1939                      | - 7.50  | + 39.25  | + 1.00        | - 32.25  |
| Latest week compared with 1938 ...                      | - 218   | - 42     | - 106         | - 131    |
| Latest week compared with average 1927-30               | - 59    | - 67     | - 17          | + 15     |

## IRISH RAILWAY TRAFFICS

| Company             | Gross Receipts, week ended July 28, 1939 (£'000) |       |       | Aggregate Gross Receipts 30 weeks (£'000) |         |         |
|---------------------|--------------------------------------------------|-------|-------|-------------------------------------------|---------|---------|
|                     | Pass.                                            | Goods | Total | Pass.                                     | Goods   | Total   |
| Belfast & Co. Down— |                                                  |       |       |                                           |         |         |
| 1938                | 4.9                                              | 0.4   | 5.3   | 72.6                                      | 12.8    | 85.4    |
| 1939                | 4.9                                              | 0.5   | 5.4   | 75.5                                      | 13.0    | 88.5    |
| Great Northern—     |                                                  |       |       |                                           |         |         |
| 1938                | 16.2                                             | 9.6   | 25.8  | 305.1                                     | 263.6   | 568.7   |
| 1939                | 15.0                                             | 10.2  | 25.2  | 314.1                                     | 301.0   | 615.1   |
| Great Southern—     |                                                  |       |       |                                           |         |         |
| 1938                | 52.9                                             | 35.9  | 88.8  | 1,023.9                                   | 1,170.8 | 2,194.7 |
| 1939                | 48.4                                             | 40.8  | 89.2  | 1,024.6                                   | 1,209.2 | 2,233.8 |

## AMERICAN RAILROADS

| Company               | Month of June, 1939 | Compared with June, 1938 | 6 Months, 1939 | Compared with 6 Months, 1938 |
|-----------------------|---------------------|--------------------------|----------------|------------------------------|
| Baltimore and Ohio    | Gross 12,771,000    | + 1,969,000              | 69,801,000     | + 8,189,000                  |
| New York Central      | Gross 1,864,000     | + 483,000                | 7,708,000      | + 5,194,000                  |
| Pennsylvania Railroad | Gross 2,696,000     | + 3,656,000              | 15,970,000     | + 17,027,000                 |
| Southern Pacific      | Gross 2,456,000     | + 1,534,000              | 8,690,000      | + 8,582,000                  |
| Union Pacific         | Gross 3,852,000     | + 4,836,000              | 18,623,000     | + 22,099,000                 |
|                       | Net 5,602,000       | + 418,000                | 26,546,000     | + 6,868,000                  |
|                       | Gross 18,832,000    | + 1,674,000              | 100,050,000    | + 7,155,000                  |
|                       | Net 2,859,000       | + 1,422,000              | 9,095,000      | + 9,069,000                  |
|                       | Gross 13,000,000    | + 1,865,000              | 72,007,000     | + 9,707,000                  |
|                       | Net 438,000         | - 380,000                | 4,491,000      | + 638,000                    |

† Net operating income.

## SHORTER COMMENTS

(Continued from page 281)

Allied Industrial Services.—Final dividend 36 per cent., making 50 per cent. for year to June 30, 1939, on capital for year to June 30, 1939, on capital increased by the capital bonus last December of 87½ per cent. For previous year dividend was 70 per cent. Profits have risen from £159,901 to £204,695.

Bunting and Company.—This company is to go into liquidation. The approximate statement of affairs shows that against liabilities expected to rank of £583,583 there appears to be a deficiency

of £522,264 on the estimated realisable value of the assets. A committee of inspection of five principal creditors has been formed.



## 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 Aug. 2, inclusive |  |         |  | Prices, Year 1939 Jan. 1 to Aug. 2, inclusive |  |         |  | Prices, Year 1939 Jan. 1 to Aug. 2, inclusive |  |         |  | Prices, Year 1939 Jan. 1 to Aug. 2, inclusive |  |         |  |
|-------------------|--|---------|--|-----------------------------------------------|--|---------|--|-----------------------------------------------|--|---------|--|-----------------------------------------------|--|---------|--|-----------------------------------------------|--|---------|--|
| High-est          |  | Low-est |  | High-est                                      |  | Low-est |  | High-est                                      |  | Low-est |  | High-est                                      |  | Low-est |  | High-est                                      |  | Low-est |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
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|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
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|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  |
|                   |  |         |  |                                               |  |         |  |                                               |  |         |  |                                               |  |         |  | </                                            |  |         |  |

## THE WEEK'S COMPANY RESULTS

| Company                                | Year Ending      | Balance from Last Account | Net Profit After Payment of Deben-ture Interest | Amount Available for Distribu-tion | Appropriation  |                 |          |                                         |                 | Corresponding Period Last Year |           |
|----------------------------------------|------------------|---------------------------|-------------------------------------------------|------------------------------------|----------------|-----------------|----------|-----------------------------------------|-----------------|--------------------------------|-----------|
|                                        |                  |                           |                                                 |                                    | Dividend       |                 |          | Carried to Reserve, Deprecia-tion, etc. | Balance Forward | Net Profit                     | Divi-dend |
|                                        |                  |                           |                                                 |                                    | Prefce. Amount | Ordinary Amount | Rate     |                                         |                 |                                |           |
| <b>Breweries</b>                       |                  |                           |                                                 |                                    |                |                 |          |                                         |                 |                                |           |
| All Saints' Brewery.....               | June 30          | £ 32,559                  | £ 18,176                                        | £ 50,735                           | £ 2,424        | £ 11,130        | 25       | £ ...                                   | £ 37,181        | £ 15,603                       | % 25      |
| Showells Brewery .....                 | June 30          | 33,822                    | 32,816                                          | 66,638                             | 10,005         | 17,400          | 30       | ...                                     | 39,233          | 28,826                         | 30        |
| Watney Combe Reid .....                | June 30          | 314,430                   | 1,443,290                                       | 1,757,720                          | 211,663        | 573,374         | 18       | 663,095                                 | 309,588         | 1,390,637                      | 18        |
| Wells' Watford Brewery ....            | Apr. 30          | 5,649                     | 6,187                                           | 11,836                             | 2,796          | ...             | ...      | 3,265                                   | 5,775           | 8,008                          | Nil       |
| <b>Hotels, Restaurants, etc.</b>       |                  |                           |                                                 |                                    |                |                 |          |                                         |                 |                                |           |
| Rubens-Rembrandt .....                 | June 30          | 619                       | 442                                             | 1,061                              | ...            | ...             | ...      | ...                                     | 1,061           | 585                            | Nil       |
| United Caterers .....                  | July 1           | 4,182                     | 5,435                                           | 9,617                              | 3,262          | 1,088           | 6        | 2,500                                   | 2,767           | 7,174                          | 6         |
| <b>Rubber</b>                          |                  |                           |                                                 |                                    |                |                 |          |                                         |                 |                                |           |
| Juru.....                              | Mar. 31          | 1,307                     | 1,889                                           | 3,196                              | ...            | ...             | ...      | 2,000                                   | 1,196           | 4,175                          | 3         |
| <b>Shipping</b>                        |                  |                           |                                                 |                                    |                |                 |          |                                         |                 |                                |           |
| Alexander Shipping .....               | Mar. 31          | 32,831                    | 54,524                                          | 87,355                             | 7,200          | 30,000          | 10       | 8,000                                   | 42,155          | (a)                            | (a)       |
| <b>Tea</b>                             |                  |                           |                                                 |                                    |                |                 |          |                                         |                 |                                |           |
| Bowlana .....                          | Mar. 31          | 1,619                     | 1,862                                           | 3,481                              | ...            | ...             | ...      | 1,108                                   | 2,373           | 2,353                          | Nil       |
| Ceylon Amalgamated .....               | Mar. 31          | Dr. 24,189                | Dr. 1,491                                       | Dr. 25,680                         | ...            | ...             | ...      | ...                                     | Dr 25,680       | 2,428                          | Nil       |
| <b>Textiles</b>                        |                  |                           |                                                 |                                    |                |                 |          |                                         |                 |                                |           |
| Kelsall and Kemp .....                 | June 30          | 54,611                    | 71,688                                          | 126,299                            | 20,300         | 24,469          | 7½       | 26,219                                  | 55,311          | 48,960                         | 3½        |
| Tootal Broadhurst Lee Co....           | June 30          | 123,994                   | 153,158                                         | 277,152                            | 14,500         | 79,587          | 12½      | 60,000                                  | 123,065         | 130,323                        | 12½       |
| <b>Trusts</b>                          |                  |                           |                                                 |                                    |                |                 |          |                                         |                 |                                |           |
| Continental and Industrial...          | May 31           | 100,111                   | 77,705                                          | 177,816                            | 40,706         | 33,328          | 4½       | 1,090                                   | 102,692         | 94,299                         | 5½        |
| Eastern Int. Rubber Trust...           | June 30          | 3,152                     | 12,877                                          | 16,029                             | ...            | 11,015          | 2½       | Dr. 1,000                               | 6,014           | 18,832                         | 3½†       |
| Edinburgh and Dundee .....             | June 30          | 22,635                    | 58,959                                          | 81,594                             | 23,494         | 26,105          | 7½       | 10,000                                  | 21,995          | 73,132                         | 7½        |
| Second Clydesdale .....                | July 1           | 19,153                    | 24,034                                          | 43,187                             | 11,062         | 7,375           | 5        | 5,000                                   | 19,750          | 27,991                         | 5         |
| Second Scottish Western ...            | July 1           | 40,606                    | 29,115                                          | 69,721                             | 22,000         | 5,867           | 2        | 5,000                                   | 36,854          | 38,940                         | 4         |
| Third Scottish American ...            | July 1           | 13,377                    | 41,325                                          | 54,702                             | 8,700          | 27,550          | 19       | 5,000                                   | 13,452          | 46,104                         | 19        |
| <b>Other Companies</b>                 |                  |                           |                                                 |                                    |                |                 |          |                                         |                 |                                |           |
| Associated British Picture....         | Mar. 31          | 81,336                    | 830,751                                         | 912,087                            | 87,000         | 290,000         | 20       | 450,000                                 | 85,087          | 759,487                        | 20        |
| Benn Brothers.....                     | June 30          | 8,629                     | 40,007                                          | 48,636                             | 4,805          | 23,585          | 15 & 300 | 11,500                                  | 8,746           | 38,718                         | 15 & 300  |
| <b>Electric Lamp</b>                   |                  |                           |                                                 |                                    |                |                 |          |                                         |                 |                                |           |
| Britannia Electric Lamp.....           | Apr. 30          | 9,618                     | 21,521                                          | 31,139                             | ...            | 8,881           | 7        | 12,500                                  | 9,758           | (a)                            | (a)       |
| Fowler (D. and J.) .....               | Mar. 31          | 12,727                    | 3,760                                           | 16,487                             | 8,250          | ...             | ...      | ...                                     | 8,237           | 3,721                          | 1½        |
| Gaumont-British Picture ...            | Mar. 31          | 58,799                    | 404,387                                         | 463,186                            | 178,750        | ...             | ...      | 206,999                                 | 77,437          | 337,275                        | Nil       |
| Goulding (W. & H. M.) ...              | June 30          | 10,210                    | 34,884                                          | 45,094                             | 4,532          | 21,243          | 6        | 6,000                                   | 13,319          | 33,979                         | 6         |
| Jones' Sewing Machine .....            | May 31           | 1,972                     | 5,616                                           | 7,588                              | 2,828          | 3,915           | 6        | ...                                     | 845             | 3,447                          | 6         |
| Kay & Co. (Engineers) .....            | May 31           | 1,177                     | 27,957                                          | 29,134                             | ...            | 16,500          | 15       | 11,497                                  | 1,137           | 33,121                         | 20        |
| Magnet Joinery .....                   | Feb. 28          | 2,493                     | 12,421                                          | 14,914                             | 3,028          | ...             | ...      | 2,614                                   | 9,272           | 19,021                         | 10        |
| Mason (Frank) and Company              | Mar. 31          | 4,675                     | 10,736                                          | 15,411                             | 10,875         | ...             | ...      | 2,500                                   | 2,036           | 17,950                         | Nil       |
| Owen and Robinson .....                | May 31           | 12,398                    | 5,854                                           | 18,252                             | 2,100          | 2,800           | 8†       | 1,000                                   | 12,352          | 6,790                          | 8†        |
| Pharmaceutical Products ...            | Mar. 31          | 30,742                    | 17,479                                          | 48,221                             | 8,125          | 20,000          | 40       | 1,776                                   | 18,320          | (a)                            | (a)       |
| Saker, Bartle (S. Africa).....         | Mar. 31          | 1,232                     | 11,413                                          | 12,645                             | 12,375         | ...             | ...      | ...                                     | 270             | 25,079                         | Nil       |
| Steel and Company .....                | Mar. 31          | 845                       | 25,137                                          | 25,982                             | 6,600          | 11,000          | 10       | 7,255                                   | 1,127           | (a)                            | (a)       |
| <b>Total Profits, 1939, in £,000's</b> |                  |                           |                                                 |                                    |                |                 |          |                                         |                 |                                |           |
| To July 29 .....                       | No.of.Cos. 1,639 | 69,294                    | 209,469                                         | 278,763                            | 40,735         | 112,197         | ...      | 52,578                                  | 73,253          | 227,514                        | ...       |
| To August 5.....                       | 1,666            | 70,237                    | 212,834                                         | 283,071                            | 41,420         | 113,373         | ...      | 54,053                                  | 74,225          | 230,731                        | ...       |

(a) No comparable figures.

† Free of income tax.

## DIVIDEND ANNOUNCEMENTS

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

| Company                  | *Int. or †Final | Total | Pay-able | Prev. Year | Company                | *Int. or †Final | Total | Pay-able | Prev. Year | Company                                                        | *Int. or †Final | Total | Pay-able | Prev. Year |
|--------------------------|-----------------|-------|----------|------------|------------------------|-----------------|-------|----------|------------|----------------------------------------------------------------|-----------------|-------|----------|------------|
| <b>RAILWAYS</b>          |                 |       |          |            |                        |                 |       |          |            |                                                                |                 |       |          |            |
| Southern Rly. (Pl.Ord.)  | 1*              | ...   | Aug. 16  | 1*         | Hillhead Hughes ...    | 5*              | ...   | Aug. 14  | 5*         | Younger (Wm.) .....                                            | 17½             | 32    | ...      | 31         |
| TEA & RUBBER             | 2*              | ...   | 21½*     | ...        | Holden (Isaac) .....   | 5†              | 7½    | Sept. 1  | 5†         | UNIT TRUSTS                                                    | Pence           | ...   | ...      | Pence      |
| Kuala Kangsar Rub...     | ...             | ...   | ...      | ...        | Horseley Bridge, &c.   | ...             | 12½   | ...      | 10         | British Indus. (Fourth)                                        | £4.2            | ...   | Aug. 9   | £5.6       |
| <b>MINING</b>            |                 |       |          |            |                        |                 |       |          |            |                                                                |                 |       |          |            |
| Burma Corporation ..     | £5½(t)          | £9(t) | Sept. 29 | £10(t)     | Improved Wood Pave-    | 5*              | ...   | Aug. 16  | 5*         | Domestic Investment                                            | £1.680          | ...   | Sept. 1  | £2.072     |
| Allied Industrial .....  | (a)36†          | (a)50 | ...      | 70         | Jackson Bros. ....     | 5*              | ...   | Aug. 9   | 5*         | National Investment...                                         | £3.1            | ...   | Sept. 1  | £3.1       |
| Amal. Anthracite 3½%     | ...             | ...   | ...      | ...        | Jacksons Stores .....  | ...             | 10    | ...      | ...        | Scottish & N. Country                                          | £6.60           | ...   | Sept. 1  | £4         |
| Artizans Dwlgs. ....     | 1*              | ...   | Oct. 2   | Nil*       | Kelsall and Kemp ..... | ...             | 10    | ...      | ...        | Second British .....                                           | ...             | ...   | ...      | £7.20      |
| Bairds and Dalmellin-    | 4*              | ...   | ...      | 4*         | Law Land Company...    | 2½*             | 7½    | ...      | 2½*        | † Free of income tax. (a) Paid on larger capital.              |                 |       |          |            |
| Barnet Gas .....         | 3½*             | ...   | ...      | 3½*        | Liverpool Post .....   | 10*             | ...   | Aug. 31  | 10*        | (b) Annas per share equal to 6¼ per cent. against 6½ per cent. |                 |       |          |            |
| Berthel Steel .....      | 50cts.          | ...   | ...      | Nil        | Lofthouse Colliery ... | £2½*            | ...   | Aug. 31  | £2½*       | <b>THOMAS TILLING, LTD.</b> —Interim dividend                  |                 |       |          |            |
| Brighton Gas 6% stk.     | 3½*             | ...   | ...      | 3½*        | Lotus, Ltd. ....       | 2*              | ...   | Aug. 16  | 1½*        | on ordinary shares maintained at 5 per cent.                   |                 |       |          |            |
| Do. 5% stk. ....         | 3½*             | ...   | ...      | 3½*        | McEwan (Wm.) & Co.     | 81½†            | 15    | ...      | 14         | <b>WALKER (PETER) AND CAIN (ROBERT)</b>                        |                 |       |          |            |
| Brightside Foundry...    | 35              | ...   | ...      | 25         | Martinez Gassiot ...   | 3½†             | 7½    | ...      | 10         | AND SONS, LTD.—Interim dividend on ordinary                    |                 |       |          |            |
| Crown Cork .....         | 12½*            | ...   | ...      | 12½*       | Northampton Elec. ...  | 4*              | ...   | Aug. 29  | 4*         | stock maintained at 2 per cent.                                |                 |       |          |            |
| Dublin Trams .....       | 1*              | ...   | ...      | 1*         | Penmount Estates ...   | 3*              | ...   | Aug. 31  | 3*         | <b>HOLBORN AND FRASCATI.</b> —No interim                       |                 |       |          |            |
| East End Dwlgs. ....     | (a)2½*          | ...   | ...      | £2½*       | Perry and Company...   | 2½*             | ...   | Aug. 31  | 2½*        | dividend is to be paid on ordinary shares against 2 per        |                 |       |          |            |
| East Surrey Gas ("B")    | 2½½*            | ...   | ...      | 3*         | Range Boilers .....    | 5*              | ...   | ...      | 5*         | cent. a year ago.                                              |                 |       |          |            |
| Eastn. Rbr. Tst. ....    | ...             | £2½   | Aug. 19  | £3½        | Rochdale Canal .....   | 1*              | ...   | ...      | 1*         | <b>FLEMING REID AND COMPANY.</b> —Interim                      |                 |       |          |            |
| Elec. Dist. of Yorkshire | 4½*             | ...   | ...      | 4½*        | Rushden Elec. ....     | 4*              | ...   | Aug. 29  | 4*         | dividend on ordinary shares raised from 3½ to 5 per            |                 |       |          |            |
| E.N.V. Engineering...    | 7½*             | ...   | Aug. 25  | 6½*        | Saxone Shoe .....      | 2½*             | ...   | Sept. 15 | 2½*        | cent.                                                          |                 |       |          |            |
| Pile Coal .....          | 3*              | ...   | ...      | 3*         | Shanks and Company     | 2½*             | ...   | Sept. 30 | 2½*        | <b>AMALGAMATED ANTHRACITE COL-</b>                             |                 |       |          |            |
| Fleming Reid & Co. ...   | 3*              | ...   | ...      | 3*         | South Staffs Water...  | 3*              | ...   | ...      | 3*         | LIERIES.—Dividend of 1 per cent. is to be paid on              |                 |       |          |            |
| France (W.) Fenwick...   | 2*              | ...   | Sept. 1  | 2*         | Thames Estates .....   | 3*              | ...   | ...      | 3*         | the 3½ per cent. cumulative participating preference           |                 |       |          |            |
| Francy & Co. Brws...     | 8†              | 13    | ...      | 13         | Thornby Combe Reid     | 12½†            | 18    | ...      | 18         | shares in respect of half-year to June 30, 1939.               |                 |       |          |            |
| Groves and Whitnall      | 5*              | ...   | Aug. 23  | 5*         | Waygood-Otis .....     | 12½*            | ...   | Aug. 14  | 12½*       | <b>E.N.V. ENGINEERING COMPANY.</b> —Ordin-                     |                 |       |          |            |
| Groves (A.) .....        | 14†             | 26    | ...      | 29         | Wentworth Collieries   | 5*              | ...   | ...      | 5*         | ary interim dividend raised from 6¼ to 7½ per cent.            |                 |       |          |            |
| Heath (G. H.) and Co.    | 5*              | ...   | Sept. 1  | 5*         | White (John) Boots...  | 3*              | ...   | ...      | 3*         |                                                                |                 |       |          |            |
|                          |                 |       |          |            | Yorkshire Electric ... | 5*              | ...   | ...      | 5*         |                                                                |                 |       |          |            |

## Industry and Trade

## COMMODITY STATISTICS

## Coal

| COAL OUTPUT ('000 tons)       |               |               |           |           |
|-------------------------------|---------------|---------------|-----------|-----------|
| District                      | Week ended    |               | Jan.-June |           |
|                               | July 15, 1939 | July 22, 1939 | 1938      | 1939      |
| Northumberland...             | 274.8         | 282.1         | 6,632.1   | 6,750.0   |
| Durham .....                  | 683.0         | 632.3         | 16,365.0  | 15,984.7  |
| Yorkshire .....               | 839.3         | 836.4         | 21,992.3  | 22,395.5  |
| Lancs, Cheshire and N. Wales  | 256.5         | 323.1         | 8,732.9   | 8,790.6   |
| Derby, Notts & Leicester      | 557.1         | 597.5         | 16,556.1  | 17,371.6  |
| Staffs, Worcs and Salop ..... | 391.9         | 385.3         | 9,987.1   | 10,413.1  |
| Warwick .....                 | 784.3         | 754.8         | 18,549.1  | 17,937.9  |
| South Wales & Monmouth...     | 121.9         | 122.1         | 2,716.6   | 2,791.8   |
| Other English districts*      | 559.7         | 113.8         | 15,471.8  | 15,800.4  |
| Scotland .....                | ...           | ...           | ...       | ...       |
| Total .....                   | 4,468.5       | 4,047.4       | 117,003.0 | 118,235.6 |

\* Including Cumberland, Gloucester, Somerset and Kent.

## Cotton

## RAW COTTON delivered to Spinners ('000 bales)

| Variety               | Week ended    |               | Total Deliveries  |                   |
|-----------------------|---------------|---------------|-------------------|-------------------|
|                       | July 21, 1939 | July 28, 1939 | Aug. 1, 1937-1938 | Aug. 1, 1938-1939 |
| American .....        | 16.3          | 18.5          | 1,216             | 1,004             |
| Brazilian .....       | 10.0          | 10.2          | 276               | 326               |
| Peruvian, etc. ....   | 3.2           | 4.0           | 116               | 138               |
| Egyptian .....        | 5.0           | 3.6           | 346               | 343               |
| Sudan Sakel .....     | 3.2           | 4.3           | 142               | 157               |
| East Indian .....     | 7.0           | 13.2          | 372               | 457               |
| Other countries ..... | 4.8           | 5.5           | 165               | 206               |
| Total .....           | 49.5          | 59.3          | 2,633             | 2,631             |

## Metals

## SALES ON LONDON METAL EXCHANGE

|               | Week ended    |              | From Jan. 1 to |              |
|---------------|---------------|--------------|----------------|--------------|
|               | July 26, 1939 | Aug. 2, 1939 | Aug. 3, 1938   | Aug. 2, 1939 |
| Copper .....  | 4,425         | 6,800        | 383,675        | 178,385      |
| Tin .....     | 1,120         | 1,795        | 52,470         | 42,125       |
| Lead .....    | 3,750         | 9,550        | 208,250        | 174,250      |
| Spelter ..... | 4,050         | 3,875        | 183,000        | 109,945      |

## U.K. STOCKS

|                                 | July 22, 1939 | July 29, 1939 |
|---------------------------------|---------------|---------------|
| Copper (Br. official w'houses): | ...           | ...           |
| Refined .....                   | 4,551         | 4,318         |
| Rough .....                     | 24,343        | 24,056        |
| Tin (London and Liverpool)...   | 10,090        | 9,971         |



## BRITISH WHOLESALE PRICES

| CEREALS AND MEAT       |  |  | SUGAR (per cwt.)—cont.            |  |  | MISCELLANEOUS                                      |  |  |
|------------------------|--|--|-----------------------------------|--|--|----------------------------------------------------|--|--|
| July 26, 1939          |  |  | July 26, 1939                     |  |  | July 26, 1939                                      |  |  |
| Aug. 2, 1939           |  |  | Aug. 2, 1939                      |  |  | Aug. 2, 1939                                       |  |  |
| s. d.                  |  |  | s. d.                             |  |  | s. d.                                              |  |  |
| No. 2, N. Man. 496 lb. |  |  | Crushed                           |  |  | CEMENT, best Eng. Portland, d/d site, London area, |  |  |
| No. 2, N. Man. 496 lb. |  |  | Granulated                        |  |  | in paper bags 20 to ton (free, non-returnable)—    |  |  |
| No. 2, N. Man. 496 lb. |  |  | Home Grown                        |  |  | 4-ton loads and upwards per ton                    |  |  |
| No. 2, N. Man. 496 lb. |  |  | TEA* (Auction Average) (per lb.)— |  |  | CHEMICALS—                                         |  |  |
| No. 2, N. Man. 496 lb. |  |  | N. India                          |  |  | Acid, citric, per lb., less 5% ...                 |  |  |
| No. 2, N. Man. 496 lb. |  |  | S. India                          |  |  | " Nitric                                           |  |  |
| No. 2, N. Man. 496 lb. |  |  | Ceylon                            |  |  | " Oxalic, net                                      |  |  |
| No. 2, N. Man. 496 lb. |  |  | Java                              |  |  | " Tartaric, English, less 5%                       |  |  |
| No. 2, N. Man. 496 lb. |  |  | Sumatra                           |  |  | Alcohol, Plain Ethyl, per proof gal.               |  |  |
| No. 2, N. Man. 496 lb. |  |  | Africa                            |  |  | Ammonia, carb. per ton                             |  |  |
| No. 2, N. Man. 496 lb. |  |  | Total                             |  |  | " Sulphate                                         |  |  |
| No. 2, N. Man. 496 lb. |  |  | TOBACCO (per lb.)—                |  |  | Borax, gran. per cwt.                              |  |  |
| No. 2, N. Man. 496 lb. |  |  | Virginia, stemmed and un-         |  |  | " powder                                           |  |  |
| No. 2, N. Man. 496 lb. |  |  | stemmed, common to fine           |  |  | Nitrate of soda per ton                            |  |  |
| No. 2, N. Man. 496 lb. |  |  | Rhodesian, stemmed and un-        |  |  | Potash, Chlorate, net per ton                      |  |  |
| No. 2, N. Man. 496 lb. |  |  | stemmed                           |  |  | " Sulphate                                         |  |  |
| No. 2, N. Man. 496 lb. |  |  | Nyasaland, stemmed and un-        |  |  | Soda Bicarb. per ton                               |  |  |
| No. 2, N. Man. 496 lb. |  |  | stemmed                           |  |  | Crystals per ton                                   |  |  |
| No. 2, N. Man. 496 lb. |  |  | East India                        |  |  | Sulphate of copper per ton                         |  |  |
| No. 2, N. Man. 496 lb. |  |  | Stemmed                           |  |  | COPRA (per ton)—                                   |  |  |
| No. 2, N. Man. 496 lb. |  |  | Unstemmed                         |  |  | S.D. Straits, c.i.f.                               |  |  |
| No. 2, N. Man. 496 lb. |  |  | TEXTILES                          |  |  | HIDES (per lb.)—                                   |  |  |
| No. 2, N. Man. 496 lb. |  |  | COTTON (per lb.)                  |  |  | Wet salted, Australian                             |  |  |
| No. 2, N. Man. 496 lb. |  |  | Raw, Mid-American                 |  |  | Ribbon Development                                 |  |  |
| No. 2, N. Man. 496 lb. |  |  | " Giza, F.G.F.                    |  |  | Refugees in Britain                                |  |  |
| No. 2, N. Man. 496 lb. |  |  | Yarns, 32's Twist                 |  |  | The Liberals and Family Allow-                     |  |  |
| No. 2, N. Man. 496 lb. |  |  | " 40's Twist (Egyptian)           |  |  | ances                                              |  |  |
| No. 2, N. Man. 496 lb. |  |  | Cloth, 32 in. Printers, 116 yds.  |  |  | Deciding Danzig's Future                           |  |  |
| No. 2, N. Man. 496 lb. |  |  | " 36 in. Shirtings, 75 yds.       |  |  | German Views on the Situation                      |  |  |
| No. 2, N. Man. 496 lb. |  |  | " 19 x 19, 32's & 40's            |  |  | Germany's Coal Difficulties                        |  |  |
| No. 2, N. Man. 496 lb. |  |  | " 38 in. ditto, 38 yds.           |  |  | Political Tight-rope in Spain                      |  |  |
| No. 2, N. Man. 496 lb. |  |  | " 18 x 16, 10 lb.                 |  |  | Strains on Balkan Friendship                       |  |  |
| No. 2, N. Man. 496 lb. |  |  | " 39 in. ditto, 37½ yds.          |  |  | The Spirit of the Czechs                           |  |  |
| No. 2, N. Man. 496 lb. |  |  | " 16 x 15, 8½ lb.                 |  |  | Turkey's Trade Dilemma                             |  |  |
| No. 2, N. Man. 496 lb. |  |  | FLAX (per ton)—                   |  |  | THE WORLD OVERSEAS                                 |  |  |
| No. 2, N. Man. 496 lb. |  |  | Livonian ZK                       |  |  | Expanding the French Air Force                     |  |  |
| No. 2, N. Man. 496 lb. |  |  | Pernau HD                         |  |  | German Shipping                                    |  |  |
| No. 2, N. Man. 496 lb. |  |  | Slanetz Medium, 1st sort          |  |  | LEATHER (per lb.)—                                 |  |  |
| No. 2, N. Man. 496 lb. |  |  | HEMP (per ton)—                   |  |  | Sole Bends, 8/12 lb.                               |  |  |
| No. 2, N. Man. 496 lb. |  |  | Italian PC                        |  |  | Bark-Tanned Sole                                   |  |  |
| No. 2, N. Man. 496 lb. |  |  | Manilla, July-Sept. "J2"          |  |  | Shoulders from DS Hides                            |  |  |
| No. 2, N. Man. 496 lb. |  |  | JUTE (per ton)—                   |  |  | " Eng. or WS do.                                   |  |  |
| No. 2, N. Man. 496 lb. |  |  | Native 1st mks., c.i.f. H.A.R.B.  |  |  | Belgies from DS do.                                |  |  |
| No. 2, N. Man. 496 lb. |  |  | Aug-Sept.                         |  |  | " Eng. or WS do.                                   |  |  |
| No. 2, N. Man. 496 lb. |  |  | Daisee 2/3, c.i.f. Dundee,        |  |  | Dressing Hides                                     |  |  |
| No. 2, N. Man. 496 lb. |  |  | Oct.-Nov.                         |  |  | Ro. Eng. Calf, 20/35 lb. per doz.                  |  |  |
| No. 2, N. Man. 496 lb. |  |  | SISAL (per ton)—                  |  |  | PETROLEUM PRODUCTS (per gall.)—                    |  |  |
| No. 2, N. Man. 496 lb. |  |  | African, July-Sept.               |  |  | Motor Spirit No. 1, London                         |  |  |
| No. 2, N. Man. 496 lb. |  |  | SILK (per lb.)—                   |  |  | Petroleum, Amer. rid. bri. Lond.                   |  |  |
| No. 2, N. Man. 496 lb. |  |  | Canton                            |  |  | Fuel oil, in bulk, for contracts,                  |  |  |
| No. 2, N. Man. 496 lb. |  |  | Japan                             |  |  | ex. instal. Thames—                                |  |  |
| No. 2, N. Man. 496 lb. |  |  | Italian, raw, fr. Milan           |  |  | Furnace                                            |  |  |
| No. 2, N. Man. 496 lb. |  |  | WOOL (per lb.)—                   |  |  | Diesel                                             |  |  |
| No. 2, N. Man. 496 lb. |  |  | English, Southdown, greasy        |  |  | ROBIN (per ton)—                                   |  |  |
| No. 2, N. Man. 496 lb. |  |  | " Lincoln hog, washed             |  |  | American                                           |  |  |
| No. 2, N. Man. 496 lb. |  |  | Queensland, scd. super combg.     |  |  | RUBBER (per lb.)—                                  |  |  |
| No. 2, N. Man. 496 lb. |  |  | N.S.W. greasy, super combg.       |  |  | St. ribbed smoked sheet                            |  |  |
| No. 2, N. Man. 496 lb. |  |  | N.Z. greasy, half-bred 50-56      |  |  | Fine hard Para                                     |  |  |
| No. 2, N. Man. 496 lb. |  |  | " Crossbred 40-44                 |  |  | SHELLAC (per cwt.)—                                |  |  |
| No. 2, N. Man. 496 lb. |  |  | Tops                              |  |  | TN Orange                                          |  |  |
| No. 2, N. Man. 496 lb. |  |  | Merinos 70's average              |  |  | TALLOW (per cwt.)—                                 |  |  |
| No. 2, N. Man. 496 lb. |  |  | " 64's                            |  |  | London town                                        |  |  |
| No. 2, N. Man. 496 lb. |  |  | Crossbred 48's                    |  |  | TIMBER—                                            |  |  |
| No. 2, N. Man. 496 lb. |  |  | " 46's                            |  |  | Swedish u/s 3 x 8 ... per std.                     |  |  |
| No. 2, N. Man. 496 lb. |  |  | MINERALS                          |  |  | " 2½ x 7                                           |  |  |
| No. 2, N. Man. 496 lb. |  |  | COAL (per ton)—                   |  |  | " 2 x 4                                            |  |  |
| No. 2, N. Man. 496 lb. |  |  | Welsh, best Admiralty             |  |  | Canadian Spruce, Dis.                              |  |  |
| No. 2, N. Man. 496 lb. |  |  | Durham, best gas, f.o.b. Tyne     |  |  | Pitchpine                                          |  |  |
| No. 2, N. Man. 496 lb. |  |  | Sheffield, best house, at pits    |  |  | Rio Deals                                          |  |  |
| No. 2, N. Man. 496 lb. |  |  | IRON AND STEEL (per ton)—         |  |  | Teak                                               |  |  |
| No. 2, N. Man. 496 lb. |  |  | Pig, Cleveland No. 3, d/d         |  |  | Honduras Mahogany logs c. ft.                      |  |  |
| No. 2, N. Man. 496 lb. |  |  | Bars, Middlesbrough               |  |  | English Oak Planks                                 |  |  |
| No. 2, N. Man. 496 lb. |  |  | Steel rails, heavy                |  |  | English Ash Planks                                 |  |  |
| No. 2, N. Man. 496 lb. |  |  | Tinplates                         |  |  | VEGETABLE OILS (per ton net)—                      |  |  |
| No. 2, N. Man. 496 lb. |  |  | NON-FERROUS METALS (per ton)—     |  |  | Linseed, naked                                     |  |  |
| No. 2, N. Man. 496 lb. |  |  | Copper                            |  |  | Rape, refined                                      |  |  |
| No. 2, N. Man. 496 lb. |  |  | Standard cash                     |  |  | Cotton-seed, crude                                 |  |  |
| No. 2, N. Man. 496 lb. |  |  | Three months                      |  |  | Coconut, crude                                     |  |  |
| No. 2, N. Man. 496 lb. |  |  | Tin                               |  |  | Palm                                               |  |  |
| No. 2, N. Man. 496 lb. |  |  | Standard cash                     |  |  | Oil Cakes, Linseed, Eng.                           |  |  |
| No. 2, N. Man. 496 lb. |  |  | Three months                      |  |  | Oil Seeds, Linseed—                                |  |  |
| No. 2, N. Man. 496 lb. |  |  | Lead, soft foreign                |  |  | La Plata                                           |  |  |
| No. 2, N. Man. 496 lb. |  |  | Cash                              |  |  | Calcutta                                           |  |  |
| No. 2, N. Man. 496 lb. |  |  | English, pig                      |  |  | Turpentine                                         |  |  |
| No. 2, N. Man. 496 lb. |  |  | Spelter, G.O.B.—                  |  |  | s. d.                                              |  |  |
| No. 2, N. Man. 496 lb. |  |  | Spot                              |  |  | s. d.                                              |  |  |
| No. 2, N. Man. 496 lb. |  |  | Aluminium, ingots and bars        |  |  | s. d.                                              |  |  |
| No. 2, N. Man. 496 lb. |  |  | " rolling billets                 |  |  | s. d.                                              |  |  |
| No. 2, N. Man. 496 lb. |  |  | Nickel, home and export           |  |  | s. d.                                              |  |  |
| No. 2, N. Man. 496 lb. |  |  | Antimony, Chinese                 |  |  | s. d.                                              |  |  |
| No. 2, N. Man. 496 lb. |  |  | Wolfram, Chinese                  |  |  | s. d.                                              |  |  |
| No. 2, N. Man. 496 lb. |  |  | Platinum, refined                 |  |  | s. d.                                              |  |  |
| No. 2, N. Man. 496 lb. |  |  | Quicksilver                       |  |  | s. d.                                              |  |  |

## THE ECONOMIST

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world in particular is to be drawn upon. From the nature of the case, no such policy has been publicly announced. But sufficient credence has been put in the reports for action to be taken by the Civil Service Clerical Association, the trade union whose greatest strength lies in the grades of the Service below the highest, or administrative. The argument of the Association is that if the administrative grade is to be reinforced from outside its own ranks, the other grades should be the first to be called upon. And it may be surmised that similar disapproval of the new step is felt in the administrative grade itself—civil servants would be less than human if they did not feel some resentment at a policy which necessarily impairs their own prospects of promotion.

Yet few would deny that some drastic steps need to be taken to reinforce the Civil Service. This is not to imply that the Service has lost its high standards—the contrary is the truth. But the decimation of the war generation has produced a shortage of men in their forties and fifties, who should now be moving into the higher posts—a shortage that has not been met in the Civil Service, as it has in many other walks of life (notably in Parliamentary politics), by a postponement of retirement ages. Even with no increase in the burden of work resting on the Service, this factor would have created difficulties at this time. But there has been a most manifest increase in the burden of work—a threefold wave of increase, one as a result of the war, one as a result of the depression and the inauguration of a much more interventionist economic policy, one as a result of re-armament. This last, which is the chief cause of chronic overworking in Whitehall at the moment, may perhaps be regarded (though only with some optimism) as temporary, and met by temporary expedients. But the other two are permanent.

This argument, so far as it has gone, would seem to call for the reinforcement of the Service by more men of the same stamp as the established civil servant. To increase the normal recruitment at the bottom is too slow a remedy; new blood must be brought in at the top. And the natural places to seek this new blood are the local government service and the universities, both of which make a closer approach, though from different sides, to reproducing the characteristics of the civil servant than any other walk of life. This is the justification for Sir Horace Wilson's policy (if, indeed, it is a policy and he is its parent).

But the argument can be carried further. The work of the Civil Service has not merely grown quantitatively; it has changed qualitatively. The Home Civil Service, as it was founded in its modern form by Gladstone, was confined to administration in a rather narrow sense of the word, to the execution of principles laid down elsewhere, to a watch over the observance of the law. The recruitment and training of the service were adjusted to this

aim. Young men were (and are) recruited direct from the University by an examination in which excellence in any field of academic study is sufficient; a classical scholar may be posted to the Customs and Excise. Save for exceptional cases, there is no other avenue of recruitment to the administrative grade, and it has frequently been said that, for a civil servant, previous experience is a positive handicap.

The system is the glorification of the amateur, and there can be no question that it has served the country well. It has given us a Civil Service that combines incorruptibility with efficiency; no other country, except possibly Imperial Germany, has ever built an administrative machine to equal it. But its tasks are changing. More and more the senior civil servant is having to undertake the work of a business executive. The Ministry of Transport builds and maintains our trunk roads. A Civil Servant sits as Chairman of the International Tin and Rubber Committees. The defence departments are more and more the masters—and the servants—of gigantic industrial machines. The Treasury is the dominant influence in the capital and foreign exchange markets. The Ministry of Agriculture takes an increasing hand in the finance of farming. The Board of Trade designs plans of control for a lengthening list of industries. And behind all these activities there looms the prospect of a wider problem—the actual management or control of industries by the community. Hitherto the Civil Service has pushed this problem from it in horror, and when industries have been given a central organisation they have been left to the industrialists themselves to run. But the dangers of encouraging private monopolies are so obvious that there must inevitably be a reaction towards the proposition that if industries must be managed centrally, they should be managed in the public interest. That will inevitably create a demand for an entirely new variety of public servant.

This new and vast field of activity into which the Civil Service is reluctantly advancing suggests the need for something more than a reinforcement of the existing cadres with outsiders of similar attainments and outlook. The strength of the university don as a recruit for the higher ranks of the existing Civil Service is his weakness for this new kind of post. On the other hand, the recruitment of personnel equipped for these new tasks must clearly be regulated if all the evils of *ad hoc* appointments are to be avoided. The solution would seem to be the formation within the Civil Service of a special branch which, like the Diplomatic Service, would have its own methods of recruitment and its own ladder of promotion, but which, unlike the Diplomatic Service, would not spurn that previous outside experience without which it will be difficult for any bureaucracy efficiently to administer a positive economic policy.

## Our Undeveloped Roads

IF more vigorous action is not taken in the future than in the past there will be a complete strangulation of traffic, for saturation point has almost been reached. "Nothing should be allowed to stand in the way of a vastly accelerated programme of road construction." There is no need to pick further phrases out of the recent Allness Report, or other available documents, to prove that our roads have never been suitably developed for the exigencies of motor traffic. A dilemma has been reached; either roads must be improved or traffic reduced. Since about 500 new cars are hatched on to the roads every day; since motor traffic has doubled since 1925 and may well double itself again by 1955; the former policy becomes imperative, unless the whole trend of motor

development is to be diverted, which is unthinkable. Considerations of industry and defence, as well as the rights of heavily taxed private motorists and of the public—now slaughtered at the rate of 6,000 per annum and injured at the rate of 230,000 per annum—back the demand for new and better roads. Since 1910 motor vehicles have increased their number by 2,000 per cent. road mileage has increased by 2 per cent. Nine miles of our trunk roads are of the 120-foot width recommended as desirable by the Ministry of Transport; 3,761 miles, or more than three-quarters of the total trunk road mileage are under 60 feet in width.

Owing to population density, costs of land, and the enormous financial strength of the railways, road develop-

ment for motor traffic was, from the start, destined to be difficult in this country. No comprehensive policy to this end has yet been envisaged; measures which have been taken have been patchwork dictated by short-term considerations; and the Ministry of Transport has seldom been anything more than a nursery for rising politicians. Such amateur methods are no longer adequate. The measure of their inadequacy emerges plainly from a simple recital of what has actually been done so far to develop our roads, especially since 1910.

The internal-combustion engine appeared on the roads with the twentieth century; by 1910 there were 143,877 such vehicles in use. In 1909 Mr Lloyd George attempted to solve the problems created by the "new form of traction" by a sensible piece of legislation. A central fund was to be provided from the produce of a duty on motor vehicles and a petrol tax of 3d. per gallon, with a 50 per cent. rebate for commercial vehicles. This fund was to be dispensed by the Road Board among local authorities and used entirely for road improvements in the interest of the motoring community which paid it. From 1911 to 1915 sums rising annually from £1,000,000 to £1,800,000 were so spent, while total road expenditure increased from £14.6 millions to £18.1 millions. This promising plan was killed in its infancy by the war. From 1916, when the petrol tax was doubled, till 1920, the fund was commandeered by the Government. In 1921 about two-thirds of the moneys thus diverted were repaid to the roads. In 1921 the second plan, that of the Roads Act, came into force, and carried on a harassed existence until 1936.

These were the years of the Road Fund proper. Its history was likewise tragic, for it was repeatedly raided by Messrs Churchill and Chamberlain, and its existence as a separate fund was finally ended by the latter. The new fund was to be raised by means of motor vehicle and driving licence receipts, and the petrol tax was repealed. Nevertheless, money receipts at £10.2 millions in 1921 were seven times what they had been in 1914. They rose to £18 millions in 1926. These amounts were spent on roads, through the medium of the local authorities, and were something less than a third of total road expenditure (as compared with about a thirteenth before the war). By 1926 the total expenditure, at £59 millions, was (in money terms) more than four times as large as in 1910; so that out of an increase of £44.4 millions, ratepayers were paying an extra £27 millions and the Road Fund an extra £17 millions. Had the scheme been allowed to develop, motor traffic would increasingly have paid road costs, more improvements would have been made, and the present dilemma would have been largely averted. The moneys not earmarked for special purposes were largely spent in resurfacing and widening existing roads and, according to the slightly complacent Royal Commission of 1930, were spent quite well.

In 1926 the Exchequer decided to appropriate for special Budget purposes one-third of the total revenue from private cars and motor-cycles, thus imposing on these a new form of indirect taxation. In addition to this recurring burden on the fund, Mr Churchill also carried out two raids, in 1926 and 1927, on its capital to the tune of £19 millions. Thereby the principle of the Road Fund was repudiated; and no other principle was substituted. The anomalies that followed provide an example of the fate of economic concerns in the hands of politicians. From 1927 to 1937 the volume of traffic rose by 55 per cent. and the yield of motor taxation by 253 per cent., while expenditure on the roads remained on balance almost exactly the same. In the present year the yield of motor taxation will be about £104 millions, of which less than a quarter will be spent on the roads. In 1925, before the first raid, the taxation on motor vehicles represented an average of £11, while expenditure on the roads was £39

for each of the vehicles on the road. In 1938 the tax had risen to £28 and the expenditure fallen to £22. In the last days the Road Fund was raided of a further £9 millions, and in 1937 it was abolished altogether.

Since that time grants of £20-£25 millions per annum approximately the same as the expenditure of the Road Fund in its last years, have been voted in the Civil Estimates to the roads. If at the year's end any of these dribble sums are unspent they are allowed to be retained in what is still called "the Road Fund"—that is, a money-bag for savings from an annual Treasury allowance. On top of all this, road taxation was raised again this year.

The motoring community has thus seen its tax diverted from the ends for which it was originally agreed that they should be paid; to be conscripted, indeed, for two reasons. First, the obvious need for re-armament; secondly, the Five-Year Programme. Mr Hore-Belisha announced early in 1935 that the Government had decided on a Five-Year Plan for the roads. Just before the General Election of that autumn Mr Chamberlain told radio-listeners that an extra £100 millions were to be spent on the plan. Next spring Mr Hore-Belisha called it the "greatest ever contemplated," and mentioned an expenditure of £130 millions, in addition to the million normally spent on maintenance. So far the scheme has been little more than a device for lulling the motoring community into quiescence while it contributed about £5 millions to £80 millions per annum to the Exchequer. By 1940, according to Mr Hore-Belisha's original statement, dual carriageways were to have been constructed wherever necessary; by March, 1938, there were only 16 miles built, and 91 miles under construction.

Three items have been accomplished. First, a circular was actually posted in February, 1935, asking local authorities to submit schemes to be completed over the next five years. Grants were to be made for works "on an adequate and modern scale." How many of these uncentralised, locally devised schemes have been accomplished. In January, 1939, Mr Burgin stated that £31 million had now been spent on the plan. But the average contribution to road expenditure from national funds in the three years 1936-39 was only £214,000 more than the level of 1935-6, so works masquerading under this title one cannot but conclude, are merely the normal annual schemes under a new name. Secondly, from April 1937 (May 16th in Scotland), 4,452 miles of trunk road were taken over for centralised control by the Ministry. To judge by the figures of expenditure, the standard of maintenance and the speed of reconstruction have not been improved by the change. Indeed, the Select Committee of the House of Lords stated that less work has been done on these trunk roads under the Ministry than in the five years preceding. At the present rate of removing level crossings, they will disappear in 200 years. Captain Wallace has recently announced a total of expenditure on major improvement and new construction of £15 millions; at the present rate of expenditure this will be a new, but miniature, Five-Year Plan. Thirdly, Sir Charles Bressey was asked by Mr Hore-Belisha to develop a scheme for the solution of the London road problem. The scheme was published more than a year ago, but the Ministry and the local authorities have not yet agreed upon respective shares in the cost of the work. Required land is in some cases being built over. Captain Wallace has said that he "sincerely hoped" that the Bressey scheme was not dead. Such pious hopes will not bring it to life.

Plainly, then, the Five-Year Plan, 1935-40, will have achieved next to nothing. For this re-armament will probably be blamed. Mr Burgin began to retreat from the position of his optimistic predecessor when he said last year (in plain contradiction of the original statements), "it was



never supposed that so vast an expenditure could be completed within five years. The intention was that it should be initiated over that period."

So three consecutive plans for road development have failed. What present assurances have we of the Ministry's will to solve the problem? It told Lord Allness that by the end of 1938 a twenty-years' plan would have been worked out. To judge by the fate of the Five-Years' Plan, that means that twenty years will be taken to initiate it. The probable meaning of the statement is that a large number of costly localised schemes have been prepared, especially on the trunk roads, that is, a policy of piecemeal improvements along existing alignments. As for trunk roads "885 miles will be by way of new construction, comprising diversions varying from  $\frac{1}{4}$  mile to 15 miles in length," "a long-term programme to be carried out as quickly as financial circumstances permit."

Apparently, the Ministry envisages employment of men and money on these unco-ordinated patchworks after re-armament. Till then, little road-building is likely to be done. However, plans have to be prepared in advance, with due consideration for the fact that land-acquisition takes a long time in Britain; so the present is the moment for debate on the road problem. The Ministry should reveal what road-system it envisages under this twenty-years' plan; then the public and industry will be able to judge

upon the expediency of adopting it, as against other plans, such as the County Surveyors' scheme for 1,000 miles of dual carriageway high-speed motorways. Such roads are obviously demanded by modern traffic; the proposed 1,000 miles would cost, according to the surveyors' estimates, about £64 millions and cover only 10,300 acres of land, which may be expected to be less expensive than the land beside existing routes which the Ministry will have to buy up at great cost in connection with its scheme for widenings. Yet the Ministry has ignored the proposition up to date, while not fully revealing its own purposes. If these are inadequate, it would be best to say so. There has so far been no report on the Select Committee's suggestion to build such a trial motorway, now, from London to Birmingham.

The solution of the road problem will come, if it comes at all, from the same source that has been the cause of its present intensity—the pressure of politics. When the time comes for the reduction of expenditure on re-armament, the country will be faced with the problem of finding work for the labour now flowing into the defence industries. When that time comes (and brings with it a relaxation of the strain on the Exchequer), the demand for a very large programme of public works will be irresistible. The cry will go up for roads fit for heroes to ride on. It would be well to have the largest plans ready.

## Strategy in the Mediterranean

AS the place where imperial trade routes converge and the only convenient link between the Western and Eastern members of the Peace Front, the Mediterranean is one of the most crucial parts of the world for England and France. Moreover, it is so narrow that for strategic purposes it must be considered in terms of military and aerial, as well as naval, power. In the ultimate analysis all other factors are dominated by the question of who holds the key-points, where the coasts are so close that their possessors can completely control the passage of shipping.

If a balance-sheet of the present position is drawn up, it can be seen that modern armaments have rendered the British preparations of yesterday more or less obsolete. It is true that with her prospective allies Britain holds the Eastern gateway through Suez, and the Northern through the Dardanelles, which is essential if she is to rely

on the help of the U.S.S.R., Roumania and Poland. In the West, however, the fortress at Gibraltar could not hope to ensure a passage for its friends unless Spain were at least neutral, though it might deny one to its enemies. Similarly, in the centre Italy has a powerful grip on the gateway between the Eastern and Western sections of the Mediterranean, which the British and French bases of Malta and Bizerta may not be able to keep open. Finally, Italy can menace each one of the outlets, even where she does not control them—Suez from Libya, the Dardanelles from Rhodes, and Gibraltar through her policy of co-operation with the new Spain.

Mussolini has said that Italy will not allow herself to be shut up in the Mediterranean, thus showing his desire to be sure of at least one outlet. What then are likely to be his tactics? Italy has the great advantage of a central position, which enables her to concentrate almost the

whole of her forces on either front. This means that her adversaries must either abandon one half of the Mediterranean or else keep in each a force almost equal to the whole of what Mussolini can command. On the other hand it also means that Italy is threatened with rapid strangulation should she fail to secure an outlet.

From her central position Italy can choose between two alternatives: a thrust to the East and a thrust to the West. *A priori* the thrust to the West seems the more decisive. It opens up the route to Latin America and the United States (where the totalitarian powers still hope that the last word has not been said); it cuts the direct line of communication between France and her colonies in Northern Africa; it threatens the alternative route to both the French and British Empires; and finally it establishes an iron ring round France by linking the Alps and the Pyrenees.

Such a stroke would indeed be effective if it were successful. But there are many difficulties in the way of its execution. It requires the wholehearted support of Spain, more especially in keeping the Straits of Gibraltar closed until a decisive victory can be gained at sea and in Northern Africa. But Spain is weary of war, and would not willingly face the powerful attacks with which France and Britain would try to force a passage. Moreover, the forces opposing Italy in the Western Mediterranean and in Northern Africa are in any case too strong to permit of a rapid victory, despite the fact that Sardinia and the Balearic Islands form a chain between Italy and Spain with which to hem in the French. Finally, such a plan runs counter to the whole of German strategy, which seems to comprise a vigorous thrust to the East, coupled with a defensive attitude—preferably diplomatic, but if need be military—towards the West. As Germany is undoubtedly the dominant partner of the Axis, this point would be decisive, whatever considerations of local tactics might suggest; Rome must keep her beautiful dreams in cold storage until the German army is ready to return from the East for the culminating onslaught on the Western democracies.

The thrust to the East, on the other hand, makes an admirable complement to the German plans. Strategically, it resembles them, in that it involves, in the first place, only attacks on small and weak powers, or on Franco-British forces that are both limited and separated from the main reservoirs of strength in the West. Diplomatically, it resembles the German plan in that it can be carried a certain distance without a direct attack on French or British possessions.

The project seems to call for an advance along two different lines: via the Balkans to Istanbul, and via Libya to the Suez Canal. The first would be covered by Albania and Rhodes, and would itself cover the German flank by

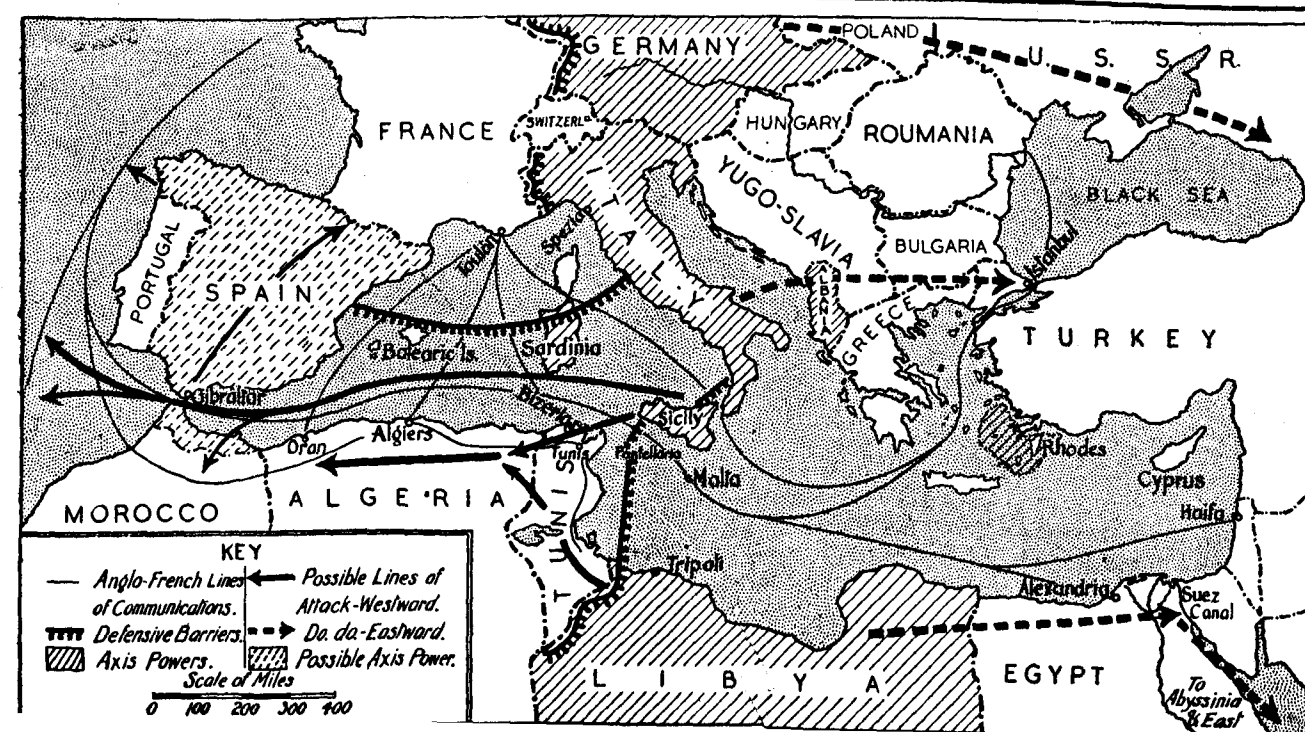
closing the Black Sea to allied reinforcements or supplies; if the support of Yugoslavia and Bulgaria were secured it would involve little fighting and a new objective might thus be attained without an open breach with Britain. The second thrust would strike a powerful blow at the British Empire, establish contact with the garrison in Abyssinia, and provide the counterpart to a Japanese attack on Singapore. Both these operations would be covered against attacks from the West by a defensive barrier of mines, submarines and aircraft between Sicily and the African coast. In effect these would extend the Siegfried line to the Sahara.

A thrust to the East would thus be less dangerous, less costly and better adapted to the general strategy of the Axis. Of the two it is the more likely to be adopted, but its success would be by no means certain, especially in view of the Peace Front's preparations, and Italy may well hesitate before pressing for its adoption.

In discussing counter-measures it is important to avoid one serious pitfall. The Mediterranean is so narrow and so easily controlled from the neighbouring coasts that it is useless to talk of clearing it of Italian ships by naval means alone. The reply to the Italian campaign must obviously be amphibious. Contact between the Eastern and Western basins of the Mediterranean can only be maintained by combined operations aimed at securing the vital bases both in Sicily and Libya. If that is done, then the position of Italy will be untenable. We shall then be in the centre, and her fleet will be either bottled up in the Adriatic or divided into two sections. Abyssinia, Libya and Rhodes will soon fall through lack of supplies, and Italy herself may share their fate. Finally, and most important of all, contact with the Eastern front will be restored via the Dardanelles, and Germany's strategic advantage will be destroyed.

From this rapid survey it may be concluded that the present position constitutes a sort of unstable equilibrium, and that a military or diplomatic success for either side would have far-reaching consequences. It is no exaggeration to say that the war, whether white or red, may well be won and lost in the Mediterranean.

With so much at stake, Italy's policy is exposed to the play of conflicting forces. Fascist pride is stirred by visions of mighty triumphs, but Italian good sense insists on measuring the immediate risks involved. The present tactics of applying pressure here to-day, there to-morrow, and always withdrawing if the opposition is too strong, are well adapted to the divided nature of the Mediterranean. By their power of distraction these feints and sallies provide valuable support for Germany's policy towards Western Europe. We may hazard the conclusion that such tactics will only be abandoned if Italy is dragged by her Führer into a general conflict.



### Agenda for Preparedness—VIII

## Mobilising Overseas Investments

IN the three months which have elapsed since the first article in this series appeared, several problems of military, civil and economic defence which were then hardly in the blue-print stage have been brought to the point of action. We have conceded, perhaps rather stiffly, the principle of economic assistance to our allies. But it is no less necessary to buttress our own financial position to meet the enormous demands which would be made upon it in the event of war. Under near-war conditions, as yet, no formal financial restriction has been introduced, though it is possible that control of capital issues and capital movements may eventually be required. But it is certain that, in war, it would be necessary to recruit all assets which

could be employed for paying for war-time supplies. For practical purposes, that policy involves the use of the United States as a bank of hypothecation, which would provide accommodation against the collateral security of mobilised British assets, or as a market in which British holdings of eligible securities could be sold outright in order to furnish dollar exchange.

The inquiries which are now being made of investment trusts and insurance offices by their respective organisations will thus have Treasury approval, even though they may not have been officially instigated. Questionnaires have been issued, asking for detailed information regarding holdings of foreign securities, their domicile, currency and

their market. This is a sensible act of preparation, which might well be extended to cover large holdings in other hands, regarding which information might be sought by a simple request from the Treasury, backed with the co-operation of the banks and the Stock Exchange. Important though the foreign securities holdings of investment trusts and insurance offices are, they do not entirely cover the field.

In the Great War the purchase and deposit schemes by which the American Dollar Securities Committee pegged the New York exchange were not contemplated until the end of 1915. The first scheme provided two alternatives—the outright purchase of dollar securities in exchange for 5 per cent. Exchequer bonds at market price, plus 2½ per cent. premium; or the loan of such securities to the Government, in return for a rate of interest ½ per cent. higher than that obtainable on the securities concerned. The loan conditions were necessarily accompanied by transfer of power of sale to the Treasury in order to make them eligible for collateral security. In August, 1916, the Treasury extended the scheme for five years, and included in the lists certain non-American securities, including Argentine, Brazilian, Canadian, Scandinavian and other issues. The total amount of securities handled by the Treasury under the scheme was £216,644,396 purchased and £405,951,189 deposited as loan. Out of the grand total of £622,595,585, dollar bonds and shares accounted for £284,556,592, but of the remainder a large proportion consisted of sterling obligations issued by United States undertakings.

The success and scope of this historical precedent deserve to be recalled. Organisation on similar lines, if needed, would create no difficulties, for the experience of the American Dollar Securities Committee would provide a ready-made outline of a new scheme. And there would be no justification for a delay of two years before its introduction. The important difference, in a future war, would be the measure of our marketable security holdings against the enormously increased cost of modern hostilities. It is impossible to isolate all the holdings of American and other eligible securities, but an attempt can be made from independent research and published sources to survey the broad orders of magnitude involved.

Roughly, there are 200 investment trusts in Great Britain, with a total capital of approximately £300 millions and investments (measured by book values) of about £340-350 millions. Not all trusts publish information regarding their holdings, and those trusts which provide analyses of investments may base them either on book values or on current market values. We have examined the investment analyses of 144 investment trusts, of which 83 are based on market values and 61 on book values. For the former group of 83 trusts the investigation shows that, out of total investments of £141,154,000 (at market values) holdings in the United States account for £27,703,000, Dominion securities (including Canada) for £14,271,000 and other foreign securities for £19,364,000. The investigation for 61 trusts whose investment distribution is based on book values shows that out of total investments booked at £119,848,000 (whose market value totals £98,414,000), United States securities account for £16,346,000; Dominion securities (including Canada) for £12,791,000, and other foreign securities for £23,693,000.

By comparing the market value and book value of investments of the latter trusts, a rough impression can be obtained of the total market value of investments of 114 trusts, whose investments, at book value, amount to £286,716,000, and thus comprise the bulk of the investment trust movement's entire resources. The market value can be put at £239,568,000, of which approximately £41 millions is represented by United States securities, £25 millions by Dominions (including Canada) and £39 millions by other foreign securities. For the investment

trust movement as a whole, these figures are probably of the order of £50 millions, £30 millions and £47½ millions, respectively.

Insurance company holdings of foreign securities are less easy to establish. But a line may be obtained through the accounts of 38 of the principal offices, whose investments were analysed on page 14 of the Insurance Supplement published with *The Economist* of July 15, 1939. Holdings of Dominions securities of these offices at the end of last year totalled £86,862,000, while holdings of foreign securities accounted for £51,692,000. These offices themselves held 74.4 per cent. of the Dominion securities in the portfolios of all British offices at the end of 1937 and 58.0 per cent. of the foreign security holdings. Hence, it is reasonable to assume that the Dominion assets of the insurance offices as a whole represent a total of £116½ millions and their foreign security holdings a total of £89 millions. Part of these assets, however, is retained in the Dominions and foreign countries to meet local legal requirements, while offices conducting a large foreign business may hold a proportionately larger portfolio of currency loans. On the other hand, since the totals given above are restricted to government, provincial and municipal issues, they exclude holdings in foreign railways and industrial undertakings which could be mobilised in case of necessity.

Additional light on British holdings of United States securities is shed by the report of the U.S. Department of Commerce on "Foreign Investment in the United States" at the end of 1934 and by subsequent compilations of the net movement of investment funds to the United States published by the Treasury Department. At the end of 1934 British long-term investments in the United States totalled \$1,297 millions. Of this total \$678 millions consisted of "direct" investments (taken at book values), of which investments in industrial undertakings (mainly textiles) accounted for \$305 millions and "direct" investments in insurance for \$231 millions. The marketable stocks, as at the end of 1934, totalled \$619 millions, of which common stocks (at market values) accounted for \$233 millions, preferred stocks (at par values) for \$135 millions, bonds for \$87 millions and other investments for \$164 millions. Railroad securities totalled slightly more than \$100 millions—a striking contrast to the situation in 1914, for this country mobilised more than \$1,000 millions of railroad stocks and bonds during the course of the Great War.

Between the end of 1934 and March this year the net movement of capital from the United Kingdom which has found investment in American domestic securities is put at \$448 millions. Hence the total of marketable (as opposed to "direct") investments in the United States, held on British account, may be put approximately at \$1,067 millions, or £228 millions at current exchange. Clearly this figure must largely include the holdings of British investment trusts and, to a smaller extent, those of insurance offices. After deducting the value of United States securities, so far as they can be estimated, for the two latter groups, the remaining total should give the private holdings of United States securities. These can hardly be less than £125 millions.

In the event of war, we should lack the formidable financial protection of our pre-war holdings of American railway securities. But there are three additional items which might combine as substitutes. "Direct" British investments in the United States, though originally made for reasons of industrial strategy, could presumably be mobilised in case of extreme need. Secondly, there are holdings in certain neutral countries which might be of interest to American finance houses or investors, as they were in the last war. Finally, holdings in mining and transport undertakings in the Dominions might appeal to the United States public or Treasury. Some of these,

such as Rhodesian copper shares, already enjoy a market in New York, and others, like Rand mining shares, could be listed. Clearly, questions of the retention of British control of these undertakings would need careful consideration. But at least some part of the £410 millions nominal of mining capital quoted on the Stock Exchange—which, incidentally, had a market value of £714 millions on March 24th last—could be realised or pledged.

The approximate results of this examination of British investments abroad are shown in the accompanying table. Holdings in foreign railway undertakings have been excluded from the count, on the ground that their current position would hardly commend itself to intending United States purchasers. Factors like double counting, the need for retention of British control and the unsaleability of some of our foreign holdings suggest that the total of £1,172½ millions should be discounted fairly liberally.

ESTIMATE OF BRITISH HOLDINGS OF OVERSEAS SECURITIES  
(In £ millions)

|                                 | U.S.A. | For. | U.S.A.<br>and<br>For. | Dom. | Total |
|---------------------------------|--------|------|-----------------------|------|-------|
| Investment trusts .....         | 50     | 47½  | ...                   | 30   | 127½  |
| Insurance offices .....         | ...    | ...  | 89                    | 116½ | 205½  |
| Private & security holdings ... | 125    | ...  | ...                   | ...  | 125   |
| Mining .....                    | ...    | ...  | ...                   | 714* | 714   |
| Total .....                     | ...    | ...  | ...                   | ...  | 1172½ |

\* Mainly Dominion or Colonial.

But, on a conservative reckoning, it should be possible to mobilise total investments at least equivalent in value to those raised during the last war—and this in the absence of substantial holdings of American railroad securities. Despite the enormous increase in the cost of waging war to-day, this reserve of financial strength would obviously be a major factor—and might well be a deciding factor—in the result.

## NOTES OF THE WEEK

August, 1914, and August, 1939.—After twenty-five years, the world stands again, in August, 1939, on the brink of the precipice over which it hurled itself in August, 1914. To-day we know once more—and indeed this time much more clearly than we realised our tragic position on the eve of war in 1914—that a world-war may break out at any moment. It is still, happily, possible that the repetition, this year, of a supreme catastrophe may be averted. Yet, even if we do scrape through to the autumn and winter without sheer disaster, we can see no issue at present from a break-neck competition in armaments; and, in modern history, it is something unprecedented and portentous that the world should find itself in these straits twice over in one lifetime. Hitherto, the world has not indulged in bouts of war on this scale more frequently than at intervals of about a hundred years' length each; and, though there have been minor wars in between, these have not been comparable, either in intensity or in range, to the major orgies in which mankind has reduced itself to exhaustion. Our plight is the more serious because, at the moment when war on the grand scale is threatening us with this appalling increase in frequency, it is at the same time showing an equally striking extension both in area and in incidence. The moral of all this is unescapable. Now that war has come to be what it is to-day, it has become an institution that is incompatible with the existence of civilisation as we know it. One of the two is bound shortly to be eliminated from the world in which we live. But which is to be? That is the question which, though still inscrutable to-day, may have received its answer "before the leaves fall" this autumn.

If we compare the strategic map of the world as it will be in August, 1939, if war breaks out, and as it was in August, 1914, we shall find both resemblances and differences. The most striking point of likeness is that a couple of Central European Powers, with Germany as the leading partner, will once again be engaging in a war on two fronts in which they will be pitting themselves against the world. Once again, the war will have the character of a siege, in which a grand alliance will be trying to break the Central Powers' resistance by cutting them off from access to overseas resources. Perhaps the most striking difference is that, this time, the Central European Powers' home fortress will be much more narrowly bounded than last time, while this handicap will perhaps be offset by their possession, this time, of a first-class ally situated on the further side of the grand alliance's lines of circumvolution. It should be possible, this time, to keep open the maritime communication between Russia and the Western Powers; and this, in turn, taken with the industrial development of Russia, means that Russia and Poland would be able to exert

much greater pressure on a German frontier which in 1939 is only half as far from Berlin as was the frontier of 1914. Thus in Europe the position is distinctly less favourable for Germany now than it was then. On the other hand, in the Far East, Japan, who was Britain's ally then, may be Germany's ally to-morrow, and in that case it will be our turn this time to see our Far Eastern outposts fall. On the other hand, Japan and Italy are likely in the long run to pay as dearly as Austria, Hungary, Bulgaria and Turkey paid in 1918 for the privilege of having been Germany's allies. Finally, all European Powers will suffer much more severely this time than last, because every one of them can be raked from end to end by air attacks. By contrast, Russia will have a huge citadel in the Urals which no air attack can reach, and the United States (if she again becomes a belligerent) will still be completely immune from attack, even by air, on her home territory. Obviously, whoever may be the victors, all European belligerents will suffer the full pains and penalties of defeat.

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The Mock War.—The war rehearsal has been proceeding during the past week at an increased tempo. The manning of a reserve fleet of 133 ships, the further expansion of the number of Territorial Army units in training and the commencement of R.A.F. exercises on a larger scale than any previously undertaken, have produced, at least for the men taking part, something of the atmosphere of real warfare. The air of verisimilitude has been heightened by weather conditions which have subjected many of the troops in camp to genuine hardship, by the fact that the Reserve Fleet has not been mobilised on anything like the present scale for fifteen years and by the occurrence of actual casualties in the course of the air exercises. There is no doubt that the forces have learnt some valuable lessons. But the machinery for the organisation of the civil population in air raids remains without a major test. First the black-out of the South-Eastern half of England was postponed for twenty-four hours from the early part of Thursday morning on the ground that weather conditions made satisfactory observation impossible. It is difficult to see how any rehearsal of this kind can ever be of real value if it is not permitted to take place in precisely those conditions in which, as the air exercises demonstrated, a considerable proportion of the attacking force of bombers can reach its objectives. It is even less clear that the co-operation of the general public in a black-out can really be tested in the after-midnight hours, when the vast majority of citizens are in any case in bed and not burning lights. The announcement that a test commencing at 8 p.m. will be held in Birmingham in October does not excuse the fact that a black-out could commence at



10 p.m. in London in August. The civil defence organisation is new, and it must be allowed to make mistakes if it is to learn its job thoroughly. It is no doubt the case that a number of factors, including official dilatoriness and lack of leadership, have so far prevented it from becoming a reliable instrument. It must be toughened by experience. A policy of tempering the wind to the shorn lamb may spell disaster for the whole flock.

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**Japanese Army Tactics.**—The Japanese army is making another effort to manoeuvre its Government into joining the German-Italian military alliance, through the offices of the Japanese Ambassadors to Berlin and Rome, who announced after a conference last week-end that Japan's adherence was only a matter of time. This development must be considered in its Far Eastern context. It represents one more step in a campaign—which the Government in Tokyo has hitherto resisted—to coerce the British Government into a more compliant attitude towards the war in China. This week there have been several other moves in this campaign, including the bombing and sinking of two British ships at Ichang, a demand by the Japanese-sponsored Provisional Government of Honan for the transfer of the Peking Syndicate's anthracite mines in that province, and many minor incidents designed to damage British prestige and property. There is every reason to protest most strongly against these calculated attacks by an army in the field whose Government, according to the recently approved Tokyo "formula," has bound itself to see that order is kept in the Chinese provinces under its control. The fault of the army commanders, of course, is to have read into an intelligent diplomatic compromise an unintelligent political surrender. If they are not prepared to carry out their Government's policy, the whole basis for negotiation automatically disappears and the British Government is left with no alternative but to defend its interests piecemeal and as best it can. But once again, the Japanese Government is out of sympathy with its soldiers. Its ministers are each understood to prefer a policy of independence unattached either to Germany or Italy; and their reasons are doubtless economic as much as strategic. Nor would Japan's adherence to the Axis alliance substantially alter the Far Eastern position. If war breaks out, Japan will scarcely be on our side. If war does not break out, then neither Germany nor Italy can do much to help the Japanese, unless it is by forbearing to help the Chinese. And it may be noted with interest that while months ago it was the Axis that was suing for Japan's favour, the tables are turned, and it is Japan that is now the suitor.

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**The Prime Minister on Japan.**—The Japanese Army's tactics are having little effect on the negotiations in Tokyo. Whitehall "will not be hustled" in replying to the Japanese memorandum, and new instructions to Sir Robert Craigie have now been under consideration for more than a week. Mr Chamberlain's remarks on Anglo-Japanese relations, made in the House of Commons on the day of the adjournment last week, were symptomatic of this attitude. At the present moment, he said, we have not in the Far East a fleet superior to that of the Japanese. We have such a fleet at home, and in certain circumstances we may find it necessary to send a fleet to Far Eastern waters. But we would much rather settle our differences with Japan by discussion and negotiation, provided that we can do this without sacrificing fundamental principles. The drift of Mr Chamberlain's further statement was that the British Government did not wish to undertake special commitments to China of the kind undertaken towards Belgium and other European States, and that, in considering our Far Eastern policy at this moment, we should remember that grave events may be pending nearer home which would require all our energies. Meanwhile the negotiations in Tokyo are proceeding slowly, but, on the whole,

not unfavourably. The Japanese have produced fresh evidence against the four Chinese held in the British Concession at Tientsin, and the main obstacle to an agreement will probably prove to be the Chinese silver reserve deposited in the French and British Concessions there. As Mr Chamberlain reiterated in his speech, the Japanese demand that the silver be handed over to their puppet authorities is one of those "questions of a general nature" which can be settled only after consultation with other interested Powers. This means the Governments of France and the United States. It appears that both Governments have told the Japanese that they are interested in the questions under discussion, and that the French have stated that they have common interests with Britain on the silver and currency issues. There is, up to the present, no evidence that the British Government will consent to give the Japanese the help they want in conquering the obstinate Chinese.

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**Military Talks in Moscow.**—With the arrival in Moscow this week-end of British and French military missions an element of stern reality enters the long-range discussions which have now been going on for over four months. The present arrangements are that the military and diplomatic talks shall continue side by side; but it seems more likely that the Soviet Government will prefer to postpone the resumption of diplomatic talks with Sir William Seeds (Mr Strang has now come back to London) until it sees what may be the material outcome of the military talks. Both sides will now be able to assess in the plainest of all terms, in those of military values, the benefit which each may expect to take from the conclusion of an alliance: the bargaining tactics of each, presumably, will be modified accordingly. The diplomatic agreement still sticks on the definition of "indirect aggression": it may be that the best solution of this, if it could command agreement, would be to leave the definition open pending an understanding between the three army commands on what steps would be feasible to cover a German advance in the direction of the Baltic States. In the end, however, there must be a diplomatic decision if the military talks are to be of real value. For the soldiers can only discuss "how"; they cannot (and they should not) discuss "when."

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**Imperial Airways in Difficulties.**—Imperial Airways has announced this week that it is suspending for the present its Empire passenger services. The explanation is that the growth of the air mails and the decision to carry a greater surplus margin of petrol have crowded passengers out of the limited and inadequate number of aircraft available. The explanation is logical and correct; but it is already clear that it will not avert the indignation of the public. It has long been apparent that British overseas civil aviation, especially that part of it in the control of Imperial Airways, was in a bad state. The company has received a series of severe and merited rebukes from Parliament and from official investigators and is shortly to be legislated out of existence. This latest development, however, though it is only the logical outcome of factors that have long been known, has something of the character of a last straw, and the House of Commons will be doing its duty if it insists on placing the responsibility where it belongs. Some of the blame lies on the former management of Imperial Airways; some lies on the unpardonable dilatoriness of the Air Ministry; most probably rests on the official refusal, based on little more than silly sentiment, to permit the purchase of American machines. Other lines—for example, the Dutch—seem to gain rather than suffer in prestige through their use of American machines; they certainly do not suffer a tithe of the loss of prestige that this week's confession of failure brings with it. The record is hardly relieved by the inauguration last week-end of the British transatlantic air mail service, since that event has been surrounded by every

evidence of a desperate scramble to begin at least in the same year as the Americans, and the service seems destined to be withdrawn after a few weeks. Another disturbing reflection suggests itself. The suspension of passenger bookings will obviously affect the profits of the company, since the payment for mail is of the nature of a flat-rate payment. Was this contingency taken into account when the purchase price of 32s. 9d. was fixed for Imperial Airways' shares—a price fixed in view of the goodwill represented by the expectation of profits? And can that price any longer be justified?

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**The Technique of Industrial Control.**—Changes in the board of directors of Richard Thomas and Company (which are discussed in detail on page 326) provide certain object lessons in the latter-day technique of industrial control. Richard Thomas provides a particularly good example, since, as a result of financial stringency, the company was compelled to submit a year ago to the supreme direction of a Control Committee, in order to obtain the necessary finance to complete its new strip mill at Ebbw Vale. The recruitment of the Control Committee could scarcely have been bettered, for it consists of the Governor of the Bank of England, the chairman of Richard Thomas and Company, a representative of the steel industry and a nominee of the 4 per cent. debenture stock trustees. National interests, expert knowledge of the new plant and the steel industry generally, and financial responsibility are all represented here. Yet the Control Committee's first appointments to the board of Richard Thomas have, with one exception, now resigned. Two of these nominees are important figures on the boards of companies in direct competition with Richard Thomas, but lacking its modern equipment. The three new nominees, whose appointment has been made "after consultation with the British Iron and Steel Federation," are representative of the steel industry generally rather than of the sheet trade in particular. In this respect, their appointment is clearly to be welcomed. Yet there will be regret that the new appointments do not cover the same wider range of interests as the Control Committee itself. The latter is an instrument of general supervision, which already has the advantage of expert knowledge. But its new nominees, with their narrower interests, might be regarded as mere symbols of industrial concentration. Would it have been impossible to secure at least one general industrial representative to serve on the board? Clearly, the significance of the new Richard Thomas plant for a number of important branches of the engineering and metal trades which consume its products cannot be overrated. If it is to be controlled by anybody other than its shareholders, it should be by representatives of the public interest, not by delegates of the steel trade.

**The Road and Rail Rapprochement.**—The railway and road industries, having fought each other for a number of years with considerable bitterness, are now treating the public to demonstrations of their goodwill towards each other. A Road and Rail Central Conference was set up on April 12, 1939, with the object of defining the principles of future rates agreements, in anticipation of legislation to implement the proposals of the "Square Deal" report. This Conference has in turn formed four sub-committees to deal respectively with classification, conditions of carriage, licensing and general purposes. The function of the general purposes committee to date has been to make arrangements for the setting up of the regional committees which have now been established in each of the twelve traffic commissioners' areas with the principal task of surveying the main traffic streams preliminary to recommending specific rates agreement to the Central Conference. The work of producing order out of the existing condition of confusion and cross-purposes is in fact proceeding in a businesslike manner. To organise the existing multiplicity of road goods transport undertakings into a compact body is indeed a task of enormous technical difficulty which is further complicated by the fact that traders, who have hitherto drawn considerable advantage from playing off rail against road interests, must be consulted in the course of the negotiations for new rates agreements. Moreover, the ingrained habits of competition are not easily removed, and the measure of the trust existing between the rail and road interests is perhaps to be gauged by the fact that the railways are for the present reducing the number of their objections to applications for road traffic licences by fifty per cent. and no more. Finally there remains the possibility that the promised Bill, when it arrives, may have an unequal appeal to the two sides, or even please neither, in which case all the new machinery may be quickly swept away. But it is unlikely that any Government with an appreciation of the strategic as well as the economic advantages of transport co-ordination will do anything to sabotage the progress which these two important branches of the industry have already made.

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**Ribbon Development.**—As soon as Parliamentary time permits, the Minister of Transport is to introduce a Bill to amend the Restriction of Ribbon Development Act, 1935. Its main object, apparently, is to extend and simplify the system of Exchequer grants towards the cost of compensation. Broadly speaking, grants may now be made only where building is restricted in order to provide for a possible widening of the road; if the highway authority, without wishing to widen a road, wants to preserve its usefulness and amenities by controlling a wider strip (which is what is usually meant by the restriction of ribbon



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development), then the entire charge falls on local funds. This provision was widely criticised at the time (see, for example, *The Economist* for May 18, 1935) on the ground that the poorer local authorities would be quite unable to raise the necessary funds. Unfortunately experience has fully borne out this view. Progress has been slow even with the first type of scheme—standard widths (i.e. of freedom from new building, not of the actual road surface) have been prescribed for less than 1,200 miles of highways. Lack of interest and complications of procedure may be partly responsible, but the main deterrent has undoubtedly been the fact that the Exchequer grant only covered part of the cost. The wider powers have been practically a dead letter except in the Home Counties and a few other wealthy areas. Meanwhile, of course, the situation has not been standing still; as the Red Queen pointed out, it is sometimes necessary to run very hard in order to stay where you are. The main result of the Act of 1935 has not been to restrict ribbon development but merely to provide one more instance of the inefficiency of the present dyarchy between central and local governments. There is a long list of essential tasks which the central government will not, and the local authorities cannot, undertake.

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**Refugees in Britain.**—Some indignation appears to have been engendered among those who have misunderstood a sentence in the article with the above title that appeared in *The Economist* last week. The passage in question was as follows:—

Obviously not all refugees are capable of making an equal contribution to British prosperity. There may be some who are undesirable on other than economic grounds. But on the average they are more helpful to the community than the average Englishman, whether the standard is monetary capital, industrial skill or intellectual attainments.

Some have read into this a denigration of British national qualities. But nothing of the sort was expressed or implied, as must be obvious from a reading of the whole article. There was no suggestion that the average refugee is a better man than the average Englishman of comparable background. But figures quoted in the article indicate that the average refugee family has more capital than the average English family. Most of them are either skilled workers or professional people or intelligentsia, and their average skill and intellectual attainments may therefore be presumed to be higher than that, not of English skilled workers and intelligentsia, but of Englishmen in general. To deny this is to assert that the unskilled Englishman is more useful to the community than the skilled worker of any other country, which would be an excess of national pride. To the extent, however, that the wording of the sentence, when removed from its context, lent itself to misunderstanding, *The Economist* must express its regret.

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**The Liberals and Family Allowances.**—At the final session of the Liberal Summer School, Lord Samuel announced that the Liberal Party would place family allowances in the forefront of its social programme for the next election. The preceding discussion suggested that their main object was to raise the birth-rate, so as to prevent a rapid decline in our population. Experience in other countries has shown that, from this point of view, family allowances are of very limited value unless they are very generous indeed. On social grounds, however, the case for them is overwhelming. Every social survey has shown that poverty, over-crowding and under-nourishment are strongly correlated with the size of the family; large families actually have to live in smaller houses than those with the same income and fewer children; £10-£20 millions spent on family allowances would do much to overcome these evils and improve the quality of the next generation, even though a far larger sum would be needed to make much difference to its quantity. We already give the unemployed man a larger income if he has a family, with the result that he is sometimes worse off if he finds a job. This position is clearly unsatisfactory, but we cannot take away the family allowance from the unemployed; we must complete the system by giving it to those in work also.

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**Deciding Danzig's Future.**—Until Thursday, when Herr Forster, secretary of the Danzig Nazi Party, made a speech which embodied Herr Hitler's instructions (he had just come back from a conference at Berchtesgaden), the policy of the Danzig Nazis was very like a ship without a rudder. It swung to and fro, now driving with the winds of Goebbelian propaganda, now veering hastily against them to avert shipwreck on the rocks of Polish reprisals. Its destination, evidently enough, was always that of the Third Reich; but in the absence of precise instructions from Herr Hitler the steering has sometimes been erratic. Herr Forster, who spoke at an indignation meeting on Thursday, has set no very precise course. He issued the usual irrelevant warnings, and talked much of threats which the Polish Press is said to have made. The background of this speech is furnished by increasing military preparations in the Free City, and by an acrimonious exchange of notes between the Polish Government and the Danzig Senate. The immediate issue is whether or not the Polish Customs inspectors in the Free City (the main task of Customs inspection is carried out, or should be carried out, by Danzigers who are under this Polish supervision) are to be allowed to do their work. For the moment, the Polish Government has vindicated its rights over Customs inspection, and the Danzig Senate, unexpectedly meek, has once more accorded recognition of those rights.

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But everything is temporary. The decisive date cannot be far ahead, though the choice is comparatively wide. The German autumn mobilisation for manoeuvres on the Eastern frontier should be complete by August 15th, Herr Hitler is due to speak at Tannenberg on the 27th, and a few days after that there is the opening of the Nuremberg Congress "of Peace" on September 2nd. If the Nazis follow last year's programme, their Press should soon begin a violent campaign against the Poles (there was a preliminary skirmish this week), gradually working up to a peak coinciding with the Fuehrer's big speech at Nuremberg. At the same time, incidents might be expected on the boundaries of Danzig which would culminate in a proclamation by the Senate that Danzig had formally returned to the Reich. The Nazi gamble would then be that the Poles, faced with extreme international tension, an army of over a million Germans manoeuvring on their western frontier, and the prospect of several days' severe fighting before the Free City could be taken, would consent to negotiate. It remains for the Peace Front Powers to persuade Herr Hitler that this programme will not work, and that there cannot be a second Munich.

**German Views on the Situation.**—Our Berlin correspondent writes:—The German mobilisation is being continued with great intensity, and will reach its peak about the middle of August. Military manoeuvres are beginning, in which the air force is playing the leading rôle. Long rows of requisitioned cars and omnibuses are to be seen at the rallying points, and private transport is also being severely hampered by lack of petrol; even where they have supplies, filling stations may only sell one to two gallons per day to each motorist. The mobilisation is officially only for "routine manoeuvres," but its scale is far in excess of what can be regarded as normal, and altogether it bears an uncomfortably close resemblance to the movements carried out at the time of the Sudeten crisis last year. Coupled with the remilitarisation of Danzig, it suggests the conclusion that Germany is trying to force Poland to give way over Danzig and the Corridor by military pressure. German official quarters profess to have become much more optimistic in the last few weeks, and one frequently meets the view that these questions will at the worst only lead to a short struggle with Poland, and not to a general war. In the light of the repeated declarations of British Ministers, this position is remarkable, but diplomatic circles are discussing the possibility that Mr Chamberlain will—despite his experience at Munich—offer to co-operate in finding a peaceful solution of the Danzig question. Such a thesis is all the more astounding because on the German side it is being said, albeit not officially, that a "solution" must include the restoration of the pre-war German boundaries; this would mean the incorporation not only of Danzig and the so-called Corridor, but also of what is now Polish Upper Silesia, with its coal and iron, and of the large district around Poznan. The Polish-Danzig customs dispute is not considered to have much importance in itself, but some people think that it may lead to Danzig's terminating her customs union with Poland and forming one with Germany as a first step towards political absorption. Meanwhile the colonial question has been raised again by Herr von Epp in a recent speech on the occasion of the colonial exhibition at Dresden. He insisted that Germany could not wait for the satisfaction of this claim until all other questions had been settled, and seemed to contemplate the use of military force to recover her former possessions; for he stated that the Reichskolonialbund was not seeking economic objectives, but rather aimed at providing the Fuehrer with a powerful striking force. This statement is all the more remarkable as Herr Hitler declared after the Munich conference that the colonial question would be solved without resort to war.

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**Germany's Coal Difficulties.**—The appointment of a Special Commissioner for the coal industry by General Goering last week is another stage in the growing crisis that faces Germany's coal industry. A plentiful supply of coal lies at the very centre of all Germany's industrial plans, especially those that are designed to make her self-sufficient in essential war materials. The Hermann Goering works, planned for a capacity of 4 million tons of steel, will increase coal consumption (since they are based on low-grade ores) by a very considerable amount. The plants manufacturing synthetic petrol, rubber and fats consume, either directly or indirectly, very large quantities of coal. A number of new power plants are either planned or building. Transport and shipping are increasing their requirements. The only use of coal that can be reduced without damage to the whole plan is that of household coal, and the proportion of Ruhr coal (itself two-thirds of the total) going to household uses has already fallen to 17½ per cent. German estimates of the necessary increase of coal output vary from 20 to 50 million tons, or 10 to 25 per cent. of the present output (excluding brown coal). But in spite of this enormous demand for coal, it has proved impossible to increase the output. It was less than 2 million tons higher in 1938 than in 1937 and almost all the increase in the first half of 1939 was due to the inclusion of Austria in the statistics. The all-important Ruhr field produced only 346,000 tons more.

This state of affairs is due to the falling-off in the output per manshift, which reached its maximum of 1,711 kilograms in 1936 and had fallen to 1,554 kilograms in the first quarter of 1939. In an attempt to correct this, the hours of work were lengthened to 8½ hours on April 1, which has resulted in some increase in output, though not to the 1936 level. But another difficulty has now arisen. Men have been drawn away from the mines by work on the western fortifications and by the demands and attractions of the armed forces. The number employed in the Ruhr fell from 314,298 in May last year to 309,945 in November. The increase of hours threatened to intensify this exodus, so that a decree had to be issued on June 11th forbidding miners to leave their jobs without permission. This in turn led to serious unrest, threatening a further fall in output, and the Commissioner has now been appointed to improve the social conditions of miners, to increase the labour supply and to speed up rationalisation. It is doubtful, however, whether an increased labour supply, if it could be found, would be very effective. The truth is that the Ruhr coalfield has reached the limit of its present capacity. Virtually all the coal is already produced mechanically and some of the biggest companies have recently reported a decrease in output even after the number of workers had been increased. The only apparent possibility of increasing output is to sink new shafts. But this in the Ruhr takes time, measured in years, and the companies are not eager to embark on heavy new expenditure when the supply of capital is erratic and their profits are falling.

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**Political Tightrope in Spain.**—The long-awaited reconstruction of General Franco's Government is at last in progress. The new constitution, promulgated on August 4th, carries Spain a long way towards totalitarian Fascism, for it provides that the Falange, the Spanish equivalent of a Fascist party, shall subordinate to itself every other party in Spain and, what is more important, the whole personnel of the fighting forces. In line with his German and Italian models, General Franco has established a political council from leading members of the Falange, and this political council bears the same relationship to the Spanish National Council as, in Italy, the Fascist Grand Council bears to the Chamber of Deputies or, as it is now called, the Chamber of Fascios and Corporations. The whole arrangement bears a close resemblance to the early days of Fascism, when the authority of Mussolini was qualified by the Quadrumvirs (Balbo, de Vecchi, Bianchi and de Bono), whose collaboration had made possible the March on Rome. Gradually the authority of Mussolini prevailed, just as in Spain the authority of General Franco (unless he is overthrown) may be

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expected to prevail over that of Señor Suñer, who is appointed president of the Political Junta, and over that of representatives of sectional opinion such as General Munoz Grande, who is appointed to the most influential post of secretary-general of the Falange.

General Franco becomes head of the State, with full dictatorial powers. He has reorganised the Government into twelve Ministries, those of foreign affairs, interior, war, marine, air, justice, finance, industry and commerce, agriculture, national education, public works and labour. And, of course, he has a controlling finger on the organisation of the Falange. At present, this follows closely the Italian model (although the Pope and his advisers, when considering whether it can be reconciled with Catholic principles, will doubtless not forget that a Concordat will soon be necessary); appointment and election is in every case from above, and the hierarchy tapers upwards through the ranks of local parties, regional federations, provincial authorities, until finally it reaches the Political Junta. Alongside the party organisation there is the customary paraphernalia of mock syndicalism. This neat blue-print for Spanish Fascism promises to meet with far more serious difficulties than its foreign predecessors. The latter erected their organisations in times of comparative peace, after years of preparation and ruthless treatment of allies as well as of enemies. General Franco is in no comparable position to impose his will on men who have just helped him to win a war. Behind the façade of unity there are bitter quarrels and divisions, not least on foreign policy. His must be the way of conciliation and compromise.

**Strains on Balkan Friendship.**—The extent to which the Serb and Croat negotiators in Yugoslavia find it expedient to sink their differences is no bad measure of their outlook on the international situation. The agreement signed on April 27th last (and later denounced) was the direct result of the German march on Prague. It provided a settlement whereby Yugoslavia would continue to be governed from Belgrade (by the Serbs), but leaving the Croats a substantial measure of autonomy. As time passed and no more terrible event happened than the German-Italian military alliance—though this, because it promised to define Axis spheres of influence in the Balkans, was bad enough—Belgrade and Zagreb resumed their customary haggling tactics. Now, with the dangerous month of August drawing onwards, there is news that agreement is once more in sight. It will be very welcome. For Balkan relations are already showing the severe strain to which their new-found amity is being subjected. With the tentative formation of a second, shadow, Balkan Entente (having a good deal more substance than the first, nominally still in force) between Roumania, Turkey, and Greece, designed to protect "external" as well as inter-Balkan frontiers, the tentative links with Bulgaria are showing signs of parting. The Turkish-Bulgarian frontier is once more, after a lapse of several years, the scene of anxious watching by troops on either side; it may not be long before the Greek Government finds it necessary to reinforce its frontier defences. And alongside this unhappy reversion to the old distrust of Bulgaria, there is a parallel movement between Bulgaria and Yugoslavia, for long enemies but now thrown together in their mutual state of unguaranteed neutrality. Both in Belgrade and Sofia there is a growing understanding that their position is, and is likely to remain, one of isolation; both Governments are doing what they can to alleviate the rigours of their solitude; in view of Germany's trade hold and the facts of geography, it may be doubtful how long they could continue to resist strong pressure on them to join the Axis.

It would seem that pressure is not now being exerted. M. Koisseyanoff, the Bulgarian Prime Minister, returned from Berlin without having had to make more than the

friendly pronouncements usual on such occasions though doubtless uttered, in his case, with more than usual sincerity. Meanwhile, a Bulgarian parliamentary delegation is on a visit to the U.S.S.R., and the President of the Bulgarian Sobranie, M. Moshanov, was recently in London, and was received by the King and by Lord Halifax. Prince Paul of Yugoslavia has just concluded a stay at Buckingham Palace. None of these movements can conceal the anxiety with which the two Governments gaze upon the world. The same sort of anxiety, the direct result of a fear that the Axis Powers are planning aggression towards the south-east, is observable in Hungary. It is one thing for the Hungarian Foreign Minister, Count Csaky, to warn his fellow-countrymen against thinking that Germany harbours designs against them; it is quite another thing for them to believe it. The facts are with them. Rumours are persistent that the German Government plans to annex at least the northern part of the Slovak "republic," from which German troop movements are reported; if this were to happen, Hungary would be more than ever at the mercy of the Third Reich. The tension between Roumania and Hungary, which came to a head a short time ago with an exchange of shots on the River Tisza, is a direct indication of the rôle which Germany may demand of Hungary in order to coerce Roumania's goodwill. Wherever one looks in the Balkans it is possible to see the effect of Axis pressure, in a closer friendship here, in a more precise hostility there: the spirit of Balkan friendship threatens to be one of the first casualties in this undeclared war.

**The Spirit of the Czechs.**—"The victory of democracy and freedom in Europe means the liberty of my beloved country, Czecho-Slovakia." These words are the concluding sentence of Dr Benes's first public utterance in England, made last week at the Liberal Summer School, an address which in its wisdom and unembittered judgment did the utmost credit to a man who has suffered an experience of perhaps unexampled bitterness. And yet Dr Benes may take the consolation that his policy has been proved right, that what he said last year has been borne out by the twelve months which have followed. We know now beyond any doubt that last September it was "not only the fate of the Czecho-Slovak State which is at stake," as the Czecho-Slovak Government said in its reply of September 20th, "but also the fate of other countries"—and we are left with nothing more to do than to try to make good the losses we then suffered. But the Czechs are left with the burden of living under German military rule. The last few weeks have brought a fresh instalment of oppression. Having commanded the Jews of Bohemia to sell their property (at ruinous prices, of course) not to the Czechs but to the Germans, they are now in the process of taking over by similar means those Czech businesses which are of particular commercial value to them. Arrests are a common part of everyday life. Many thousands of workers, most of them unwillingly, have been transported to Germany. Markets are under close control; even the harvest cannot be threshed until the Reichsprotector has given his permission. The promise of cultural autonomy is being violated every day and the Czech language subordinated to German. Even now the Czechs do not despair. And in everything they do the Germans are meeting that profound hostility which comes from a certain knowledge of having suffered injustice, and which, in the long run, will give the Germans a barren victory indeed.

**Turkey's Trade Dilemma—A Correction.**—It was stated on page 263 of last week's issue of *The Economist* that "the £10 millions trade credit (to Turkey) has been earmarked for paying Brasserts for their big contract, the Karabük steelworks and for wiping out some old debts on British concessions (railways, telephone systems) taken over by the Turkish Government." We are informed that the credit has not been earmarked for these purposes.

## THE WORLD OVERSEAS

### Expanding the French Air Force

(From a French Correspondent)

[The following article, which is written by an expert observer of French aircraft production, continues the story of modern French air force expansion begun in an article in *The Economist* for December 10, 1938.]

It was recently remarked that the money spent by the French Government for aeroplane production in 1939 would equal all that had been spent on it during the last nineteen years. A good deal of progress has now been made since the crucial days of 1938, when the Czecho-Slovak crisis caught France with an aircraft production of scarcely more than 50 per month. Much remains to be done; how much can be realised only when it is appreciated to how small an extent French aircraft producers are using methods of mass production. That is the main difficulty; until industrial reorganisation is complete and production has been rationalised it will be impossible to make the best use of the abundant credits which are now available.

Reorganisation is already well advanced: the next few months should show the beginning of mass production of aeroplanes. The whole aircraft industry is in the process of being fitted into the general structure of the metallurgical industry, so that small and average-sized firms will now be able to play their part. Another symptom of the Government's determination to press on with their programme is the decision that aircraft factories shall continue working all through the summer, the workers receiving in lieu of ordinary summer holidays extra days which they will be allowed to take after September.

As well as out-moded methods of production, there are other reasons for the slow advance in first-line strength. Raw materials have not always been available, and there have been times when producers have competed against each other for those which were to hand. The manufacture of certain essential parts, such as airscrews and undercarriages, has at times been so poorly co-ordinated as to have delayed the output of finished aircraft. Efforts have been made to eliminate this deficiency; several factories (Chaudière, Hispano, Gnome, Ratier) have increased their production by the use of sub-contractors.

The main deficiency in production remains, however, that of engines. The number of engines being turned out is insufficient to satisfy the demand, and it is obviously useless to push the manufacture of air-frames until the deficiency has been made good. The industry is finding special difficulty in fulfilling orders for engines of more than 1,000 h.p. These problems are not yet solved; it would seem that provisional measures will be taken while long-term solutions are being worked out. It may be noted that several orders have been placed abroad, in particular for the production of Rolls-Royce engines. Construction licences have been obtained from Messrs Pratt and Whitney by the Talbot factories, for Bristol Hercules by the S.I.G.M.A. concern, and for Rolls-Royce engines by Ford's.

When it comes to discussing actual production, there are two healthy tendencies to be noted. The first is the general acceleration in the production of all types, and the second is the design of new types which may be turned out by mass production. The first tendency stands out clearly from the figures. Of these there are few available, a decree of some months ago having placed a ban on the publication in the Press of armament statistics. The latest official estimate was made on May 5th when the Air Ministry declared that aircraft production had attained and even passed the figures established during the two previous months. Compare this with the gloom of 1938. Then, the aircraft industry was able to deliver an average of only 53 planes a month; with the aftermath of Munich production began slowly to rise, until in December it was at an average of 73 planes a month. In January the figure had risen to 94.

These figures refer only to the production of the new types

with a speed of at least 310 miles per hour for fighters and of 265 miles per hour for bombers. In April and May the figures stood at 113 and 160 respectively, the numbers being in each case rather less than the official forecasts, which were 120 and 170. The rise continued in June with a total construction of 175, of which 110 planes were chasers. This figure should be maintained in July: but August and September, with the introduction of mass production methods, should attain the level of 200 planes a month for which official forecasts have allowed. After September production is expected to be at the rate of 300 a month, and there is no reason why that figure should not be attained.

#### Mass Production Types

The general plan upon which the industry is working is for the construction of 4,800 aeroplanes and 12,000 engines during the period from March, 1938, to March, 1940. This would permit of a first-line strength of 2,617 planes. Payment for the 1939 programme will need 18.5 milliard francs. Of this sum 11 milliards will come out of the Budget, the remaining 7½ milliards being provided by supplementaries.

After the promulgation of the decrees loosening the application of the 40-hour week and permitting a week of forty-five hours, with overtime at 5 per cent. up to 60 hours, labour problems have receded into the background. While there are no official statistics, the number of workers and engineers in the aircraft industry may be taken to be fairly closely as follows:—

In nationalised factories: about 40,000 workers.

In private factories: about 12,000 workers.

of which:

|                 |       |
|-----------------|-------|
| Gourdou .....   | 800   |
| Breguet .....   | 3,200 |
| Levasseur ..... | 300   |
| Morane .....    | 1,400 |
| Caudron .....   | 2,700 |
| Amiot .....     | 2,400 |
| Kelner .....    | 600   |

In about 30 small sub-contracting factories: 30-35,000 workers.

Total of all factories: about 80,000 workers.

The average working week is now around fifty hours, but several factories are working up to sixty hours a week. Several new factories are being built.

A notable example of a mass-produced chaser which is about to go into production is the Dewoitine 520, which needs only about 6,000 man-hours of work. Compared with this, the work which went into earlier types seems prodigious. The Morane 406, for instance, a two-seater, single-engined chaser which has met with particular difficulties in

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production, required some 30,000 man-hours and was assembled from 6,000 parts. Methods have now been improved, and the Morane now requires only 14,000 man-hours; nevertheless, up to May 15th only 150 of these planes had been delivered. Another machine which has met with production difficulties is the twin-engined Amiot bomber announced for regular construction some months ago. It appears that this plane will be in mass-production by September. Like the Dewoitine, the Amiot has shown very satisfactory results; it was developed from the machine in which, last year, Commander Rossi set up two world records. A third type, the Breguet 691, which is a light, twin-engined monoplane bomber and chaser, originally ordered in June, 1938, will be in production at the rate of one plane a day after September. So far, only about twenty of these machines have appeared. As far as engines are concerned, the Société National de Construction des Moteurs, at Argenteuil, has developed a new water-cooled engine of 1,600 horse-power.

With this determined attack on the dual problems of mass production and engine production, the French Army of the Air is nearing the end of a long period of adaptation. The period of high-speed development is at last at hand.

August 8th.

## German Shipping

[FROM OUR BERLIN CORRESPONDENT]

GERMAN shipping has been able to increase its traffic and better its finances since world conditions became more favourable a few years ago, and since the shipping concerns bring in a large part of Germany's foreign exchange, the upward trend has been of direct help to the Reich's foreign exchange holdings. Many of the smaller concerns have been able to declare dividends again, and in some cases have even increased their payments. The position of the large shipping concerns which had been particularly affected by the crisis is less satisfactory. Neither the Hamburg-America Line nor the North German Lloyd have been able to resume dividends, since they have been compelled to retain large sums for their financial consolidation, and also forced to begin important construction programmes in order to be able to compete with other firms.

The upward trend of German shipping suffered a check in 1938, which affected the various individual shipping firms differently. While South American traffic increased with the more or less successful German South American barter deal, the African traffic suffered considerably from the deterioration in the international situation. The Levant lines were fairly successful. The Hamburg-South American Steamship Company, with a capital of Rm. 10 millions, was able to increase its dividend from 6 to 8 per cent., and the Hamburg-Levant Line from 5 to 6 per cent., while the Bremer Hansa and Neptun Line paid 6 per cent., as in the previous year. Decreased traffic was accompanied by increased prime costs, particularly personnel and material costs; but it should be noted that large write-offs were made parallel with the building programmes.

The sums written off are considerable. They rose from Rm. 22.7 millions in 1937 to Rm. 23.5 millions in the case of the Hamburg America Line, from Rm. 17.8 millions to Rm. 21.4 millions for the North German Lloyd, and from Rm. 8.9 millions to Rm. 9.8 millions for the Hamburg South America

Line. Liquid assets and securities, however, have diminished in amount. The extent of self-financing is shown in the fact that the debts of the Hamburg America Line remained unchanged, while those of the other two shipping concerns fell greatly. But the present financial strength is largely due to the delay in the completion of the new construction. This, in turn, is occasioned by the fact that German shipyards must first complete contracts for the navy and for export.

The statistics of the German Lloyd show that the output of German shipyards rose from 182,652 tons gross in 1937 to 226,164 in 1938; the navy and export orders provided the bulk of the demand. The German merchant fleet has increased by only 189,199 gross tons as compared with the increase of 276,274 in 1937. Fewer ships were purchased abroad and more were exported. Contracts for 520,676, as against 423,818 gross tons, were distributed. The German merchant marine now consists of 4.35 million gross tons, as against 4.16 millions in the preceding year, and about 0.6 million gross tons in 1919.

Taking the armament contracts into account, the German shipyards will be fully employed for several years. Present contracts are for 258 units as against 284 in the preceding year or for 851,004 gross tons against 929,854. The demand from abroad has declined; only 48 units, against 82, or 330,328 gross tons, against 506,036, are now on order on foreign account. In 1938, 55 against 41 units, of a total gross tonnage of 263,441 against 217,257 in 1937, were delivered abroad. Total output from German yards increased from 399,909 to 490,065 gross tons, or 197 units against 169 in the same period.

The deterioration in the position of German shipping concerns has produced some strong criticism of the subsidy policy of foreign countries, particularly of England, and also of the demand of the shipping conferences for improved loading standards in German ships. At the annual meeting of stockholders of the North German Lloyd, mention was made of the discrimination against the German flag in the coverage of insurance risks. At the same time a warning was issued that if the foreign members of the conferences are unable to put an end to this discrimination, the German shipping firms will have to revise their relationship with the conferences. The Hamburg America Line and the North German Lloyd have already terminated the North Atlantic Conference agreement over cabin-class prices, owing to the fact that the cabin class on German ships is little patronised.

Germany is doing all in her power to expand her navy. The termination of the Anglo-German naval agreement, signed in 1935 and regarded as the main hindrance to a naval armament race, has released the Third Reich from maintaining the 35:100 ratio. The German declaration of the desire to continue the qualitative clauses of the pact was mainly due to the fact that German re-armament possibilities are restricted by the scarcity of raw materials. According to statistics of the Institute of Business Research, the following tonnage of warships has been built by the leading naval powers in 1937 and 1938:—

|                     | 1937   | 1938    |
|---------------------|--------|---------|
| U.S.A. ....         | 45,000 | 116,000 |
| Great Britain ..... | 67,000 | 79,000  |
| Germany .....       | 14,000 | 73,000  |
| Italy .....         | 32,000 | 33,000  |
| Japan .....         | 50,000 | 16,000  |
| France .....        | 35,000 | 8,000   |

Figures of naval expenditure are not published in Germany. Great Britain spent Rm. 1,878 millions on her navy in 1938, and is planning to spend Rm. 2,277 millions this year. Since Germany has so much leeway to make up her naval expenditures can hardly be less than this.

August 7th.

## Cars and Residential Building in the U.S.A.

THE point in the business cycle at which this country now finds itself is a matter of some uncertainty. The indices of manufactures speak with two voices. If the adjusted index is taken as the guide, it implies that last autumn's upturn might have been of the "flash-in-the-pan" variety—what is called in Wall Street semantics a "soda-water rally"; while the unadjusted index suggests that the six

months from December 1938 to June 1939 have been a period of consolidation, preparatory to an extension of the upward movement. On the whole, both financial and industrial opinion inclines to the latter view and looks forward to the autumn in a state of mind which may be described as stronger than hope, and not so strong as confidence. The adjusted indices are as follows:—

BUSINESS INDICES  
Adjusted for seasonal, 1923-25 = 100

|                                     | June, 1938 | May, 1939 | June, 1939* |
|-------------------------------------|------------|-----------|-------------|
| Industrial production, total .....  | 77         | 92        | 97          |
| Manufactures, total .....           | 74         | 91        | 96          |
| Durable .....                       | 50         | 71        | 81          |
| Non-durable .....                   | 95         | 108       | 109         |
| Minerals .....                      | 92         | 98        | 105         |
| Construction contracts, total ..... | 54         | 63        | 63          |
| Residential .....                   | 42         | 55        | 58          |
| All other .....                     | 64         | 68        | 66          |
| Factory employment .....            | 82.4       | 90.4      | ...         |
| Durable goods .....                 | 71.9       | 82.2      | ...         |
| Non-durable goods .....             | 92.4       | 98.2      | ...         |
| Factory payrolls .....              | 70.8       | 84.4      | ...         |
| Durable goods .....                 | 61.7       | 79.5      | ...         |
| Non-durable goods .....             | 80.9       | 89.9      | ...         |
| Freight car loadings, total .....   | 58         | 62        | 67          |
| Miscellaneous .....                 | 62         | 70        | 71          |
| Department store sales .....        | 82         | 85        | 86          |
| Department store stocks .....       | 68         | 66        | 66          |

\* Preliminary.

### The Building Index

The part played by residential building in the current cycle is interesting, partly because so much emphasis was placed on it in the discussion of some years ago. Residential building is a laggard in the recovery. The annual average for 1932 was 13; for 1933, 11; for 1934, 12. Upturn began in 1935, continued into 1937, dropped rapidly, but picked up early in 1938, and has been more sustained since.

The upward movement from 12 early 1935 to 45 early 1937 and the subsequent downturn to 26 were quite marked, but this fall at its lowest left the index at more than double the years 1932-34. The improvement of 1938 promptly carried the index above the best figures of 1937, and this index has now for nearly a year held at level almost a third higher than the best months of 1937. There are four general comments readily made on the residential building activity.

1. To some extent it reflects the accumulation of need built up during the long period when new residence building hardly equalled the destruction by fire of existing homes.

2. The extremely favourable financing terms of the F.H.A. of 1938 (90 per cent. mortgages at 5 per cent., now reduced to 4½ per cent.) have made it rather easier to finance a new house than an old house.

3. This in turn has discouraged recovery in price or marketability of existing houses; and the total national investment in houses is, in value, comparable to that, say, in listed corporate securities. While corporate securities have materially lifted their values since the depth of the depression, the urban real estate market has had little recovery.

4. The new building is clearly illustrative of the demographic population shift created by the popularisation of the motor car. That is, the new homes are being constructed on the edge of centres of population, in areas in which the occupants are dependent on the family car for transportation either for work or shopping.

### Expanding Suburbs

This fourth phenomenon in a measure is related to the third. The effect of the motor car on the distribution of population was foreseen years ago, and the first evidences are more than a decade old. But the real movement has become visible only in the last two or three years, and is now clearly conspicuous in the present type of residential building. When, for example, ten years ago, the residence of a suburban season ticket holder was described as so many "minutes" from the railway station the term implied so many minutes' walk. Now it connotes so many minutes by car. The increased distance which the householder is enabled to travel in this time by using his private car represents an increase in the radius from the station within which urban residential construction may take place.

The actual number of families in the United States, and the number of family cars, is not mathematically very different from the figures of the late 20's. The economic impact of the car on the family was more or less delayed by the long depression, but it is taking a remarkable part

in shaping current developments. The present residential building is therefore something quite different from meeting an alleged accumulated shortage; and though certainly facilitated by the terms of financing it is probably not caused by them. Its basis is a dispersion of population caused by the habituation of the family to the motor car.

August 5th.

## Egypt and the Balance of Power

[FROM OUR EGYPTIAN CORRESPONDENT]

ALTHOUGH the seeds of the present world unsettlement were already discernible three years ago and actually hastened the signing of the Anglo-Egyptian Treaty, Egypt at the time heralded the event as the beginning of an era of fulfilment and complacency. A young King had just ascended the throne, the Wafd to all appearances was at long last firmly entrenched in office and the way seemed to be paved for economic and social development. From the very first steps, however, in its independent life the country has been beset with internal and external difficulties.

Of the four principal factors in home politics, the palace, the opposition, the Wafd and the British, the treaty eliminated only the latter. A combination of the first two drove the Wafd out of office and the elections that followed the dissolution of the Chamber of Deputies resulted in an overwhelming defeat for Nahas Pasha, already weakened by a serious split in his party. Clearly, administrative pressure could not solely account for the change, which was due also to a swing from the Wafd of a section of the educated classes. Since then and apart from occasional reshufflings the ministry of Muhammad Mahmud Pasha, comprising the liberals and dissident Wafdists (Saadists), has been able to govern the country without encountering much effective opposition outside the Senate. And the latter would have been insufficient to jeopardise the stability of the cabinet if the failing health of the Prime Minister had not prevented him from giving the full measure of his talents and thus recently laid open the question of his successor.

### New Problems for Old

In the course of the past three years Egypt has reaped one after the other the fruits of her independence. The capitulations regime has gone, a fully-fledged fiscal reform has been initiated and the Egyptianisation of more than one key institution has been tackled successfully. But together with the removal of old grievances new problems have arisen. Where the previous moderate taxes sufficed to keep the State machine going, the present increasing receipts are proving inadequate to cover the cost of expanding defence needs and of land reclamation as well as of sanitation urgently demanded by the rapid growth of an already extremely dense population. The country has been treated to a prolonged flight of capital and on the top now comes the subsidising of American cotton exports, which strikes at the root of Egypt's prosperity.

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While party politics still retain much of their appeal, national issues are steadily gaining importance. With a potential enemy at the gates constitutional slogans no longer arouse past enthusiasm, especially among the younger element; rather is the demand for efficiency. Drive may be lacking in many departments, public initiative may often be marked by amateurishness, yet national defence is changing the face of many things and as a compensation for the material loss involved there is good hope that a greater spirit of self-sacrifice and a stricter sense of discipline will develop.

For the first time after many decades Egypt is being called upon to play an active part without her borders. In normal times she naturally would have concentrated on the long-cherished leadership of the Arabic and Moslem worlds. As a matter of fact the Egyptian and Iranian dynasties have recently been united by marriage and Egypt has ever been willing to supply the more backward sister states with technicians and sometimes capital. During the Palestine Conference the Egyptian delegates displayed much statesmanship. But the Mediterranean situation being what it is, geography must make first claim and thus the first official tour of the Minister of Foreign Affairs did not carry him from Ankara to the capitals of the signatories of the Saabad Pact but to Bucarest, Sofia, Belgrade and Athens.

### Trade with the Balkans

Egypt can play her part in alleviating German economic pressure on the Balkans. The latter, Greece excepted, have an active trade balance with Egypt and they can divert to this country a portion of their foreign purchases which, in turn, would allow a further increase of sales to Egypt without aggravating the present position. Although an agricultural country, Egypt imports large quantities of tobacco, timber and livestock, typical Balkan produce. On the other hand Alexandria possesses an excellent organisation for the marketing of high grade raw cotton. The young Balkan textile industry would be only too glad to avail itself of the facility if permitted to. In the course of the past four seasons, Roumania increased her takings of Egyptian cotton from a negligible quantity to 43,748 bales, while her oil exports to Egypt amounted last year to £E.807,446. Egyptian rice could also be placed in large quantities in these countries. Following the dumping policy adopted by the United States in relation to cotton Egypt is now much more favourably inclined to consider barter propositions.

Egypt is more or less self-sufficient in foodstuffs and could be made more so if, as in 1914-18, the acreage sown to cotton were curtailed. Such a course would become imperative in a war that closed a number of Continental outlets and held up commercial navigation in the Mediterranean. In the industrial field, apart from textiles, the country is dependent to a very great extent on imports, but the rapidly expanding output of the oil wells bids fair to cover in a not distant future all peace-time requirements. A survey of Egypt's economic contribution to a possible struggle would not be complete without mention of her hardy labourers, about a million of whom rendered great services during the last war. On the other hand, one of the greater weaknesses resides in the fact that the country's whole life is so closely bound up with an intricate and vulnerable system of dams, canals, railways and bridges over the Nile.

### Better Feeling

It is a truism that the presence of British forces in Egypt has never been so welcome as at present. No less appreciated is the link of the currency with sterling, the value of which was illustrated last September when even at the height of the emergency the heavy seasonal movement of London funds into Egypt for the financing of the cotton crop proceeded without a hitch. And the increase in the demand for English educational facilities testifies to the improved feeling since the treaty. The Wafd is no exception for, as in the past, its outwardly critical attitude of the British when in opposition, for which there is far less ground nowadays, would not be maintained if it were again returned to office. Foreign perils have convinced the people that the peace front now building offers the best protection against aggression and the adhesion of Turkey has not only dispelled remaining doubts but taken the wind out of the sails of the Axis propaganda.

August 3rd.

## Preventing the Price Rise

[FROM OUR PARIS CORRESPONDENT]

FOREIGN trade figures were lower in July than in June—a consequence of the holidays. The advance over the corresponding month of 1938 remains nevertheless considerable as the following table shows:—

|                                          | July,<br>1938 | June,<br>1939 | July,<br>1939 |
|------------------------------------------|---------------|---------------|---------------|
| (In million francs)                      |               |               |               |
| Imports—                                 |               |               |               |
| Foodstuffs .....                         | 980           | 1,126         | 1,028         |
| Raw materials .....                      | 2,023         | 2,278         | 2,139         |
| Manufactured goods .....                 | 511           | 668           | 760           |
| Totals .....                             | 3,514         | 4,072         | 3,927         |
| Exports—                                 |               |               |               |
| Foodstuffs .....                         | 302           | 471           | 374           |
| Raw materials .....                      | 699           | 911           | 931           |
| Manufactured goods .....                 | 1,284         | 1,825         | 1,579         |
| Totals .....                             | 2,285         | 3,207         | 2,884         |
| Import Balance .....                     | 1,229         | 865           | 1,043         |
| Import Balance (Colonies excluded) ..... | 909           | 627           | 679           |

For the first seven months of 1939, imports were 25,931,000 tons valued at 28,693 million francs (against, respectively, 28,285,000 tons and 26,779 million francs in 1938) while exports were 16,706,000 tons and 20,924 million francs (against 15,597,000 tons and 16,249 million). The excess of imports over exports decreased from 10,530 to 7,769 millions.

There is, moreover, a remarkable invasion of foreign—notably British—tourists. Official circles also reveal that the inflow of gold and subscriptions to treasury bonds are now greater than ever. The franc is firmly established on a positive balance of payments and the foreign exchange trend favours the repatriation of capital. This new situation will be officially registered in the next weekly return of the Bank of France which will show the second transfer of 5,000 million francs in gold by the Equalisation Fund.

The last decree-laws, notably those concerning the Wheat Office and the quotas, show that the Government is very attentive to subsequent movements in the price level which are all important for the future of internal and foreign trade. By fixing the price of wheat too high (140 francs per quintal in 1936, 180 in 1937, 204 in 1938), this Office provoked an expansion of production which reached 100 million quintals last year, as against a home demand of about 75 million, and produced a deficit at the Office of 3,000 million francs which will have to be covered by loans. The social importance of the Office is such that it cannot cease working when wheat is worth 50 francs at Chicago and 200 francs at Paris. But the next crop will be better estimated and the price more scientifically fixed. Production will be henceforth divided into two parts. For the first, corresponding to the internal requirement, the owner will be paid at a profitable rate; and the second, corresponding to the surplus, will be sold as advantageously as possible. The price of the 1939 crop will shortly be fixed. Rumours announce a lowering of the former price. But since another excellent crop is expected the peasants will no doubt be content with a smaller unit basis.

If, however, a rise of prices is forbidden to agricultural products, the same rule must be applied to consumption goods. Import quotas on about sixty industrial products (out of a total of 300) have therefore been abolished, the principal items benefiting being consumption goods, notably textiles. This is the first step which has been made towards a return to liberalism since the creation of quotas in 1931. The objective is evidently the progressive substitution of protective duties for quotas and the reorganisation of the customs on more flexible lines so that better commercial treaties can be arranged in the near future. The defect of this first decision, however, is that it concerns products which play a very small rôle in the cost of living; its danger is that certain countries would seize the occasion to introduce their goods at abnormal prices on the French market. This contingency has been foreseen by the decree and the Government gives notice that abolished quotas would be in such case re-established at once.

The effort to keep down prices is thus firmly fixed in the general policy of M. Reynaud, which is tending towards a return to liberal practices. The Wheat Office is retained, but ordered to work in such a way as practically to stabilise the market situation which would be produced by normal demand and supply. Industry continues to be favoured by

war orders, customs assistance and financial support from the State. But now that the franc and the balance of payments have recovered their stability, the market is opened a little wider to foreign competition, which will prevent employers from falling asleep on guaranteed profits.

This invitation of the Government to industry to undertake new risks, to improve their plants and to seek new markets will probably be accompanied in the near future by other measures. In his last broadcast speech, M. Reynaud declared that "if fetters still hinder production, they will be put away" and "if taxation is now too heavy, it has an excuse, which is to give to the Government the time in which to realise durable economies in public expenditure." The next step of the Minister of Finance towards a French regeneration will certainly include a new attempt to increase economic activity through freer production and lower taxation.

August 10th.

## Scandinavian Preparedness

[FROM OUR STOCKHOLM CORRESPONDENT]

NEUTRALITY is and remains the keynote of Sweden's foreign policy. Everything the Government does abroad, and everything that foreign Governments do, is first considered by public opinion in the light of its possible influence on Sweden's prospect of staying neutral. It is the prevailing opinion that war can no longer be avoided. The neutrality attitude has become in this country almost a religion—a circumstance not always realised abroad. Yet this attitude has by no means impaired Swedish willingness and capacity to fight, if necessary, against any aggressor approaching Sweden's borders, whether he comes to lay hand on the precious stores of iron ore or merely to bestow on Sweden a guarantee for which she never asked. The Government's efforts to strengthen the national defences are accepted without criticism in spite of the material sacrifices which they usually entail.

The strengthening of the armed forces is the Government's most urgent care. Attention has also been given, however, to the organisation of economic preparedness for an emergency. This enormous charge has been handed over to a body specially created for that purpose, the Swedish Rikskommission for Economic Defence Preparedness. It is composed of a chairman and ten members, who represent the army, the navy, the Board of Trade, the Social Board and the most important sections of economic activity. The Committee has elaborated a "General Plan" for obtaining its object; this plan embraces the organisation of supplies, organisation of the labour market, of insurance, foreign trade and shipping, control of prices and many other economic questions arising from the adaptation of the country to emergency conditions. The plan provides for two stages of emergency, firstly for carrying on as a neutral under general war conditions, and secondly for carrying on an actual war.

Particular attention has been given to the war preparedness of five important industrial groups, those concerned with the iron, engineering, chemical, textile, and leather industries. These enterprises have been registered for the production of war material. Special instruction to this end, as well as a plan for Government supervision, has been prepared. Questions of supply, as of raw materials, liquid fuel and so forth, are receiving extensive investigation. Since early 1937 negotiations have been conducted with similar organisations in three other Northern countries with the object of intensifying trade between the Scandinavian States in case the normal supply of goods should be shut off.

Though the nation is ready to sacrifice at need some of its economic rights and privileges, this State interference is equally odious to all classes of the population. There is a general understanding that emergency measures tending to suppress economic freedom will be abolished as soon as the emergency has passed. One of Sweden's prominent economists and politicians, Hr Anders Oerne, who is also the Postmaster-General, has emphatically pointed out the dangers and the consequences of all these restrictive measures. He urges that, together with the elaboration of such measures, attention should also be given to plans for their removal and for the winding up of emergency organisations. The experiences of 1918 proved that the lack of such a plan can entail very heavy losses.

**Business Activity.**—This first showed improvement during the second half of 1938. It has now assumed the shape of a pronounced boom and the Swedish general index of business activity, compiled on the average of 1935 taken as 100, has risen gradually from 123.3 at the beginning of 1939 to 127.6 in April. This compares with the peak record of 124.2 in August, 1937. The boom is doubtless largely supported by the foreign armament industry, which is requiring increased supplies of Swedish goods. Construction of barracks in Great Britain, for instance, has immediately caused an improved demand for Swedish timber. Substantial timber sales have also taken place to Germany and to Spain.

Out of the total Swedish annual timber quota of 656,000 stds. over 530,000 stds. have already been placed. Pulp exports have also much increased, and foreign buyers' stocks are reported as greatly reduced. For ironworks the position is particularly satisfactory, partly because of foreign demand for high quality steel, and partly because of Sweden's unprecedented building boom. As far as rolling-mill products are concerned, Swedish ironworks are now working at full capacity.

Figures for foreign trade and for trade with Great Britain are shown in the following table:—

| FOREIGN TRADE<br>(In million kronor)                 |               |       |  |
|------------------------------------------------------|---------------|-------|--|
|                                                      | 1938          | 1939  |  |
|                                                      | January-May   |       |  |
| Imports .....                                        | 813.6         | 937.0 |  |
| Exports .....                                        | 728.1         | 730.5 |  |
| Import surplus .....                                 | 85.5          | 206.5 |  |
| TRADE WITH THE UNITED KINGDOM<br>(In million kronor) |               |       |  |
|                                                      | 1938          | 1939  |  |
|                                                      | January-April |       |  |
| Exports to U.K. ....                                 | 141.1         | 128.2 |  |
| Imports from U.K. ....                               | 117.0         | 121.6 |  |
| Export surplus .....                                 | 24.1          | 6.6   |  |

An outstanding feature of Swedish-British trade is the marked decline of Swedish exports to Great Britain and the rise of British imports to Sweden. On the export side timber has declined in value from Kr. 44.4 millions to Kr. 41.2 millions. On the import side, textiles have advanced from Kr. 21.6 millions to Kr. 25.1 millions.

Employment has on the whole kept up well. The number of unemployed at the end of May totalled 15,000 compared with 22,000 in April, and 12,000 in May, 1938. Wholesale prices show a rising tendency. The index of wholesale prices compiled by Professor Silverstolpe stood in May at 124, against 122 in April, and 130 in May, 1938. The money market remains easy, though money has somewhat tightened lately after several large loan redemptions and conversions.

July 30th.

## The Canadian Wheat Crop and Industry

[FROM OUR OTTAWA CORRESPONDENT]

A NUMBER of factors have combined to complicate the Cabinet discussions about whether a general election should be held this autumn or deferred until the summer of 1940. The advocates of an early election argue that conditions are

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never again likely to be so propitious for a successful appeal for a new mandate. They point out that the Conservative Party is divided by a serious internal quarrel over the railway issue, and that as long as Dr Manion stands firm against any plan of unification he will get no support from the financial and business magnates of Montreal and Toronto, and will thus enter the campaign with a very bare Treasury.

The good crop which is ripening in the West is expected to put the prairie grain-growers in a more cheerful mood and help to wean them from the allurements of the Social Credit and C.C.F. programmes. Undoubtedly during the past fortnight the grain crops of the prairie provinces have suffered a certain deterioration as the result of a spell of very high temperatures unrelieved by any rainfall of serious dimensions and Mr Gardiner, the Minister of Agriculture, on returning from a tour of the West last week, declared that the extent of the damage done had not been realised in Eastern Canada. The crop seems likely to be poor in a substantial area in the southern parts of Manitoba and Saskatchewan, which have been drought-stricken for a number of years, but the suspicion prevails that the authorities who have been watching with alarm the steady descent of wheat prices, welcome any excuse for reducing estimates of the probable aggregate yield of the western wheat crop and that, while some damage has been incurred, the crop will still be far better than any of its recent predecessors. Harvesting has already begun in some of the earlier districts and the yields are reported to be very satisfactory. The Liberals are further heartened by a serious quarrel which has developed between the two Leftist parties—the "New Democracy" party of Mr Herridge and the Confederation of Canadian Farmers.

On the other hand, some Ministers do not wish to hold an election so long as there is a danger of its coinciding with the commencement of a European war. Canadian participation in such a war could hardly fail to become an election issue, and they fear that trouble would develop for themselves in Quebec. They are also pledged not to commit Canada to participation in another overseas war without the authority of Parliament, and if Parliament were dissolved the position might well be a very embarrassing one. So a decision is likely to be postponed.

### Improved Business

According to the Bureau of Statistics the index for the physical volume of Canadian business in June was 121.7, as compared with 108.4 in June, 1938, and 121.4 in May; the index of industrial production was 124, as compared with 109.3 and 123.3. In July business has been more than holding its own and the general economic index of the Bureau, which stood at 107.3 for the week ending July 1st, has risen a point to 108.3 for the week ending July 22nd. The downward trend of prices is a disturbing feature for which the fall in grain prices is largely responsible. The latest employment bulletin of the Bureau, however, showed that the reporting firms increased the number of workers on their payrolls in June from 1,100,098 to 1,126,216, an increase of 2.4 per cent., which is larger than the average gain for June.

Undoubtedly, if the threat of a general war could be removed, there would be a reasonable prospect of a substantial improvement in Canada's prosperity during the second half of the year. The prospect of an expansion of business in the Prairie Provinces is already having beneficial effects upon Eastern industries; cotton mills and farm implement firms are expanding their output while large orders are coming from the West for groceries, furniture, clothing and household equipment. The handling of the heavy crop will ease the unemployment situation in the western towns and substantially increase railway earnings.

Another encouraging factor is the revival of Canada's export trade; in June, exports of Canadian domestic produce had a value of \$93,269,144, compared with \$66,661,943 in June, 1938, representing a gain of roughly \$26½ millions, achieved in face of a fall in prices. For the first six months of 1939 domestic exports were valued at \$461,987,491, compared with \$391,076,834 in the parallel period of 1938. In these figures the drop in wheat prices was reflected, the 5½ million bushels of wheat exported in the first half of 1939 being valued at only about a million dollars more than the 25½ millions exported in the first half of 1938.

The industrial life of Canada has the prospect of securing a useful reinforcement of capital and skilled labour as the result of the decision of a number of individuals and firms, which had formerly conducted their operations in Czecho-Slovakia, Austria and Germany, to transfer their activities to Canada. Of these migrants the most important is the Batt'a boot and shoe firm, which in face of the strenu-

ous opposition of Canadian manufacturers has secured the permission of the Federal Government to bring in up to 250 experts and technicians. These will form the nucleus of the staff for a large new modern plant which, along with a model village, will be built by the Batt'a interests at Frankford in Central Ontario and may eventually employ in addition 1,000 Canadian workers. Other refugee industrialists are proposing to manufacture gloves, hats, wood products and beet sugar. Naturally there is some apprehension among vested interests about the consequences of this influx, but in some cases goods not previously made in Canada will be produced and, generally speaking, the Press has strongly supported the immigration of refugees with capital to establish industries.

July 31st.

## Nationalisation in Chile

[FROM OUR SANTIAGO CORRESPONDENT]

A BILL has been tabled in Congress to change the present regulations applying to foreign banks in Chile. At present, domestic and foreign banks enjoy the same privileges; and for both it is the rule that their capital and reserves must amount to not less than one-quarter of their deposits and total liabilities. The new Bill preserves this ruling for domestic banks, but alters it in respect of foreign ones. In the case of the latter, their capital and reserves must amount to not less than one-half of their deposits and liabilities. If the Bill passes its results will be very far-reaching. It may even bring about the winding-up of foreign banks originally established in the belief that they would be bound only by the usual laws of the country.

The six foreign banks affected have made considerable capital investments in Chile; and, moreover, they have already lost large sums through the successive depreciations of the peso. If the present capital and reserves of these banks is valued at the rate of 6d. per peso—and most of the capital was brought into the country at rates higher than this—the total value would be £4,575,000. The ruling "free" rate is 160 pesos per £, at which figure the value of the foreign banks' capital and reserves amounts only to £1,143,750, or a loss of nearly £3½ millions in the short space of seven years.

On the one hand, the usefulness of the foreign banks to Chile cannot be questioned. They grant credit facilities to Chilean trade and industry, and contribute considerably to the development of a country, which, though endowed by nature with riches, lacks capital to develop them. On the other hand, the proposed law will antagonise foreign capital precisely at the moment when there has been passed a Bill to provide for reconstruction and development for which Chile is endeavouring to raise large loans abroad.

The immediate consequences of the new Bill can be readily foreseen. In order to adjust themselves to the new regulations, the foreign banks will be obliged to curtail their credit facilities, and it is unlikely that the domestic banks will be willing or able to fill the gap. Moreover, it is likely that the net effect will be to bring about an increase in interest rates. The average rate of interest on advances made by domestic banks for the period 1936 to 1938 works out at 8.09 per cent.; the equivalent figure for foreign banks is only 6.82 per cent. From these figures alone it can be seen how unfavourably the proposed change may react on the economic life of Chile.

This Bill is but one more sign of a marked tendency towards nationalisation. Another is the proposed Government monopoly of petrol and oil imports and their distribution. This monopoly was first instituted in 1932, but it has since been held in abeyance. Now, the object of the present regime is to expropriate the oil companies' interests using as a basis the 1932 valuation of 60 million pesos (it must be remembered that the peso was worth 6d. then and it is worth only 1½d. now). It is not likely, however, that this step will be taken at once. More probably the monopoly will once more be held in abeyance, if only because the Government has no experience of shipping, storing and distributing. And, more important, there is the difficulty of financing the operation: the only reasonable way would be in dollars or sterling; and both of these currencies are scarce in Chile. Another nationalisation scheme is to reserve all the retail trade of the country for native Chileans. This is more reasonable. Foreign capital would not be appreciably antagonised by such a step and it would create no great difficulties of an economic kind.

July 14th.

## Letters to the Editor

### Savings and Investment in the U.S.A.

TO THE EDITOR OF THE ECONOMIST

SIR,—I observe in your latest issue that your New York correspondent seems to be arguing that there is a lack of capital in America due to insufficient saving. This reminds me of a letter to *The Times* by Mr Malcolm MacDonald in 1930 putting forward the same contention in similar economic conditions; and I must say that I thought that that fallacy had been sufficiently refuted since then not to re-appear again, and certainly not in your columns. However, perhaps you will allow me to restate that there can be no question of lack of capital at a time when large quantities of unclaimed wealth exist in the form of abundant supplies of unemployed labour, unemployed capital equipment and unemployed surplus stocks of goods. It is an undisputed fact that large quantities of such unclaimed wealth exist to-day in the United States, and thus the trouble is not lack of capital, but rather the lack of incentive for the investment of capital in new capital equipment.

Actually, savings can only be conserved as real capital by investment in capital goods, for otherwise they are dissipated by reduced production that necessarily follows the withholding of purchasing power. In other words, savings are dissipated by unemployment of the "saved" labour, capital equipment and surplus stocks of goods. Thus, whilst it is certainly true that a lack of capital may be due to insufficient saving, it is equally true that the supply of capital may shrink as the result of insufficient final-buying of goods.

However, the symptoms of a shortage of capital due to insufficient voluntary saving are full employment, rising prices and currency depreciation, none of which is present to-day in America.

Yours faithfully,  
A. H. ABBATI.

Eastbourne.

TO THE EDITOR OF THE ECONOMIST

SIR,—It seems to me that your New York correspondent has been unduly impressed by Mr Keynes' latest terminology. It is true that on his definitions savings and investment are necessarily equal. The fact that there has been little or no net investment in the United States during the last ten years may also be expressed by saying that there has been little or no net savings. But to conclude from this that net investment would be encouraged by a reduction of individual consumption, as your correspondent appears to recommend, is to make a completely fallacious use of the above definitional identity.

Such a suggestion follows indeed the orthodox tradition of classical economic teaching. But then classical economic teaching was based on the assumption of a constant national income and full employment. Under those conditions, an increase in investment could only be achieved by cutting down consumption.

In the United States where, as your correspondent points out, the national income fell within three years from \$80 milliards to \$50 milliards, and unemployment increased by more than 11 millions, the classical assumptions seem rather out of place. National income is still only about \$65 milliards, and unemployment is estimated at some 10 millions. It therefore hardly seems necessary to reduce, or even to discourage, an increase in consumers' purchasing power in order "to provide the population with the tools of productive employment."

Your correspondent is perfectly justified in regarding the stagnation in investment as "the outstanding fact" in the United States economic situation. Any policies—monetary, fiscal or other—which would stimulate investment would therefore be highly desirable; but there seems little evidence that a curtailment of consumption could be included in this category. On the contrary, most business men would surely regard it rather as a factor discouraging investment (and hence savings, according to the above definition).

M. F. W. JOSEPH.

London.

### Disclosure for Nominees

TO THE EDITOR OF THE ECONOMIST

SIR,—Will you allow a Scottish reader of your paper of August 5th to point out an error, which has occurred in the article on page 270 entitled "Disclosure for Nominees." The article states: "Section 101 of the Act [the Companies Act of 1929] perpetuates a point which has long been of the essence of British company law. It provides that no notice of any trust shall be entered on the register of British companies."

If reference is made to the Section referred to it will be found that it is in these terms:—

*CI. Trusts not to be entered on register in England.* No notice of any trust, expressed, implied or constructive, shall be entered on the register, or be receivable by the registrar, in the case of companies registered in England.

The writer of the article has overlooked the terms of the Section, which refers to England alone, and that there may be companies registered in Scotland to which the Act otherwise generally applies.

It has been long the custom for Scottish companies to disclose on their registers trust holdings, where this is desired by the shareholders, and it is most convenient for identification that "A" and "B" should be entered as "Trustees of John MacDonald," or "Trustees of Peter Parley" if they hold as such. The Bank of England and certain railway companies allow trustees in Scottish trusts to be entered as such on their registers.

The law of Scotland is not the law of England, nor is the law of England the law of Britain, and in some respects a Scotsman thinks the law of his native land is preferable to that of England.

Your obedient servant,  
W. S.

Edinburgh.

### Books Received

- Sur-Tax and Undistributed Income.* By G. B. Burr. (London) Taxation Publishing Co. and Gee & Co. (Publishers), Ltd. 237 pages. 12s. 6d. net.
- Tanker Freight Rates and Tankship Building.* By T. Koopmans. (Netherlands Economic Institute). (London) P. S. King & Son, and (Haarlem) De Erven F. Bohn, N.V. 219 pages. 2 fl. paper.
- England Under George I. The Quadruple Alliance.* By Wolfgang Michael. Studies in Modern History. Vol. II. 347 pages. 21s. net.
- Saggi di Economia Rurale.* By C. Cattaneo. (Turin) Giulio Einaudi, Editore. 338 pages. L.20.
- China Year-Book, 1939.* Edited by H. G. W. Woodhead. (London) Simpkin Marshall. 662 pages. £2 2s. net.
- British Management Year-Book, 1939.* Edited by R. Pugh. (London) Pitman. 256 pages. 10s. 6d. net.
- Manual of Company Law and Conveyancing in Scotland.* By L. Mackinnon. (London) William Hodge & Co. 356 pages. 12s. 6d. net.
- Statistics of the Iron and Steel Industry of the United Kingdom for the year 1938.* (London) British Iron and Steel Federation. 56 pages. No price stated.
- Annual Statistical Report of the American Iron and Steel Institute for 1938.* (New York) American Iron and Steel Institute. 104 pages. No price stated.
- Canada's Unemployment Problem.* Edited by L. Richter. (London) Macmillan. 414 pages. 11s. net.
- Studies in the Economy of the Maritime Provinces.* By S. A. Saunders. (London) Macmillan. 265 pages. 8s. 6d. net.
- Register of Chartered Surveyors, Chartered Land Agents, and of Auctioneers and Estate Agents, 1939.* (London) Thomas Skinner & Co. (Publishers), Ltd., 330, Gresham House, Old Broad Street, E.C.2. 1,283 pages. £1, post free.
- The Hungarian Economic Year Book, 1939.* Edited by G. Gratz. (London) Simpkin Marshall, Ltd. 175 pages. No price stated.



# THE BUSINESS WORLD

## Synthetics and Substitutes

**F**EARS of war have greatly intensified in many countries the search for increased independence of imported raw materials. In some countries, such as Germany, Italy and Japan, ideological opposition to the "shackles of foreign trade" has driven the search for substitutes to a degree which is economically unjustifiable. The replacement of imported lemons by the domestic rhubarb and the production of textile materials from milk, at a cost far greater than that of cotton and wool, are alike symbols of an intense nationalism and of a disregard for the usual canons of economic cost. But while the benefits of these more extreme manifestations of autarky are generally regarded with scepticism, the world can undoubtedly take advantage to some degree from the knowledge and experience thus gained of the industrial potentialities of the chemist's inventions.

There are to-day at least three synthetic materials in common use whose production on a commercial scale was due partly to war preparations—synthetic nitrogen, rayon and the diverse group known as plastics. The capacity of the world's synthetic nitrogen factories totals some four million tons, while the consumption of all nitrogen products barely reaches three million tons. The Chilean nitrate industry has been seriously affected by these substitutes, whose invention has been followed by that of a number of artificial fertilisers. The world's potential output of rayon is now in excess of 600,000 tons, about ten times greater than the annual supply of natural silk in good years; it is no longer only a substitute for silk, but has become the basis of a new textile industry.

The newest development in the rayon industry has been the growth in the output of staple fibre. This material resembles more closely the natural textile fibres than does continuous filament rayon, and it can therefore be used both as a substitute for and as a mixture with textiles to a far greater degree; the qualities of the product—softness, isolation of warmth, tensile strength—have steadily improved. The world's output of staple fibre (according to the German Institut für Konjunkturforschung), which amounted to 10,000 metric tons in 1932, increased to 283,000 tons in 1937 and to 425,000 tons in 1938, when it was only 17,000 tons smaller than the output of continuous filament rayon. The increase in the production of this fibre has been most marked in Germany, Italy and Japan, who supply about 90 per cent. of the total output, but its use is also growing in this country and in the United States.

Synthetic plastics were first used in the years just before the war as a substitute for natural resins in paints and varnishes. The growing importance and variety of these materials was discussed in *The Economist* of September 24, 1938; every industry of importance to-day uses one or another of the innumerable plastics, either as a substitute for some more expensive material or as the basis of a new process. Last year the world output of synthetic plastics totalled some 250,000 tons, of which the United States accounted for more than half, Germany one-quarter and Great Britain one-fifth. Japan, Italy, France and Switzerland have also a considerable output.

Production of these three groups of synthetic materials is now on a commercial basis, and their use is no longer a matter for surprise. To-day interest is concentrated on a number of newer inventions of the industrial chemist,

inventions whose commercial possibilities are still uncertain. Of these, three products may be singled out as examples of a far wider range—oil from coal, the group of textile fibres made from milk, and synthetic rubber.

The technique of the production of oil from coal has been known for some time past, and the oil and petrol so obtained is of high quality. But economic problems still restrict the development of this product, except in countries where complete autarky is in fashion. Of the two main processes, low-temperature carbonisation of bituminous coal is the cheaper, since the oil is produced jointly with certain types of coke as well as useful chemicals; but the output of oil is very small. The process of hydrogenation, by which practically all the coal is converted into oil, is very expensive. In Britain, the exemption of coal oil from the excise duty of 9d. per gallon is just sufficient to enable this process to be continued. Unless, therefore, there is both a considerable and a permanent rise in mineral oil prices, the production of oil from coal is not likely to show much increase in countries which have access to supplies of mineral oil, and even then it can only be produced in countries which have a supply of cheap coal.

Similarly, the production of "lanital" and other textile substitutes from casein is restricted to countries which have a surplus of cheap milk and which, for some reason, do not wish to use the far cheaper wool or cotton. The defects of these materials, developed originally in Italy during the sanctions period, are being gradually overcome; and "lanital" is even being used experimentally in this country in mixtures with other fibres. The amount of "lanital" produced is not known, but it is still insignificant in relation to the world's wool clip or cotton crop.

A far more hopeful development is the production of synthetic rubber, concentrated in Germany and Russia. The efforts of industrial chemists have succeeded in producing a substance—called "buna"—which is able to resist acid, atmospheric changes and wear to a higher degree than the natural product, although it is still inferior to rubber in elasticity. Improvements in technique have enabled the production costs of "buna" to be reduced from about 3s. to about 1s. 9d. per lb. in recent years, and Germany now produces about 10,000 tons per annum. Russia is believed to produce about double that quantity, and various rubber-like materials are being produced in Great Britain by I.C.I. and in America by Dupont de Nemours; the latter firm have christened their products Neoprene and Duprene. Compared with a price of 8d.-9d. per lb. for natural rubber, the cost of these artificial rubbers is still high, but they have found a market for certain uses in which resistance to wear is more important than elasticity and cost. It seems likely that the development of these products will follow, though more slowly, that of rayon, and from being expensive substitutes for rubber they will find new markets of their own.

Of these three groups of commodities the commercial possibilities of synthetic rubber thus seem the most promising, for coal oil and "lanital" do not possess special properties which might compensate for their relatively high cost of production. And it is probable that neither of these substitutes would be produced to-day if it were not for fears of war. They are still far more costly than mineral oil and natural textiles. Moreover, cost cannot be ignored as a mere matter of finance, least of all in war-time, since the

high cost of substitute materials is merely a measure of their heavy requirements of fuel and labour power. The German Institut für Konjunkturforschung, in a recent review of the German coal industry, gave the increasing fuel requirements of the newly-established "buna," coal oil and synthetic textile industries as one reason for the shortage of coal at the end of last year. In an economy which is approaching full employment, or in times of war, the attempt to extend the production of these costly substitutes would provide an additional strain on domestic resources.

It is also worth noting that so far there are two groups

of commodities for which no satisfactory substitutes have been found—metals and food. Plastics have supplanted some metals in a few minor uses, but steel, the metals necessary for the various steel alloys, and the other non-ferrous metals remain unchallenged as the primary materials for modern industry. Nor have substitutes been found for human food. It is possible to shift the human diet so as to increase the consumption of home-grown foods, and modern methods of cold storage and canning enable the area of supply to be spread over both space and time. But human food still has to be obtained from crops and animals and cannot yet be evolved in the laboratory.

## The Aski-Mark

**S**INCE 1932 the share of Germany's exports in the total imports of all South American States has risen from 8.5 to 14 per cent. The increase has been achieved largely at the expense of British exports, whose relative proportion has concurrently declined from 17 to 12.5 per cent.

The first thing to note about these significant changes is their uneven spreading over the various South American countries. While in Argentina, for example, the proportion of German exports has remained practically unchanged, in Chile and Peru it has nearly doubled and in Brazil it has increased from 9 to 24 per cent. (Fuller figures will be found in *The Economist*, November 5, 1938.) This is, of course, no simple coincidence. The need for bilateral trading, with the twofold objective of assuring sales of produce in bulk and diverting purchases to those countries which accept payment in merchandise, is bound to be greater the weaker the economic structure of the country. In view of the relative exchange positions of the above-mentioned countries, which were reviewed in a previous article in *The Economist* of July 15th, it seems safe to conclude that Germany's spectacular gains in some of them are due, first and foremost, to their own economic weakness. The chief achievement, so far as Germany is concerned, consists in the quick grasp of the situation and in finding appropriate technical devices to turn it to her own advantage.

Any reference to German export technique in South America leads inevitably to the Aski-mark. Before entering into a detailed examination of this often-mentioned (but seldom explained) method, two misconceptions must be removed.

The one looks upon the Aski system as a panacea for a *devisenlos* economy, replacing a free-exchange regime by an exchange-free one. In truth, the Aski system can exist only so long as free exchanges are kept with third countries. Moreover, even within a bilateral regime, as in trade with South America, it is only one of the methods employed in conjunction with other forms of export subsidising and, what is more important, with a closely co-ordinated import policy. It is equally wrong to regard—and dismiss—the Aski system as simple barter, in the sense of a direct exchange of goods. Unquestionably, it does originate from barter; however, in its present form it has undergone such substantial changes that the original elements of barter are hardly recognisable by now.

The position can be best illustrated by sketching the gradual evolution which has taken place. In ordinary barter, where commodity is exchanged against commodity, no money operation is involved between the parties. There is only one party on each side, uniting the functions of buyer and seller. By introducing the Aski-mark, as a special barter currency, the time factor in barter is eliminated, since the two merchandise operations need no longer be effected concurrently. Likewise it is no longer necessary to determine beforehand the reciprocal objects of barter. By a further extension, applied specially in trade with South America, the Aski-mark was made transferable from exporter to importer, at a free rate. The main significance of this change is that there are henceforward

two parties involved in each country, the export and import operation becoming entirely independent of each other. At the same time, the free play of an "exchange rate" gives added flexibility to the system and more scope for individual initiative.

At this stage the Aski system comprises the essential functions of an exchange clearing, plus a private compensation, plus (since the external exchange value of the Aski-mark is kept at a discount) a special depreciated export currency for the benefit of the German exporter. The extent of the discount on Aski-marks, compared with the rate for free Reichsmarks, varies considerably from country to country, providing another instance of flexibility: the present extremes are 10 and 30 per cent.

Technically, the system operates in the following way. In Germany, the importer of South American produce pays the purchase price into a special "Aski" account with one of the commercial banks. This account is conducted in the name of one of the South American "Aski" banks, along the lines of an ordinary banking account between two bankers, with the important reservation that any payment out of it can be effected only against German exports to the country of origin. In South America, the produce exporter, as ultimate owner of the Aski-mark sum held through his banker, will sell his holding to an importer of German goods in his own country. The rate at which this exchange operation is effected is a free one, although there exists a tendency on the part of banks and monetary authorities on both sides to keep fluctuations under control.

How does the Aski system affect the South American country? Its effects are widely different from the standpoint of the primary producer and from that of the central bank. The first, doing his trading in terms of his own national currency, has of course no other concern than the price, expressed in his own currency, that he can get for his products. If sales to Germany yield a higher price

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in that sense, he will continue to sell to Germany, irrespective of currency considerations. Indeed, he will go further: the attraction of better prices will make him a salesman of German exports in his own market and a spokesman of German interests with his own government—an aspect not overlooked by Germany.

The South American central bank's position is vastly different. Obviously, the change in the direction of the country's exports has marked effects upon its exchange position, making for a shortage of free foreign exchange. But there is an important further consideration: the disturbance of internal monetary conditions. In most South American exchange markets there is a permanent abundance of Aski-marks, and this is bound to exercise a pressure on the monetary situation, as the unused balances have to be financed by the central bank. Either the latter is called upon to buy up the surplus sums, as is the case in certain countries, or it has to refinance the commercial banks' advances to exporters, made against unsold Aski-mark holdings. These factors explain the various measures taken from time to time with a view to reducing the supply of Aski-marks (and by implication the volume of exports to Germany), such as the rationing of offerings to the exchange markets by imposing delay in the sales of some holdings, the stopping of advances against unsold sums, and, as a last resort, a temporary embargo on exports to Germany, like that decreed by Brazil last year. This is the exceptional case in which exchange control, instead of rationing the demand for foreign exchange and restricting the importation of goods, has the opposite effect.

Despite such temporary hitches, however, the system survives, since the pressure of the producers, and of the volume of unsold products, especially in the weak countries, is bound to carry greater weight than the principles of a sound monetary policy. Few South American countries are in a position both to realise and to avoid its obvious long-term dangers. It should be recorded, as a matter not without significance, that Argentina has never admitted the Aski system in her trading with Germany, though isolated barter deals have been effected of late.

In Germany the system likewise sets up political pressure, but in the opposite direction, i.e. from the authorities to the consumer. Clearly, the Aski system can be kept going only by paying high import prices. In the first place, the prevailing external discount on Aski-marks necessary to sell the German exports has to be neutralised internally; in other words, the hidden depreciation of the mark is charged to the German consumer as a higher price. In addition, a price inducement must be offered to the South American seller, as a monetary compensation for

the delay with which the liquidation of Aski-marks is usually bound up, and also to counteract the opposition of the South American central bank; this bill must be footed equally by the German consumer.

The effect of higher import prices should not, however, be overrated under a totalitarian regime. Indeed, it may be safe to say that, considered as a whole, the method, as employed, is the best possible solution of Germany's exchange difficulties under the present peculiarly artificial circumstances. If recent figures suggest a slowing-down, and in some cases even a setback, in German exports to South American countries, the reasons are to be sought in other directions. For one thing, at least in some South American markets, the upper limit for the absorption of German exports seems to have been reached and any forcing beyond saturation point would entail serious commercial risks for Germany. It should be borne in mind, in addition, that for the time being certain sections of German industry have had to abandon export activities altogether, while other German goods are being reserved for countries paying in free exchange.

The second explanation is the active trade policy recently embarked upon by the United States, with a view to meeting Germany's challenge in South America, with all its wider implications. The visible signs of this attitude consist of the creation of powerful *ad hoc* export groups and of the granting of medium-term loans in connection with American exports, such as the recent credits to Argentina, Brazil, Chile, Paraguay and Nicaragua.

It must remain necessarily outside the scope of this survey to consider in any detail the pertinent question of how Britain, in face of the struggle going on for the South American market, will be able to maintain her already deteriorated trading position there, but one or two immediate inferences might usefully be drawn from the foregoing examination. The fact has to be faced that exchange control, though conceived originally as a temporary measure, has come to be, and to all appearance will remain for some considerable time to come, a permanent state of affairs. This implies, among other things, that the question of the instrument of settlement for trade between countries has developed, at least in primary producing countries, from a purely technical side-aspect into the central problem on which foreign trade moves.

So far as the South American countries are concerned, Germany has chosen one particular way of organising and adapting herself to the changed conditions. The United States has chosen another way, though a widely different one. Both provide valuable object lessons for the third great trader in the South American continent.

## Finance and Banking

**Discount Rate Movements.**—The position in the money and discount markets continues to reveal rather intriguing contrasts. During the first part of the week the combination of last week's under-allotment of Treasury bills and of aggressive buying of bills by clearing banks and the special buyer caused rates to weaken considerably, October bills being actually dealt in at  $\frac{1}{16}$  per cent. The intensification of keen competition for bills from the clearing banks, however, appears to have been arrested on Wednesday by the action of one of the clearing banks which called the bulk of its money from the market—a move which gained in effectiveness from the fact that Wednesday was not that particular bank's making-up day. The result was a considerable tightening up in the short loan position and a sympathetic hardening of discount rates to a level at which the previous day's purchases were seen to have been made at unnecessarily low rates. The October quotation has now returned to  $\frac{1}{8}$  per cent. and the

rate for full-dated three months bank bills which appeared to be in danger of falling away towards the  $\frac{1}{2}$  per cent. minimum is again clinging more confidently to the  $\frac{5}{16}$ – $\frac{1}{16}$  per cent. level. The persistence of the special demand for bills has now reached a point at which earlier explanations concerned with the investment of current income of public departments, such as the Unemployment Insurance Fund, appear somewhat inadequate to account for the phenomenon. One is in fact driven more and more to the conclusion that part of the buying of bills in the open market is being made on behalf of the Exchange Equalisation Account, whose gold losses in recent weeks must on this theory have been rather larger than generally appreciated. Although the special buyer never operates at an unduly competitive rate but at prevailing market quotations it cannot be denied that his operations have recently played a considerable part in lowering the open market discount rate.

**The Pull of Dollar Swaps.**—The market is therefore being made particularly aware of the paradox by which the phenomenon of an efflux of gold is being accompanied by that of a weakening of short-term money rates. The paradox is made all the more glaring in this instance by the fact that a substantial part of the recent pressure on sterling has made itself felt in the forward exchange market and has now widened the discount on sterling as against dollars to a point at which swap operations are again particularly attractive to banks in this country. The swap yield on three months dollars has again returned to the neighbourhood of 2 per cent. per annum, and the contrast between this level and the rate at which three months bills are now being discounted in the London market is too marked to have about it much promise of permanence. The pull of the dollar swap yield has made itself particularly felt on the supplies of non-clearing-bank money in the market. The volume of such funds is now but a small fraction of what it was even a year ago. It is still being depleted by the withdrawal of foreign funds, which is again acquiring greater momentum with the approach of the autumn, while it is to these "outside" institutions that the attraction of the dollar swap yield makes itself most rapidly apparent. In the circumstances, it may seem surprising that the rate for loans from these outside lenders against the security of bonds should not have risen beyond the  $\frac{3}{4}$  per cent. figure where it now stands. One of the reasons is that the demand for accommodation from the Stock Exchange—which normally accounts for a fair proportion of these outside loans—is at present at a very low ebb. The other is that the discount market itself has during the past few months made a further considerable reduction in its holding of bonds and is therefore a much smaller user of outside money. The June 30 balance sheets of the private houses which have recently been circulating in the market reveal on the whole a remarkable liquidation of the gilt-edged position. The warnings from the Bank of England earlier this year, the clouding of the gilt-edged outlook caused by the prospect of defence borrowing, and the promise of an adequate supply of Treasury bills, have all served to help in this deflation.

**Sterling Takes the Strain.**—The seasonal pressure on sterling which recently began to manifest itself in the market for forward dollars has during the past week also spread to other currencies. The forward belga has again risen to a premium in the London market, while the discount on French francs has virtually disappeared. There appears to be enough doubt on the Continent regarding the likely behaviour of sterling during the coming months to cause an anticipation of the seasonal pressure on this currency. The disinclination to be "long" of sterling is thus responsible for a substantial accumulation of selling orders in the forward market. A case in point is provided by recent substantial forward sales of sterling against belgas representing the payment for future large exports of Belgian steel to this country. These operations have been mainly responsible for establishing a premium on forward belgas. They illustrate two aspects of the present foreign exchange position: in the first place the tendency of foreign recipients of sterling to liquidate their position at the earliest possible moment; the second, the additional pressure placed on our balance of international payments by abnormal imports directly connected with the re-armament programme. The speculative position against sterling is probably of exceptionally small dimensions, but the genuine commercial pressure is forcing the Exchange Equalisation Account to provide support both in the spot and the forward markets. The French control finds it necessary day by day to sell francs against sterling. French funds continue to return to France while British tourist expenditure in France is running this year at an abnormally high level. The transfer of Frs. 5,000 million of gold from the French Stabilisation Fund to the Bank of France which appears in this week's Bank of France

return represents for the most part gold gained from the British Exchange Account. The operations of the latter no doubt help to explain the maintenance of Government deposits at the Bank of England at an unusually high level—this week they have risen by £8,566,000 to the comparatively high level of £31,845,000, despite the Exchequer returns' evidence of a steady acceleration in Government expenditure.

**Clearing Bank Averages.**—The clearing bank statements for July are chiefly noteworthy for their revelation of the progress made in restoring the normal ratio of liquid assets to deposits. The ratio of these quick assets (cash, cheques in course of collection, short loans and bills) to deposits, which had fallen below the conventional minimum level of 30 per cent. in the earlier months of this year, had last month recovered to the wholly normal figure of 32.7 per cent. Last month's jump in this figure was the product of a two-fold movement. In the first place the expansion in the Treasury bill issue was responsible for rises of £29,300,000 in discounts and of £5,600,000 in short loans. On the other hand the less liquid assets fell quite appreciably between June and July—advances by £5,400,000 and investments by £3,200,000. The fall in advances must in part be regarded as the reflection of reduced activity in the stock markets and of the repayment of loans for which the stock exchange collateral had depreciated to a point at which additional margin had to be put up or repayment made. There is no need to assume from the July averages that the industrial demand for credit accommodation has been falling off except perhaps in the

(In £ millions)

|                                              | July, 1938 | March, 1939 | April, 1939 | May, 1939 | June, 1939 | July, 1939 |
|----------------------------------------------|------------|-------------|-------------|-----------|------------|------------|
| Capital and reserves                         | 138.6      | 138.8       | 138.8       | 138.8     | 138.8      | 138.8      |
| Acceptances, etc., ...                       | 115.3      | 124.0       | 126.5       | 127.6     | 124.7      | 122.4      |
| Notes in circulation                         | 1.4        | 1.4         | 1.4         | 1.4       | 1.4        | 1.4        |
| Current, deposit and other accounts.....     | 2,309.0    | 2,152.2     | 2,154.8     | 2,166.8   | 2,218.8    | 2,239.9    |
| Total liabilities ...                        | 2,564.3    | 2,416.4     | 2,421.5     | 2,434.6   | 2,483.7    | 2,502.5    |
| Cash .....                                   | 244.2      | 232.4       | 229.0       | 236.1     | 235.2      | 234.9      |
| Cheques, balances, and items in transit      | 63.5       | 60.4        | 65.1        | 65.8      | 69.4       | 64.4       |
| Money at call .....                          | 158.8      | 141.4       | 145.2       | 143.5     | 149.8      | 155.4      |
| Discounts .....                              | 301.4      | 190.3       | 184.4       | 200.7     | 248.6      | 278.0      |
| Investments.....                             | 633.1      | 611.0       | 610.5       | 604.5     | 600.2      | 597.0      |
| Loans and advances                           | 980.1      | 988.6       | 992.5       | 988.0     | 987.3      | 981.9      |
| Investments in affiliated banks .....        | 23.9       | 24.2        | 24.2        | 24.2      | 24.2       | 24.2       |
| Cover for acceptances, premises, etc., ..... | 159.3      | 168.0       | 170.6       | 171.8     | 169.0      | 166.7      |
| Total assets ...                             | 2,564.3    | 2,416.4     | 2,421.5     | 2,434.6   | 2,483.7    | 2,502.5    |

Note.—In the past it has been the practice of *The Economist* to exclude from its monthly summary table of the returns of the London Clearing Banks the figures of the National Bank, Ltd., on the ground that the bulk of this bank's business is done in Ireland. This practice, though it has logic to commend it, is neither convenient nor customary. It will, accordingly, be suspended. The above table includes, and future tables will include, the figures of all members of the London Clearing House.

building trade. At the same time, with the Government's re-armament programme providing an ever-increasing part of the industrial stimulus in this country, it is reasonable to assume that part of the demand for credit facilities which would normally reach the banking system through requests for loan facilities by industrial and commercial undertakings are to-day doing so in the shape of increased issues of Treasury bills. The defence programme must involve some transfer of banking assets from advances into Treasury bills—which is very good from the point of view of liquidity, but not so good from that of the profit and loss account. Last month's fall in investments is rather more difficult to interpret. It was certainly not a defensive measure dictated by a dearth of liquid assets. Some banks are known to make the appropriate adjustments in the book value of their investments for the June 30th as well as for the end-year balance sheets, and since gilt-edged values fell over the first half of the year by 4.5 per cent. it may be assumed that such adjustments bear part of the responsibility for last month's decline in this item.



**The Liquidity Ratio.**—In commenting on the clearing bank monthly averages and on that aspect of them—the ratio of liquid assets to deposits—which has recently become so fashionable, some confusion has recently been created by an important difference in practice. There are those commentators who, in calculating the total of liquid assets, include the item of cheques in course of collection and those who consciously ignore it. For the July figures these two methods gave as their results ratios of 32.7 per cent. and 29.8 per cent. respectively. As one was well above and the other still below the traditional 30 per cent. minimum, the choice of method perforce coloured the comments based on these figures. It is evident that in looking at the position of the clearing banks as a whole, and in judging the liquidity of these institutions, the item "cheques in course of collection" should be ignored, since the amount it represents is still included in the total of the banks' cash, and its inclusion must therefore involve the duplication of the figure in question. But in discussing

the liquidity ratio as a basis of clearing-bank policy it is equally evident that the item should be included and the duplication perpetrated. Each clearing bank, in judging its own liquidity figures, regards these items in course of collection as "near cash" and includes them in its aggregate of quick assets. In so far as the individual banks guide their policy by reference to a normal ratio—whether it be 30 per cent. or some other figure—that item figures in their calculations. When, therefore, the commentator is, by analysing the monthly aggregate averages, attempting to obtain a collective view of the individual banks' liquidity positions and of their reactions to that position, he must include the item of cheques in course of collection, though knowing full well that in doing so he is in fact inflating the total by this amount. If he regards himself as too much of a purist to be guilty of this duplication he should remember that the item of "cash" is already inflated by considerable duplication as a result of "making up" by different banks on different days of the week.

## MONEY MARKET NOTES

### Foreign Exchanges

THE resistance shown by the Shanghai dollar most of last week has given way to renewed weakness. General selling set in at the end of the week, which is attributed to the Foreign Secretary's statement that the question of granting fresh help to the Chinese currency would have to be considered in the light of Great Britain's other heavy financial obligations. The unfavourable interpretation put on this statement has outweighed the news that the United States Treasury has agreed to purchase 6,000,000 ounces of silver from the Chinese Government. The amount is regarded as too small to help the exchange, and the rate has now fallen to about 3½d. The guilder, on the other hand, has recovered from last week's relapse; and after a temporary setback on Tuesday, when the rate rose to 8.79½fl., was quoted at around 8.78fl. on Wednesday, improving to 8.77½fl. on Thursday afternoon. The announcement that a Dutch Government has at last been formed was responsible for the firmer tone on Wednesday and Thursday. There has also been a recovery in the forward guilder, the premium for three months widening to 1-¾c. Swiss francs have also been firm, except for a reaction due to profit-taking on Tuesday. The spot rate on Thursday afternoon was quoted at 20.72½, compared with 20.73½ on Wednesday and 20.73 at the end of last week.

coins are still in demand; the premium is more than 1½ per cent. over the bullion value. Silver has, on the whole, been a firmer market, most of the buying coming from India. The discount

| 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.        |
| Aug. 4 ... | 148 6½             | 1 pm              | 267           | 161½                          | 165½      |
| " 5 ...    | 148 6½             | 1 pm              | 324           | 161½                          | 167½      |
| " 8 ...    | 148 6½             | 1 pm              | 380           | 167½                          | 169½      |
| " 9 ...    | 148 6              | ½ pm              | 318           | 167½                          | 16½       |
| " 10 ...   | 148 6½             | 1 pm              | 288           | 17                            | 169½      |

\* 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 for silver remained at 35 cents per ounce .999 fine during the week.

on the forward price narrowed slightly to ½d. on Tuesday; but on Wednesday India and other quarters sold forward, and the forward price fell ½d., the spot price remaining at 16½d. Bear covering was responsible for Thursday's recovery in both spot and forward prices.

### The Money Market

THE very low level to which bankers' deposits have fallen, illustrated in this week's Bank Return, explains why money has been more usable than for some time. The tightness would have been more marked if the demand for accommodation from the market had not been restricted by the fact that at the last Treasury Bill tender it only secured an allotment quota of 21 per cent. Moreover, the amount of new Treasury Bills being paid for this week is exactly equal to the corresponding maturities, whereas previously payments had exceeded maturities for many weeks. This has also tended to reduce

the demand for loans and has thereby

|                          | Aug. 11, 1938 | Aug. 3, 1939 | Aug. 10, 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           | ½             | 1½           | 5½            |
| Three months' bank bills | 1½            | 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.

mitigated to a certain extent the undoubted tightness in the short-loan market.

### The Bank Return

As was expected the note circulation this week shows a further increase to a new high record. The rise is smaller than normally takes place in the week including the Bank Holiday, but, on the other hand, the pre-holiday week's rise was much larger than usual. The increase in Government securities has more than offset the withdrawal of notes; but bankers' deposits show a fall

|                      | Aug. 10, 1938 | July 26, 1939 | Aug. 2, 1939 | Aug. 9, 1939 |
|----------------------|---------------|---------------|--------------|--------------|
| Issue Dept.:         |               |               |              |              |
| Gold                 | 326.4         | 246.4         | 246.4        | 246.4        |
| Value per oz. fine   | 85.148        | 85.148        | 85.148       | 85.148       |
| Notes in circulation | 490.0         | 510.9         | 520.6        | 521.9        |
| Banking Dept.:       |               |               |              |              |
| Reserve              | 37.5          | 36.1          | 26.5         | 25.2         |
| Public Deps.         | 19.3          | 26.0          | 23.3         | 31.8         |
| Bankers' Deps.       | 106.1         | 91.4          | 89.6         | 81.7         |
| Other Deps.          | 34.5          | 36.7          | 36.2         | 35.9         |
| Govt. Secs.          | 109.7         | 106.5         | 112.6        | 114.8        |
| Discounts & Advances | 9.2           | 8.0           | 6.9          | 6.0          |
| Other Secs.          | 21.5          | 21.5          | 21.2         | 21.5         |
| Proportion           | 23.4%         | 23.4%         | 17.7%        | 16.8%        |

of £7.9 millions, as public deposits have leaped up again and at £31.8 millions are at their highest level since May 31st, when they were temporarily swollen in preparation for the War Loan distribution on June 1st. A large part of this week's rise may be put down to the support of sterling by the Exchange Account.

## Investment

**New Zealand Loan Dealings.**—No official announcement has been made regarding the relative proportion of cash and conversion applications for the New Zealand loan, nor of the support, if any, which special quarters had to give to the issue. Dealings opened on Wednesday this week—for there was no compelling reason for the Bank of England to adopt its usual expedition in posting allotments in this instance—on the basis of ½ discount to ⅓ premium, but this price suggested that the "peg" had been firmly inserted. The market's inference, in fact, is that the larger part of the issue is being taken care of, and in such circumstances there is neither any provocation to sell, nor, so far as jobbers are concerned, any incentive to run an appreciable book in the stock. Since the authorities, who are acting as the "shop," have the strongest hands in which to retain the stock, the prospect is for a stable price but rather uninteresting dealing conditions for the issue. Wednesday's Stock Exchange Supplementary List recorded one marking at 99 in the conversion stock, one marking at 99½ in the fully paid cash stock, and two markings at 4½ in the cash stock, £5 paid.

**An Improving Profits Trend?**—No single month's statement of industrial profits provides conclusive evidence regarding the trend of earnings, but there are some features in the July total which suggest that the industrial prosperity of recent months may soon find its way into the recorded figures. Profits reported by 189 companies last month showed a reduction of 6.30 per cent., from £15,350,338 to £14,383,201, compared with falls of 8.33 per cent. and 6.29 per cent. for June and May respectively. Recent results are set out below:—

| INDUSTRIAL PROFITS 1937-39 |             |              |                    |                |             |              |
|----------------------------|-------------|--------------|--------------------|----------------|-------------|--------------|
| Year and Month             | No. of Cos. | Net Profits* | Inc. on prev. year | Year and Month | No. of Cos. | Net Profits* |
| 1937                       |             | £            | %                  | 1938           |             | £            |
| July                       | 193         | 15,260,299   | 19.62              | July           | 181         | 16,530,811   |
| Aug.                       | 62          | 6,042,402    | 9.41               | Aug.           | 81          | 8,300,386    |
| Sept.                      | 81          | 7,269,607    | 27.80              | Sept.          | 112         | 7,962,024    |
| Oct.                       | 177         | 14,884,260   | 26.97              | Oct.           | 163         | 14,279,785   |
| Nov.                       | 206         | 23,579,407   | 20.25              | Nov.           | 231         | 23,784,389   |
| Dec.                       | 152         | 18,101,112   | 14.69              | Dec.           | 171         | 18,534,750   |
| 1938                       |             | £            | %                  | 1939           |             | £            |
| Jan.                       | 107         | 13,832,382   | 19.90              | Jan.           | 152         | 16,316,851   |
| Feb.                       | 202         | 29,792,378   | 5.52               | Feb.           | 211         | 31,893,884   |
| March                      | 337         | 56,721,336   | 9.19               | March          | 293         | 41,440,326   |
| April                      | 225         | 28,481,318   | 17.19              | April          | 233         | 24,067,714   |
| May                        | 320         | 45,915,238   | 11.42              | May            | 303         | 46,863,324   |
| June                       | 260         | 38,076,415   | 11.09              | June           | 257         | 35,104,850   |
|                            |             |              |                    | July           | 189         | 14,383,201   |

\* After debenture interest.

**Holiday Rail Traffics.**—An apparent seven-figure increase of £1,193,000 in the pre-Bank Holiday rail traffics actually flatters the takings of the railway companies last week. The true comparison, of course, is with the corresponding pre-holiday week of 1938, for the chance of the calendar has thrown the figures one week out of step. If the 1938 figures which were published ten days ago (for comparative purposes with the 1939 traffics for the week ending July 30th) are used, the true increase in pre-Bank Holiday traffics will be found to be no more than £104,000. And the truly disappointing feature of the returns is a fall in passenger takings of as much as £163,000 between the two pre-holiday weeks. The movement in traffics on the basis described above is shown in the following table:—

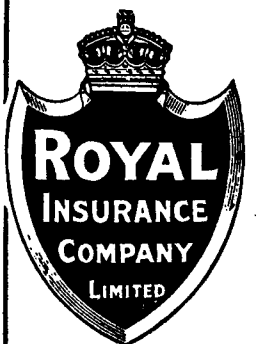
HOME RAIL TRAFFICS, WEEK ENDED AUGUST 6, 1939  
COMPARED WITH CORRESPONDING WEEK 1938

|          | Passengers | Merchandise | Coal and Coke | Total Receipts |
|----------|------------|-------------|---------------|----------------|
| L.M.S.   | - 95       | + 88        | + 43          | + 36           |
| L.N.E.   | - 17       | + 42        | + 24          | + 49           |
| G.W.     | - 14       | + 54        | + 11          | + 51           |
| Southern | - 37       | + 8         | - 3           | - 32           |
| Total    | -163       | +192        | + 75          | +104           |

Merchandise and coal receipts are still running at very satisfactory levels, although next Wednesday's traffics will show an apparent (though not necessarily a true) fall, owing to the interruption of business this week. Indeed, the latest figures do not provide more than provisional conclusions regarding railway takings over the whole holiday period. The important Bank Holiday week passenger movement has yet to be recorded—though the weather may well have affected these receipts this year—and it will be necessary to wait a further week before the figures reveal the resumption of normal goods movements. For the first two weeks of the holiday season the average gain amounts to £348,000, and this figure gave some slight encouragement to the market on Wednesday. But the main factor in the stockholder's mind was Thursday's talks between the Associated Society of Locomotive Engineers and Firemen and the general managers of the four main lines. These have been adjourned until next week. The Society's claims are estimated to cost £1,269,000 in a full year—a sum only £627,000 less than the improvement in the companies' net receipts during the first six months of 1939.

Of the fall of £967,137 in the latest month's total, however, rubber companies alone are responsible for £606,571. If this group is eliminated, together with tea and oil companies, the residual profits of 130 companies mainly engaged in British industry show a reduction of no more than 2.7 per cent., from £13,538,290 to £13,166,166. Confirmatory evidence of the suggestion that a change in the profits trend is now in progress must wait, however, until the close of this year, when company reports to September 30th become available.

**Brazil and Chile Bond Developments.**—It has become known this week that the Council of Foreign Bondholders will be represented in the debt discussions with the Brazilian Government in Rio de Janeiro by Sir Bertram Hornsby and Mr John Phillimore. Mr Phillimore is, in fact, due to arrive in the Brazilian capital this week-end, simultaneously with the American representative, Mr Dana Munroe, vice-chairman of the Bondholders' Protection Association. Consequently, bondholders may expect an early commencement of the discussions, though they may not be concluded by August 25th, when Sir Bertram Hornsby is due to arrive. Both of the British representatives are well fitted, as past chairman of the Anglo-South American Bank and partner in Roberts, Meynell and Company of Buenos Aires respectively, to undertake these duties. Meanwhile, an interesting position has resulted in Portugal, where the despatch of a



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### The Bullion Market

CONTINENTAL buying has again been the chief feature of the gold market this week; and as the Exchange Account has again been a reluctant seller buyers have been fairly severely rationed, although as was pointed out last week, genuine rationing is confined to a few cases only. The reduction in the premium on Wednesday from 1d., at which it had been maintained for a fortnight, to ½d. gave a slight encouragement to arbitrageurs, and some arbitrage business was reported. Gold

representative to Rio de Janeiro is under consideration. The unique interests of Portuguese investors in Brazil are well known, but since Brazil's external obligations are in sterling, dollars, francs and Dutch florins, the position of a Portuguese representative in Rio de Janeiro would evidently differ from that of the British, American and French spokesmen. Bondholders will hope that, on this occasion, a satisfactory debt settlement can be achieved; despite her current economic difficulties, Brazil has expressed her good intentions so firmly that a positive result should emerge from the talks. The report that trade discussions are to open between Great Britain and Chile is of great interest to Chilean bondholders, who have the less reason for favouring Law 5580, which now determines the level of the debt payments, because the current year's copper tax proceeds are likely to be lower. The Finance Minister has re-affirmed Chile's intentions to maintain debt payments, and fears that the service moneys deposited with the Caja de Amortizacion might be raided for internal needs have to a large extent subsided. Indeed, it is understood that the necessary funds for reconstruction following the earthquake have been provided from domestic sources.

**New Company Registrations.**—The extreme stagnation in the new issue market over the half-year January to June hardly finds a counterpart in the number of new company registrations. Messrs Jordan and Sons' detailed semi-annual analysis shows that registrations totalled 6,617, compared with 6,666 for the corresponding period of 1938, involving a capital of £30,101,902, compared with £32,342,222 last year. Compared with the new capital issue figures for the same period, these are slight declines. Public company registrations were reduced from 48 to 44, though the capital involved increased from £2,102,316 to £5,471,250, of which engineering, shipping and investment alone provided over £3½ millions. In the latter group, the registration of Unicos Property Corporation with a capital of £1,500,000, and several similar companies, follows the inclusion of a clause in the Prevention of Fraud (Investments) Act giving certain property societies the option of re-registering as limited companies. The compilers of the analysis find little trace, as yet, of broking firms registering under the new Stock Exchange rules as companies with unlimited liability.

**Richard Thomas Board Changes.**—Recent market reports regarding possible changes in the composition of the board of Richard Thomas and Company have been confirmed by the company's official announcement. The control committee, which supervises the company's direction and consists of the Governor of the Bank of England, Lord Greenwood, Mr E. H. Lever, and Sir William Firth, have acceded to the request of Sir Charles Wright and Mr S. R. Beale (chairmen of Baldwins, Ltd., and Guest Keen and Nettlefolds respectively) to be allowed to resign from the board. Coincident with these changes, Sir William Firth, at present chairman and managing director, will in future be chairman of the company; Mr John E. James, who is chairman of Lancashire Steel Corporation and was appointed to the board by the Control Committee twelve months ago, will become managing director; thirdly, the Earl of Dudley, Sir James Lithgow and Mr A. C.

### 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 September 15th, 1939, to shareholders of record at the close of business August 21st, 1939.

By order of the Board. J. R. BRADFIELD,  
Toronto, July 26th, 1939. Secretary.

Macdiarmid (who are, respectively, chairmen of Round Oak Steel Works, Steel Company of Scotland, and Stewarts and Lloyds) have been appointed directors, after consultation with the British Iron and Steel Federation. Mr J. Adamson, who was appointed as financial director by the Control Committee in August last year, has also resigned, and in due course a whole-time finance director will be appointed to fill the vacancy.

No official reasons have been given for these changes in the Richard Thomas board, but study of the personalities concerned provides internal evidence of their causation. The presence of directors from companies in the same section of the steel business as Richard Thomas on the latter company's board must have accounted for more than one awkward occasion in recent months, and both sides of the board table may well have felt that a case should go to the Control Committee for reconsideration of its appointments of last year. The three new directors, it is true, are engaged in the steel industry, but not directly in the sheet and tinplate trade. General supervision of the new plant, on behalf of the Control Committee, should, however, be preserved by the appointment of directors from branches not directly affected by the progress of the Richard Thomas plant. No shareholder, again, is likely to raise objection to the decision to appoint a full-time finance director to the board. It is to be inferred, however, that these changes have involved some corresponding cost, for although Sir William Firth remains titular head of the undertaking, he will no longer act as managing director.

**Canadian Pacific Earnings.**—The latest gross traffic return of the Canadian Pacific Railway discloses a rise in receipts from January to the end of July amounting to \$1,087,000. But it is not solely—or even mainly—the improvement in gross receipts which has attracted the attention of stockholders in the past months. For the half-year to June (the latest date for which net figures are available) the company showed the distinctly favourable improvement in net receipts of \$2,670,000, compared with an improvement in gross receipts, to the same date, of \$520,000. The movement in gross traffics, expenses, and net receipts during the half-year is shown below:—

|                     | 1939           |              | 1939 compared with 1938 |                  |              |
|---------------------|----------------|--------------|-------------------------|------------------|--------------|
|                     | Gross receipts | Net receipts | Gross receipts          | Working expenses | Net receipts |
| Three months:—      |                |              |                         |                  |              |
| January-March ..... | 29,346         | 1,468        | - 820                   | - 1,040          | + 220        |
| April-June .....    | 32,461         | 3,883        | + 1,340                 | - 1,110          | + 2,450      |
| Total, six months   | 61,807         | 5,351        | + 520                   | - 2,150          | + 2,670      |
| July .....          | 11,658         | ...          | + 568                   | ...              | ...          |
| Total, seven months | 73,465         | ...          | + 1,087                 | ...              | ...          |

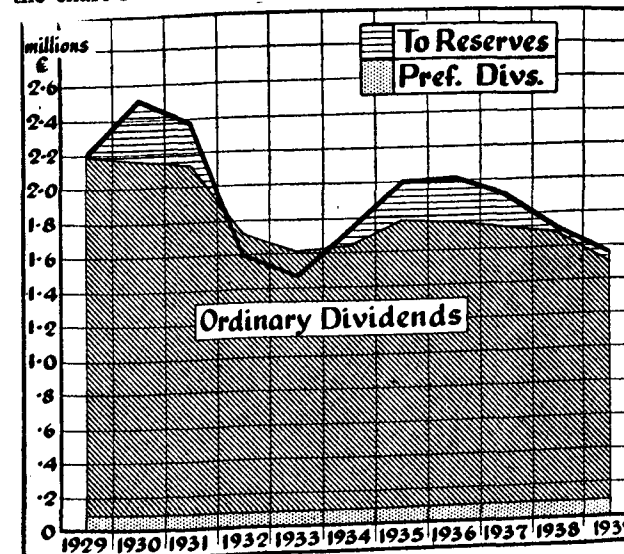
Exceptionally heavy receipts in May (which were possibly connected with the Royal visit to Canada) turned a deficit on gross receipts of \$1,120,000 at the beginning of the month into a plus of \$310,000 at the end, and takings in June and July continued to show a satisfactory improvement. But the saving of \$2,150,000 in working expenses during the first six months represents a considerable achievement, even when allowance is made for the elimination of the wage restoration made in April last year from the second-quarter comparison. In fact, the undertaking achieved a saving of \$1,040,000 during the first quarter, despite an increase in wage costs, compared with the corresponding period of 1938, of \$431,000. Reports of a recent deterioration of crop prospects owing to insufficient rainfall may be followed by a reduction in grain haulings below the expected level, but the volume of grain traffic will undoubtedly be large. Moreover, the recent improvement in Canadian business conditions should assist the company's general traffic.

Since economies alone are running at an annual rate equivalent to 3.1 per cent. on the preference stock, while prospective available earnings (without any allowance for a further improvement in traffics) are already of the order of 4.4 per cent., the results for the current year should evidently be much improved. Certain safeguarding clauses, however, are necessary for proper interpretation of these figures. Firstly, the current guaranteed wheat price of 70 cents per bushel will save the Canadian farmer from distress, but it may not give him a volume of purchasing power sufficient to provide bumper return traffic of manufactured goods to the prairie provinces. Secondly, litigation regarding the company's guarantee of "Soo" bond interest, on which payments terminated in July last year, is now in train. Thirdly, ancillary income and special charges play an important part in deciding the eventual outcome of Canadian Pacific profits. Fourthly, further charges to profit and loss account will result from the retirement of properties from service. Such charges do not represent disbursements and the management has always made the point that they need not be taken into account in reaching decisions regarding dividend policy. But, in conjunction with other factors mentioned above, they form a natural counter to the manifest improvement in earnings which is now in progress. To that extent, they limit the prospects for the Canadian Pacific preference stock, which now stands at 25½, compared with a "high" of 30½ and a "low" of 18½ this year.

**Arthur Guinness Full Report.**—The full report and accounts of Arthur Guinness, Son and Company confirm the estimates of profits given on page 276 of last week's issue of *The Economist*. Trading profits showed a significant fall from £1,741,543 to £1,614,987 for the year to June last, and after including net investment income, the company's total revenue was reduced from £1,926,169 to £1,800,934. No major changes are shown in the expense items, and after charging net preference dividends, available earnings for the ordinary stock are reduced from £1,602,112 to £1,484,776. The last figure compares with our approximate estimate last week of £1,485,000, and its derivation is shown in the following three-year profits analysis:—

|                                 | Years to June 30 |           |           |
|---------------------------------|------------------|-----------|-----------|
|                                 | 1937             | 1938      | 1939      |
| Trading profit.....             | 1,901,594        | 1,741,543 | 1,614,987 |
| Dividends and other receipts... | 187,016          | 184,626   | 185,947   |
| Total profit .....              | 2,088,610        | 1,926,169 | 1,800,934 |
| Maintenance and depreciation    | 149,339          | 221,291   | 215,347   |
| Sundry expenses and fees .....  | 13,717           | 14,306    | 13,811    |
| Preference dividend .....       | 90,750           | 88,500    | 87,000    |
| Ordinary stock:—                |                  |           |           |
| Earned.....                     | 1,834,804        | 1,602,112 | 1,484,776 |
| Paid .....                      | 1,642,500        | 1,599,375 | 1,413,750 |
| Earned (%).....                 | 32.4             | 29.0      | 27.3      |
| Paid (%) .....                  | 29               | 29        | 26        |
| To reserve .....                | 200,000          | ...       | 100,000   |
| Carried forward .....           | 902,548          | 905,285   | 876,311   |

The profits trend over the past eleven years is shown in the chart below:—



The persistent decline in net profits since 1936 has necessitated a reduction in ordinary dividend payments to the lowest level since 1933-34.

The directors' report throws no light on this disappointing profits trend in recent years, for it is confined to a recital of the profits figures and to formal notices regarding retiring directors and auditors. This lack of information makes it rather difficult for the Guinness ordinary stockholder to assess the prospects of the company's trade in general and of the Park Royal brewery in particular. Whatever the results at the new brewery may have been, they have not sufficed to offset an appreciable decline in earnings. No significant changes are shown by the latest balance sheet, which as usual provides an exhibition of great financial strength. The further decline in the ordinary stock units to 99s. this week testifies to the investors' disappointment with the latest results, although the market was naturally disposed to await Lord Iveagh's statement at the meeting, which was held on Friday after we had gone to press, before reaching hard and fast conclusions regarding the current year's outlook.

**Cinema Commentary.**—There are few points of similarity between the Associated British and Gaumont-British Picture Corporations, yet the structure of the speeches of the respective chairmen, Mr John Maxwell and Mr Isidore Ostrer, at this week's meetings, was distinctly parallel. Each provided a *vade mecum* to the balance-sheet figures, and a certain amount of incidental light was thrown upon policy. Mr Maxwell declared that "short of the complete upheaval which none of us desires and, perhaps, not many of us expect, the Associated British results for the current year should be no less satisfactory than for the past year." For his part, Mr Ostrer declared that "having regard to the extent of the reserves now appearing in our balance sheet, and the substantial improvement in our financial position during recent years, shareholders may feel that a resumption of ordinary dividend payments on the ordinary shares next year may not be imprudent. . . ." Since Mr Ostrer referred to the Gaumont-British balance sheet, it may be pertinent to observe that reserves, part of which are free, and part of a specific character, account for £1,006,000, out of a balance-sheet total of £12,976,000. The subsidiary and associated companies have reserves of their own, and, as Mr Ostrer claimed, they provide for depreciation out of their own profits. But the relevant criterion of adequacy is the group's reserve position as a whole, and shareholders are afforded no knowledge, in the absence of consolidated accounts, of its extent. Mr Ostrer did not indicate the measure by which last year's profits benefited from profits derived from debenture redemption, though since the actual amount of stock purchased totalled £212,452, the

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possible credit would appear to be considerable. Nor did he indicate the movement of profits of the directly-owned and subsidiary cinema interests, though he suggested that a "first definite step" might possibly be taken during the current year towards a consolidation of the theatre interests. No information was given regarding the state of the Odeon merger negotiations. Finally, he claimed that the directors, although anxious to facilitate the work of the Board of Trade inspector, had other interests to consider, and were acting on the opinion of eminent counsel. Shareholders may well feel that the speech had certain notable omissions, despite its optimistic reference to dividend prospects.

**The Week's Company Profits.**—Our usual table of profit and loss accounts, on page 342, analyses the results of ten companies. These show net profits of £2,056,142 for the latest year, compared with £2,191,989 for their preceding financial years. The fall of 6.2 per cent. is due largely to the reduced profits of Arthur Guinness, Son and Company (discussed on page 327). Aggregate net profits of 1,676 companies whose reports have been published this year amount to £214,890,505, and show a reduction of 7.7 per cent. compared with the previous year's total of £232,923,322. This week's results are discussed in preceding Notes and on page 329 under the heading "Shorter Comments."

## THE STOCK EXCHANGES

### London

#### SETTLING DAYS

TICKET ACCOUNT  
AUGUST 22 AUGUST 24

TRADITIONAL lack of investment interest in the middle of the three-weeks' August account, coupled with the absence of many members and investors on holiday and training, have produced slack and featureless markets this week, save for moderate buying of rubber shares. The slight swing of the weather-cock suggested that markets became rather duller on Tuesday afternoon after a firm opening, while the reverse process applied on Wednesday. But in fact business has been insufficient to establish any real trend. Thursday's narrow movements and ultra-quiet dealings were typical of a week lacking in investment significance.

After a small accumulation of orders had been disposed of on Tuesday, the *gilt-edged market* receded slightly, with irredeemable stocks leading the drift. A further recession on Wednesday morning was followed by a recovery which restored the long-dated issues to their overnight levels. The short-dated issues remained firm, and some improvement was recorded in the new scrips, the Hertfordshire issue being prominent on Wednesday. Dealings in the New Zealand loan were very limited, and after being called *re* premium, the scrip closed slightly below par.

In the *foreign bond market*, Japanese issues were marked lower on the delay in the resumption of the Tokyo talks, and on the growing uncertainties in the Far Eastern situation. After falling a point on Tuesday, however, the bonds showed no net change in mid-week. Chilean issues responded to the Finance Minister's assurances regarding the debt service, but the imminence of negotiations in Rio de Janeiro failed to assist Brazilian bonds.

Small business was transacted in *home rail stocks*, owing to the wage talks between the locomotive engineers and the managers on Thursday. The speculative issues were generally marked down at first, and although slightly better prices were quoted for the ordinary stocks, following the pre-holiday traffics, small selling of the preference issues caused further fractional losses. Business in Argentine rail issues remained extremely poor.

Conditions in the *industrial share market* remained very quiet, and there was frequently no quotable change in prices. Business in steel shares was small, and while Neepsend and Whitehead improved, most of the group

showed smaller gains or losses. Electrical equipment shares opened firm, but lost a few pence in mid-week. Associated Equipment responded to the London Transport contract, but other motor shares were neglected. Aircraft shares showed small changes, but were mainly lower. Ind Coope were easier on the mixed results shown by certain subsidiaries, and Guinness fell further in anticipation of Friday's meeting. Tobacco, store and provision shares remained dull, and the rayon group failed to maintain its recent activity, although a further mid-week fall in Courtaulds was later recovered. No perceptible trend was evident in the miscellaneous group, though many of the leaders shed a few pence. Olympia preference were a firm feature.

Interest in *oil shares* was at a minimum, and a small volume of business, mainly from Paris, was sufficient to move prices in each direction by a moderate amount, mainly in "Shell" Transport and Royal Dutch. Movements in the Eagle issues scarcely responded to the latest developments in the negotiations.

It was left to *rubber shares* to provide the week's features. The improvement in the commodity to 8½d. on Wednesday, though it was not maintained, released the signal for further buying, which was usually of a discriminating character. Leading shares, such as Anglo-Dutch, Malayalam, United Sua Betong, and Allied Sumatra showed satisfactory improvement.

Turnover in the *Kaffir market* remained small, and prices became easier. Western Holdings advanced on the cable, but Western Reefs were depressed. The producing mines showed small movements, mainly to lower levels. Rhodesian copper issues made little response to the improving prospects of the metal—signalled in the raising of the quota from 95 to 105 per cent. of basic tonnages as from August 16th—and business in jungle shares was very limited.

#### "FINANCIAL NEWS" INDICATORS

| 1939         | Total Bargains† | Corres. Day 1938 | Security Indices |                |
|--------------|-----------------|------------------|------------------|----------------|
|              |                 |                  | 30 ord. shares*  | 20 fixed int.† |
| Aug. 4       | 4,350           | 5,850            | 80.3             | 117.9          |
| " 8          | 4,705           | 5,560            | 80.1             | 117.8          |
| " 9          | 4,125           | 5,690            | 80.2             | 117.8          |
| " 10         | 4,460           | 5,320            | 79.7             | 117.8          |
| 1939 High... | ...             | ...              | 88.0             | 123.5          |
| Low...       | ...             | ...              | Mar. 10 73.7     | Jan. 3 114.9   |
|              |                 |                  | Jan. 27 74.1     | May 1 117.8    |

† Approx. total recorded in S.E. List, 1935-1900. \* July 1, 1938 = 100. † July 1, 1938 = 100.

#### ACTUARIES' INVESTMENT INDEX

A fall of 0.4 of a point during the week to August 8, 1939, is shown by the Actuaries' Index of 160 industrial equities. At that date the index stood at 61.7, compared with 62.1 a week earlier and 60.7 a month earlier. The corresponding average yield figures are 5.60 per cent., 5.56 per cent. and 5.74 per cent. respectively. A selection of the individual series is given below:—

| Group (and No. of Securities) | Prices (Dec. 31, 1928 = 100) |              |              | Prices 1939 High |
|-------------------------------|------------------------------|--------------|--------------|------------------|
|                               | July 11, 1939                | Aug. 1, 1939 | Aug. 8, 1939 |                  |
| Banks, etc. (10)              | 105.0                        | 103.7        | 102.6        | 109.0            |
| Aircraft Mfg. (5)†            | 73.1                         | 70.9         | 69.9         | 96.7             |
| Coal (8)                      | 77.9                         | 80.1         | 80.2         | 83.6             |
| Oil (4)                       | 74.1                         | 77.8         | 74.9         | 85.6             |
| Home Rails (4)                | 41.7                         | 41.7         | 39.8         | 49.2             |
| Shipping (7)                  | 12.6                         | 12.5         | 12.4         | 15.4             |
| Stores, etc. (18)             | 55.2                         | 56.4         | 55.9         | 60.9             |

† December 31, 1938 = 100.

| Group              | Yield %       |              |              | Prices 1939 Low |
|--------------------|---------------|--------------|--------------|-----------------|
|                    | July 11, 1939 | Aug. 1, 1939 | Aug. 8, 1939 |                 |
| Banks, etc. ....   | 4.36          | 4.43         | 4.48         | 100.2           |
| Aircraft Mfg. .... | 10.75         | 9.94         | 10.11        | 69.9            |
| Coal ....          | 6.39          | 6.21         | 6.20         | 74.0            |
| Oil ....           | 6.39          | 6.05         | 6.27         | 72.9            |
| Home Rails ....    | 0.38          | 0.40         | 0.41         | 29.5            |
| Shipping ....      | 4.49          | 4.34         | 4.37         | 12.4            |
| Stores, etc. ....  | 5.71          | 5.61         | 5.66         | 50.6            |

### New York

AFTER its sharp reaction on Thursday of last week, Wall Street's course has become chastened and irregular. The market's one achievement has been to disregard the expected "chartist" signal to sell below the resistance point of 140, which the Dow Jones industrial average broke through at the end of the second hour's trading on Wednesday. The market, as usual, has given full heed to Europe's political uncertainties, but it has devoted rather quixotic consideration to the United States' political and economic background. After discounting the President's troubles fairly generously last week, it appears to have heeded the deflationary consequences which may follow the defeat of the spend-and-lead programme. Trading has shrunk below the half-million mark and rails and utility stocks are virtually neglected. The market, however, finds satisfaction in the trend of automobile business, and in the expected further improvement in steel operations, which are calculated to reach a peak of 65 per cent. of capacity within

the next few weeks. *Iron Age* estimates current activity at 61 per cent., against 60 per cent. last week.

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

| WEEKLY AVERAGES  |             |             |               |              |              |
|------------------|-------------|-------------|---------------|--------------|--------------|
|                  | 1939        |             | July 26, 1939 | Aug. 2, 1939 | Aug. 9, 1939 |
|                  | Low Apr. 12 | High Jan. 4 |               |              |              |
| 347 Ind'ls. .... | 92.8        | 114.5       | 104.9         | 104.9        | 101.8        |
| 32 Rails ....    | 23.6        | 32.5        | 27.4          | 27.1         | 25.9         |
| 40 Utilities ..  | 77.8        | 89.9†       | 88.5          | 89.9         | 88.0         |
| 419 Stocks ...   | 79.3        | 95.6        | 89.9          | 90.0         | 87.4         |
| Av. yield* ...   | 4.34%       | 3.31%       | 3.96%         | 3.97%        | 4.10%        |

\* 50 Common Stocks.

† August 2nd.

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

|  | Aug. 3 | Aug. 4 | Aug. 5 | Aug. 7 | Aug. 8 | Aug. 9 |
|--|--------|--------|--------|--------|--------|--------|
|  | 116.6  | 114.4  | 115.2  | 113.9  | 114.1  | 113.3  |

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 |             |
| Aug. 3 | 1,010          | 6,180       | 217         |
| " 4    | 900            | 5,200       | 159         |
| " 7    | 240            | 1,360       | 42          |
| " 8    | 520            | 3,890       | 93          |
| " 9    | 470            | 4,420       | 81          |
| " 9    | 450            | 4,360       | 90          |

\* Two-Hour Session

### New York Prices

|                                        | Close Latest |          | Close Latest |          |
|----------------------------------------|--------------|----------|--------------|----------|
|                                        | Aug. 3,      | Aug. 10, | Aug. 3,      | Aug. 10, |
|                                        | 1939         | 1939     | 1939         | 1939     |
| <b>1. Rails and Transport</b>          |              |          |              |          |
| Atchison .....                         | 29½          | 26       | 107½         | 107½     |
| Balt. & Ohio .....                     | 58½          | 38½      | 112½         | 111      |
| Ches. & Ohio .....                     | 36½          | 33       | 26           | 25½      |
| G.N. Ry. Pl. ....                      | 26½          | 23½      | 416½         | 407½     |
| Illinois Cent. ....                    | 13½          | 11½      | 36           | 33½      |
| N.Y. Central .....                     | 157½         | 144½     |              |          |
| Northern Pac. ....                     | 104½         | 86½      |              |          |
| Pennsylv. Rr. ....                     | 18½          | 16½      |              |          |
| Southern Pac. ....                     | 154½         | 139½     |              |          |
| Southern Ry. ....                      | 17½          | 16       |              |          |
| Union Pac. ....                        | 100¼         | 96       |              |          |
| Greyhound ....                         | 18½          | 17½      |              |          |
| <b>4. Manufacturing</b>                |              |          |              |          |
| Briggs .....                           | 22½          | 20½      |              |          |
| Chrysler .....                         | 83½          | 77½      |              |          |
| Elec. Autolite ....                    | 36¼          | 34       |              |          |
| Gen. Motors .....                      | 49           | 47       |              |          |
| Nash Kelvator .....                    | 64           | 68       |              |          |
| Boeing Airplan .....                   | 22½          | 21       |              |          |
| Douglas Air .....                      | 69½          | 67½      |              |          |
| United Aircr. ....                     | 39¼          | 37       |              |          |
| Allied Chem. ....                      | 173½         | 165      |              |          |
| Dupont .....                           | 162          | 158      |              |          |
| Un. Carbide .....                      | 84           | 77       |              |          |
| Allis Chalmers ....                    | 37           | 33½      |              |          |
| Gen. Electric .....                    | 38½          | 35½      |              |          |
| West'he Elec. ....                     | 110½         | 101½     |              |          |
| American Can .....                     | 102½         | 98       |              |          |
| Caterpillar .....                      | 45¼          | 41       |              |          |
| Int. Harvester .....                   | 53¼          | 51       |              |          |
| Johns Manville ....                    | 76           | 70       |              |          |
| Am. Radiator .....                     | 113½         | 108      |              |          |
| Corn Prods. ....                       | 63           | 61       |              |          |
| I. Case & Co. ....                     | 76½          | 72       |              |          |
| Glidden .....                          | 18½          | 16½      |              |          |
| Celanese of A. ....                    | 28¼          | 24½      |              |          |
| Eastm'n Kdk. ....                      | 173          | 168½     |              |          |
| Loews .....                            | 47           | 42½      |              |          |
| 20th Cen. Fox .....                    | 21½          | 19½      |              |          |
| <b>2. Utilities and Communications</b> |              |          |              |          |
| Am. W'orks. ....                       | 12¼          | 10½      |              |          |
| Con. Edison .....                      | 33¼          | 31¼      |              |          |
| Col. Gas & El. ....                    | 8¾           | 7½       |              |          |
| El Bond & Sh. ....                     | 11¼          | 9¼       |              |          |
| Nat Pwr & Lt. ....                     | 96           | 91½      |              |          |
| N. American .....                      | 25½          | 23½      |              |          |
| Pac. Gas & El. ....                    | 33½          | 31½      |              |          |
| Pub Serv N.J. ....                     | 41½          | 40½      |              |          |
| Unites Corp. ....                      | 38           | 36       |              |          |
| Un. Gas Imp. ....                      | 14           | 14       |              |          |
| Amer. Tel. ....                        | 169          | 164½     |              |          |
| Inter. Tel. For. ....                  | 7¼           | 6¼       |              |          |
| Westn. Union .....                     | 28¼          | 24½      |              |          |
| Radio .....                            | 68           | 58½      |              |          |
| <b>3. Extractive and Metal</b>         |              |          |              |          |
| Am. Rol. Mill .....                    | 15½          | 14       |              |          |
| Beth. Steel .....                      | 63½          | 58½      |              |          |
| Republic St. ....                      | 18½          | 15½      |              |          |
| U.S. Steel .....                       | 52½          | 48½      |              |          |
| U.S. Steel Pl. ....                    | 110          | 109½     |              |          |
| Am. Metal ....                         | 29           | 27½      |              |          |
| Am. Smelting .....                     | 46½          | 43½      |              |          |
| Anaconda .....                         | 27¼          | 24½      |              |          |
| Cerro de Pas. ....                     | 50½          | 48½      |              |          |
| Int. Nickel .....                      | 37½          | 34½      |              |          |
| Kennecott .....                        | 53½          | 51       |              |          |
| U.S. Smelt. ....                       | 35*          | 32½      |              |          |
| Phillips Petr. ....                    | 35*          | 32½      |              |          |
| <b>5. Retail Trade, etc.</b>           |              |          |              |          |
| Mont. Ward .....                       | 54½          | 50½      |              |          |
| Sears Roebuck .....                    | 79½          | 75½      |              |          |
| Woolworth .....                        | 49½          | 47½      |              |          |
| Nat. Biscuit .....                     | 25½          | 23½      |              |          |
| Nat. Dairy .....                       | 18½          | 16½      |              |          |
| Am. Tob. B. ....                       | 85¼          | 83½      |              |          |
| Nat. Distillers .....                  | 24¼          | 23½      |              |          |
| <b>6. Finance</b>                      |              |          |              |          |
| Comcl. Credit .....                    | 48           | 45       |              |          |
| Com. Inv. Tr. ....                     | 55           | 53       |              |          |

\* ad

## Capital Issues

### CAPITAL ISSUE TOTALS

| Week ending                                 | Nominal Capital | Conversions | New Money   |
|---------------------------------------------|-----------------|-------------|-------------|
| August 12, 1939                             | Nil             | £           | £           |
| To the Public .....                         | Nil             | ...         | Nil         |
| To Shareholders .....                       | Nil             | ...         | Nil         |
| By S. E. Introduction .....                 | Nil             | ...         | Nil         |
| By Permission to Deal .....                 | 121,565         | ...         | 45,704      |
| Saving Certs., week to Aug. 5, 1939 .....   | Dr. 100,000     | ...         | Dr. 100,000 |
| Including Excluding Conversions Conversions |                 |             |             |
| Year to date                                | 103,241,668     | 80,791,022  |             |
| 1939 (New Basis) .....                      | 232,671,188     | 212,780,235 |             |
| 1938 (New Basis) .....                      | 70,206,941      | 48,776,802  |             |
| 1938 (Old Basis) .....                      | 170,812,859     | 151,871,991 |             |

### Destination (Excluding Conversions)

| Year to date           | U.K.        | Brit. Emp. | Foreign ex. U.K. Countries |
|------------------------|-------------|------------|----------------------------|
| 1939 (New Basis) ..... | 53,741,435  | 24,869,148 | 2,181,004                  |
| 1938 (New Basis) ..... | 163,841,205 | 46,509,791 | 2,429,229                  |
| 1939 (Old Basis) ..... | 32,616,771  | 15,840,091 | 320,000                    |
| 1938 (Old Basis) ..... | 129,437,726 | 20,035,141 | 2,399,124                  |

### Nature of New Borrowing (Excluding Conversions)

| Year to date           | Deb.        | Pref.      | Ord.       |
|------------------------|-------------|------------|------------|
| 1939 (New Basis) ..... | 43,142,145  | 6,212,637  | 31,466,803 |
| 1938 (New Basis) ..... | 136,870,732 | 14,310,596 | 61,598,897 |
| 1939 (Old Basis) ..... | 36,183,921  | 2,688,459  | 10,004,482 |
| 1938 (Old Basis) ..... | 126,111,813 | 8,450,246  | 17,309,932 |

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

**Cornbrook Brewery Company, Ltd.**—Particulars of £250,000 4½ per cent. (Phoenix) debenture stocks; secured by first mortgage on properties valued at £436,981 acquired from subsidiary, Phoenix Brewery Company, and by floating charge on remaining assets. Redeemable at par August 15, 1964, or by earlier purchase at or below 101 per cent. £160,000 subscribed by Cohen, Laming, Hoare at £98½ per cent. net. Balance of £90,000 held by Lloyds Bank as collateral security.

## SHORTER COMMENTS

**Company Results of the Week.**—Brewery company results account for the bulk of this week's profits. FRIARY, HOLROYD AND HEALY'S trading profits show a small increase from £231,612 to £235,643, and net profits are virtually maintained at £138,140, compared with £136,205. The 13 per cent. ordinary dividend is repeated. Three subsidiaries of Ind Coope and Allsopp have issued their reports. ALTON AND COMPANY show an improvement in net profits from £39,463 to £42,500, while COLCHESTER BREWING net profits are unchanged at £15,907. Dividends are maintained in both cases. On the other hand, STRETTONS DERBY BREWERY reports a significant reduction in net profits from £106,153 to £95,044, while the ordinary dividend has been lowered from 3½ per cent. to 3 per cent. EMPRESS BREWERY and CLARKSON'S OLD BREWERY also report somewhat lower earnings, though the latter's dividend is maintained. STEEL BARREL SCAMMELL'S results are somewhat disappointing. Profits of the three subsidiary companies in fact show a reduction from £42,210 to £29,668, while the parent company's net profits are reduced more moderately from £32,594 to £27,470. The report states that the new Uxbridge factory dislocated manufacturing operations, while a shortage of labour was experienced. The ordinary dividend is reduced from 14 per cent. to 12 per cent. Net profits of Isaac Holden

(Continued in next column)

## 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.<br>†Final | Total | Pay-<br>able | Prev.<br>Year |
|----------------------------|-----------------|-------|--------------|---------------|
| <b>BANKS</b>               |                 |       |              |               |
| Indust. Bk. Japan.....     | 3*              | ...   | ...          | 3*            |
| <b>INSURANCE</b>           |                 |       |              |               |
| New Zealand Ins. ....      | ...             | 10    | ...          | 10            |
| <b>MINING</b>              |                 |       |              |               |
| Anaconda Copper ....       | 25c.*a          | ...   | Sept. 21     | 12½c.a        |
| Loloma (Fiji) .....        | 20*             | ...   | Sept. 8      | 20*           |
| <b>INDUSTRIALS</b>         |                 |       |              |               |
| Assoc. Coal Dist. ....     | 2*              | ...   | Sept. 23     | 2*            |
| Bath and Port. Stone       | 7*              | ...   | ...          | 7*            |
| Chambers Wharf .....       | 18†             | 30    | ...          | 25            |
| Chaplin Holdings .....     | 5               | ...   | Aug. 25      | 5             |
| Clarke Nickolls, etc. .... | 2½*             | ...   | ...          | 2½*           |
| Crossey Building .....     | 3*              | ...   | Sept. 11     | 3*            |
| Derby Gas Light ....       | 3*              | ...   | ...          | 3*            |
| Dickins and Jones ....     | 5*              | ...   | ...          | 5*            |
| Edinburgh Sec. ....        | 2½b             | ...   | ...          | 2*            |
| Field, Sons and Co. ....   | 5*              | ...   | Sept. 1      | 5*            |
| Gabriel Wade etc. ....     | 10              | ...   | ...          | 8             |
| General Motors .....       | 75c.*           | ...   | ...          | 25*           |
| Hadfields .....            | 7½*             | ...   | Aug. 31      | 7½*           |
| Harrods .....              | 5*              | ...   | Sept. 16     | 5*            |
| Int. Nickel .....          | 50c.*           | ...   | Sept. 30     | 50c.*         |
| Jacksons Stores .....      | 10              | ...   | ...          | 5             |
| Jenks and Cattell .....    | ‡2½*            | ...   | Aug. 10      | ‡2½*          |
| Linway Trust .....         | ...             | ...   | 3 Sept. 25   | 3             |
| Locheghy Iron .....        | ...             | 12½   | ...          | 10            |
| London Brick .....         | 2½*             | ...   | Sept. 1      | 2½*           |
| London and Lombard         | 2½*             | ...   | Sept. 1      | 5*            |
| Mallandain (A. E.) ..      | 3*              | ...   | ...          | 3*            |
| Meccano .....              | ‡10†            | ‡15   | ...          | ‡15           |
| Modern Mchn. Tool ..       | 7½*             | ...   | Aug. 22      | 7½*           |
| Nich. (Wm.) and Son ..     | 5½*             | ...   | Sept. 30     | 5½*           |
| Phillips Rubber. Soles     | 3½*             | ...   | Aug. 31      | 3½*           |
| Rowland Gaunt .....        | 10†             | 15    | ...          | 15            |
| Scottish Nuhn. Inv. ....   | 4c              | ...   | Aug. 30      | 4             |
| Seced. Scot. Amer. ....    | 6†              | ...   | Sept. 1      | 6*            |
| Steel Barrel Scam. ....    | 6†              | 12    | ...          | 14            |
| Transyl M/thless .....     | 8½†             | 12½   | ...          | 12½           |
| U.S. Electrolum .....      | 30c.*           | ...   | Sept. 15     | 40c.*         |
| Swindon Gas .....          | 2½*             | ...   | ...          | 2½*           |
| Whitworth & Mitchell       | ...             | 1½    | ...          | Nil           |
| <b>UNIT TRUSTS</b>         |                 |       |              |               |
| Nat. Fixed Investment      | Pence           | ...   | Sept. 1      | Pence         |
|                            | ‡5-4            | ...   | ...          | ...           |

# Industry and Trade

**Recovery in Coal.**—During the first four months of the current year both production and exports of coal were still smaller than in the corresponding months of 1938. Since May, however, the coal-mining industry has made rapid headway and both production and exports in the first half of 1939 were slightly higher than in January-June, 1938. In June, the quantity of coal raised was 12.7 per cent. higher than in the corresponding month last year, and total exports showed an increase of no less than 22.6 per cent. While the recovery in domestic demand is due to the expansion in general business activity, the remarkable increase in shipments is largely a reflection of the sharp decline in Germany's exports, from 16.8 million metric tons in the first half of 1938 to 12.7 million tons in the corresponding period this year. The improvement in

COAL OUTPUT AND SHIPMENTS  
(In thousands of tons)

|                                        | January-June   |                | Percentage change from 1938 |
|----------------------------------------|----------------|----------------|-----------------------------|
|                                        | 1938           | 1939           |                             |
| <b>Production:—</b>                    |                |                |                             |
| Northumberland .....                   | 6,632          | 6,750          | + 1.8                       |
| Durham .....                           | 16,365         | 15,985         | - 2.3                       |
| Yorkshire .....                        | 21,992         | 22,395         | + 1.8                       |
| Lancs, Cheshire and North Wales .....  | 8,733          | 8,791          | + 0.7                       |
| Derby, Notts and Leicester .....       | 16,556         | 17,372         | + 4.9                       |
| Staffs, Worcs, Salop and Warwick ..... | 9,987          | 10,413         | + 4.2                       |
| South Wales and Monmouth .....         | 18,549         | 17,938         | - 3.4                       |
| Other English districts* .....         | 2,717          | 2,792          | + 2.8                       |
| Scotland .....                         | 15,472         | 15,800         | + 2.1                       |
| <b>Total .....</b>                     | <b>117,003</b> | <b>118,236</b> | <b>+ 1.1</b>                |
| <b>Exports:—</b>                       |                |                |                             |
| Cargo .....                            | 17,503         | 18,482         | + 5.6                       |
| Bunkers .....                          | 5,271          | 5,097          | - 3.3                       |
| <b>Total .....</b>                     | <b>22,774</b>  | <b>23,579</b>  | <b>+ 3.6</b>                |

\* Including Cumberland, Gloucester, Somerset and Kent.

British exports has been widespread. France and Spain are the only two countries which took appreciably less British coal in the first half of this year than in January-June, 1938. Germany herself has bought considerably more this year; British shipments to Germany rose from 1,785,000 tons in January-June, 1938, to 2,130,000 tons in the first half of this year. Exports to Italy also showed a substantial increase during this period, from 1,104,000 tons to 1,511,000 tons. As the accompanying table shows, the incidence of the improvement in Britain's coal-mining industry has been uneven; in Durham and in South Wales production in the first half of 1939 was still below the figures for 1938. In June, on the other hand, production was higher than a year ago in all districts. Although total output in the first quarter of this year was 2.3 per cent. smaller than in January-March, 1938, the ascertained profits per ton of the coal-mining industry rose from 21.45 pence to 24.48 pence, the highest figure for this quarter since 1924. Since output in the second quarter exceeded that of the corresponding period last year, and as prices have been well maintained, the profits per ton in April-June were probably also higher than a year ago.

**Wool Textile Activity.**—The wool textile industry has experienced a remarkable expansion in demand and some of the principal sections of the trade are now

working at capacity. The percentage of insured persons (aged 16 to 64) unemployed in the woollen and worsted sections fell from 22.9 in June, 1938, to 9.1 in June and 6.7 in July this year, while the index of total wages paid, given in *Wool Intelligence Notes*, rose between June, 1938, and June, 1939, by 27.8 per cent. in the woollen section and by 13.8 per cent. in worsted manufacture. The improvement is also reflected in the *Weekly Wool Chart's* estimates of the consumption of imported wool during January-June, 1938 and 1939, given below:—

CONSUMPTION OF IMPORTED WOOL  
(In millions of lbs.)

|                    | 1938       | 1939       |
|--------------------|------------|------------|
| January .....      | 38         | 51         |
| February .....     | 36         | 50         |
| March .....        | 42         | 59         |
| April .....        | 37         | 51         |
| May .....          | 43         | 59         |
| June .....         | 40         | 64         |
| <b>Total .....</b> | <b>236</b> | <b>334</b> |

The estimated consumption of imported wool during the first half of 1939 showed an increase of no less than 41½ per cent. over the figure for the corresponding period last year. Despite the increase in consumption, however, stocks of wool are heavier than a year ago; according to *Wool Intelligence Notes* stocks in public warehouses at the principal ports and in railway and canal depôts in Yorkshire were 184 million lbs. at the end of June, against 131 million lbs. a year earlier. The improvement in the wool textile industry, which is expected to be maintained, is due mainly to the increase in defence expenditure; apart from direct Government contracts, the industry has experienced an expansion in civil demand as a result of the growth of purchasing power. Export demand, however, has also shown an appreciable improvement. Exports of wool tops rose from 14.7 million lbs. in January-June, 1938, to 21.4 million lbs. in the first half of 1939; during the same period shipments of woollen and worsted yarns increased from 12.6 million lbs. to 15.4 million lbs. and those of woollen and worsted tissues from 45.2 million square yards to 46.7 million square yards. The industry's fortunes have naturally benefited from the revival, though profits on Government contracts are stated to be small.

**U.S. Cotton Policy.**—Last Tuesday the Crop Reporting Board of the United States Department of Agriculture estimated the probable yield of the cotton crop at 11,412,000 bales, compared with 11,943,000 bales produced in 1938 and 18,946,000 bales in 1937. The estimate, which confirmed expectations, hardly caused a stir on the markets; for while the new crop is roughly equal to the world's consumption in the 1938-39 season, the carry-over of American cotton at the end of the past season was no less than 14,400,000 bales, of which the Government of the United States held 11,000,000 bales. The markets are therefore much more interested in the future policy of the United States Government concerning the disposal of its enormous holdings than in the new crop. The uncertainty concerning America's methods of disposal has made it almost impossible for traders to take a view on the probable trend of prices. A meeting of the International Cotton Federation in Zürich at the end of last week therefore decided to press the Government of the United States to adopt a definite long-term policy concerning the disposal of its holdings of raw cotton. The American Government, in turn, is anxious to conclude an agreement with other cotton-growing countries in an attempt to reduce fluctuations in market supplies and prices. It remains to be seen whether the American export subsidy, by stimulating exports, will act as a lever in inducing other countries to co-operate with the United States.

**Changes in Agriculture.**—The preliminary figures of the June agricultural census, published by the Ministry of Agriculture this week, are summarised in the table below:—

|                                        | England & Wales |          | Scotland |         |
|----------------------------------------|-----------------|----------|----------|---------|
|                                        | 1938            | 1939     | 1938     | 1939    |
| <b>Area under crops ('000 acres):—</b> |                 |          |          |         |
| Wheat .....                            | 1,830.0         | 1,681.0  | 92.0     | 81.0    |
| Barley and bere .....                  | 886.0           | 911.0    | 99.0     | 99.0    |
| Oats .....                             | 1,299.0         | 1,355.0  | 798.0    | 774.0   |
| Beans and peas .....                   | 269.5           | 275.7    | 2.9      | 2.7     |
| Potatoes .....                         | 474.6           | 453.8    | 135.0    | 134.0   |
| Roots .....                            | 637.0           | 605.3    | 326.4    | 314.1   |
| Sugar beet .....                       | 328.5           | 336.8    | 7.4      | 7.5     |
| Cabbage .....                          | 135.7           | 136.5    | 3.9      | 3.9     |
| Rotation grasses .....                 | 1,900.0         | 2,070.0  | 1,460.0  | 1,451.0 |
| Total arable .....                     | 8,872.0         | 8,926.0  | 2,983.0  | 2,929.0 |
| Permanent grass .....                  | 15,823.0        | 15,692.0 | 1,577.0  | 1,622.0 |
| <b>Livestock ('000):—</b>              |                 |          |          |         |
| Horses .....                           | 855.6           | 843.6    | 144.8    | 142.3   |
| Cows in calf and milk .....            | 3,071.5         | 3,098.7  | 501.8    | 514.4   |
| Other cattle .....                     | 3,636.9         | 3,657.6  | 813.9    | 845.6   |
| Total cattle .....                     | 6,708.4         | 6,756.3  | 1,315.7  | 1,360.0 |
| Sheep .....                            | 17,900.7        | 17,955.3 | 7,969.0  | 8,042.0 |
| Pigs .....                             | 3,561.1         | 3,506.9  | 257.4    | 252.9   |
| Fowls .....                            | 52,439.0        | 52,638.0 | 7,324.0  | 7,236.8 |
| <b>Labour ('000):—</b>                 |                 |          |          |         |
| Regular workers .....                  | 412.7           | 409.8    | 91.5     | 89.0    |
| Casual workers .....                   | 79.6            | 95.7     | 104.3    | 103.2   |

For the first time since 1935 there was an increase in the arable area in England and Wales, due to an expansion in the acreage of rotation grasses, beans and peas and of barley and oats; the area under wheat fell by 8.1 per cent., due probably to the extension of the price insurance system to the other cereals. The increase in the arable area has been accompanied in England and Wales by a fall of 121,000 acres in the area under permanent grass. In Scotland, however, the slow decline in the arable area was continued in 1939 and there was an increase in the area of permanent grass. Among livestock, the dairy herds continued to expand, though there was a fall of 6.1 per cent. in the number of cattle under one year in England and Wales. The sheep population is still increasing and has reached a record in Scotland; the expansion of 140,000 in the number of ewes in Great Britain indicates that, given normal weather, there will be no shortage of lambs next spring. In both parts of the Kingdom there was a fall in the number of pigs, but this was concentrated on the older pigs; the sow population increased by 15,400 during the year. The number of regular agricultural workers continued to fall, but in England and Wales the deficiency was more than offset by an increase in the number of casual labourers employed.

**Rearrangement of Sugar Exports.**—The Russian Government informed the International Sugar Council last week that it did not propose to use the additional quota of 65,956 metric tons allotted to it at the end of May. These additional quotas, it will be remembered, were arranged by the Council to meet the shortage of supplies on the British market and the Russian quota has now been re-allotted as follows:—

|                          | Metric Tons   |
|--------------------------|---------------|
| Cuba .....               | 25,941        |
| Dominican Republic ..... | 11,039        |
| Netherlands .....        | 28,976        |
| <b>Total .....</b>       | <b>65,956</b> |

At the same time, the Dutch Government has decided not to export the 20,000 tons which were allotted to it in July, when it was decided to release a further 100,000

tons for shipment to the United Kingdom, and the Council announced on Tuesday that this amount would not be redistributed.

**Price Trend Still Downwards.**—Despite the sustained expansion of business activity in this country and the recent revival in the United States, *The Economist's* indices of wholesale prices showed a further decline during the past fortnight. The indices for primary products relating to the United Kingdom and the United States both registered a fall. The more comprehensive British and French indices are also slightly lower; the Irving Fisher index for the United States remained unchanged and the official German index showed a further, though small, rise.

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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 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    |                                   |                             |                   |                          |                       |                              |                                  |                                  |
| 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                 | 153.5                        | 145.1                            | 97.9                             |
| 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                            | 98.0                             |
| 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                    | 115.9                 | 155.5                        | 146.4                            | 97.9                             |
| May 17  | 116.0                             | 134.7                       | 123.4             | 174.9                    | 115.6                 | 157.3                        | 146.2                            | 97.9                             |
| May 31  | 116.7                             | 134.4                       | 125.0             | 174.9                    | 114.8                 | 156.6                        | 146.5                            | 98.0                             |
| June 14 | 115.4                             | 134.4                       | 124.0             | 174.9                    | 114.4                 | 155.0                        | 146.9                            | 98.3                             |
| June 28 | 115.6                             | 134.4                       | 122.3             | 175.0                    | 114.3                 | 154.8                        | 147.1                            | 98.4                             |
| July 12 | 115.6                             | 135.2                       | 120.2             | 174.9                    | 114.1                 | 153.7                        | 146.2                            | 98.2                             |
| July 26 | 114.7                             | 133.4                       | 118.1             | 174.9                    | 114.0                 | 153.7                        | 147.0                            | 98.5                             |
| Aug. 9  | 114.5                             | 132.5                       | 117.7             | 174.9                    | 114.0*                | 152.5*                       | ...                              | 98.7*                            |

\* These figures refer to August 5th. † Monthly average.

Of the five constituent series of the British complete index, four showed a decline, while one (that relating to minerals) registered a slight rise, due to the improvement in the prices of non-ferrous metals.

|                             | BRITISH COMPLETE INDEX |              |               |              |
|-----------------------------|------------------------|--------------|---------------|--------------|
|                             | Sept. 18, 1931         | Aug. 3, 1938 | July 26, 1939 | Aug. 9, 1939 |
| (1927=100)                  |                        |              |               |              |
| Cereals and meat...         | 64.5                   | 82.9         | 66.9          | 66.2         |
| Other foods .....           | 62.2                   | 57.5         | 61.7          | 61.4         |
| Textiles .....              | 43.7                   | 53.5         | 52.8          | 52.5         |
| Minerals .....              | 67.4                   | 93.1         | 92.5          | 93.8         |
| Miscellaneous .....         | 65.8                   | 75.2         | 76.2          | 76.1         |
| <b>Complete index .....</b> | <b>60.4</b>            | <b>72.0</b>  | <b>69.3</b>   | <b>69.2</b>  |
| 1913 = 100 .....            | 83.1                   | 99.3         | 95.4          | 95.2         |
| 1924 = 100 .....            | 52.2                   | 62.4         | 60.0          | 59.8         |

There are no signs of significant changes in prices in the near future.

**Strong Copper and Lead Markets.**—The improvement noticed in the last few weeks on the London markets for copper and lead is due in both cases to a revival in demand. The price of standard cash copper has

HOTEL WESTMINSTER  
NEW MANAGEMENT  
FULL BOARD From 27/6  
**Le Touquet**





risen from less than £42 per ton in the latter half of June to £45 per ton; it is believed that recently Japan has been an extensive buyer on world markets, as the Government is anxious to acquire a reserve supply of copper in case the United States should eventually place an embargo on exports. On Thursday it was announced that the co-operating producers had decided to raise from next Wednesday the output quota from 95 to 105 per cent. of their basic quotas; this move was not unexpected, as the object

of the production regulating scheme was to lift the price of copper to about £45 per ton. The increase in the demand for lead is also due mainly to re-armament, since consumption by the building trade, the chief user of lead in peaceful times, has been disappointing. The total demand for lead is therefore likely to continue at its present high level for some time to come, and this may induce the Lead Cartel also to relax or remove the existing restrictions on the production of this metal.

## INDUSTRIAL REPORTS

THE flow of new orders to industry has shown a seasonal decline, while production has been temporarily suspended or curtailed in a number of industries which have granted holidays with pay. But in view of the heavy volume of orders on the books of most industries, current activity, unless temporarily reduced by holidays, is maintained at a high level. During the last week of July the output of coal was 4,333,000 tons, against 4,077,100 tons during the corresponding week last year. The iron and steel industry is curtailing output only in so far as is necessitated by holidays and the need for repairs. Building activity continues at a high level, and the textile trades also remain very active, and there is considerable pressure for the early delivery of the orders placed by the Government.

### Coal

**Sheffield.**—With most of the works and pits on holiday, little interest is shown in the market. The inland position is regarded as quite satisfactory, and with the resumption of operations industrial demand will quickly revive. There are ample stocks of smalls at the pits. Household demand has fallen off as is customary at this period. Blast-furnace coke is a good feature, but central heating coke is poorly taken up at present.

Export inquiry continues at about the level of the last few weeks. Some qualities are in short supply, particularly nuts, which are offered very sparingly. Bunkers are a quiet market. Coke demand is fairly substantial. Prices are unchanged.

**Newcastle-on-Tyne.**—With most of the Durham collieries closed this week, miners having their week's holiday, there is a scarcity of prompt supplies of all classes of industrial coal. The market generally is steady; collieries are well booked on contract and, in addition, there is a fair inquiry from the Scandinavian countries. Prices show little change. Patent oven coke is a firm market; inquiry is good from the Scandinavian countries, and home trade remains active.

**Glasgow.**—Stringency of supplies is the feature of the market. Partly this is the outcome of the holidays and the slow resumption of work thereafter, but in the main it results from pressure of demand on both home and foreign account. Export inquiry has not appeared specially brisk of late, but it has, nevertheless, proved sufficiently active to absorb shipping tonnages for some weeks ahead. The collieries in Fife

and the Lothians have therefore little to offer, and ex-Grangemouth supplies are also scarce. Irish and inland business absorbs Ayrshire production. In Lanarkshire, which is busy on industrial and utility account, the main development has been an expansion in household buying despite the rise in prices by 2s. 6d. per ton.

**Cardiff.**—By the new agreement providing for a week's holiday with pay, production has been suspended practically throughout the South Wales coalfield since last Saturday. Shipments, however, were resumed on Tuesday, and in view of the recent heavy accumulation of stocks loading operations are likely to be normal for the rest of the week. The respite will also greatly relieve the congestion which has been restricting the service of wagons both for the export and import trades for some time past. In the week ended August 6th coal exports in the foreign and coastwise trades totalled 419,900 tons, compared with 366,796 tons in the pre-holiday week last year. Current business is temporarily at a standstill, but prices are nominally unchanged.

### Iron and Steel

**Sheffield.**—Owing to the holidays there has been little doing in the iron and steel market this week, and not until the end of the month is a return to full activity expected. Consumers of pig iron appear to have fair supplies on hand, and are showing little disposition to do more than cover their immediate requirements of forge and foundry. Hematite demand continues satisfactory, and there are substantial bookings to the end of the year. Finished iron inquiries are disappointing.

So far as steel is concerned the quieter market conditions are welcomed but the lull will speedily end, for users are on the look-out to place substantial business at the first opportunity. Basic billet supplies are still short of requirements despite the fact that considerable quantities of imported billets are making their appearance. Acid billets, wire rods and bright drawn steel are in good demand, and the inquiry for stainless steel sheets is fully maintained.

Although Sheffield is turning out a large amount of Government work the bulk of orders in hand at most establishments relate to commercial requirements, and a substantial portion comes from overseas. At some works there is enough business on the books to ensure full employment to the end of the year or well into the next year.

**Middlesbrough.**—It is expected that holidays will be restricted to the minimum. Sheet makers are very busy; the demand for semi-finished steel is well maintained and imports of this class of material from the Continent continue. Constructional steel is being delivered as rapidly as produced, and shipbuilding materials are being specified in greater quantities.

There is little change in the pig iron trade. Heavy steel melting scrap is taken from merchants as it becomes available at the controlled prices. Good Durham blast-furnace coke is available at 24s. 2d. per ton at the ovens. Ore imports have been well maintained.

**Glasgow.**—Steel plants are now working to capacity and makers are finding it increasingly difficult to meet all the calls made on them. At several plants the possibility of further extensions is under consideration. Demand from all users is heavy. The tonnage of shipbuilding material booked is already considerable, and it is expected that this will be largely increased within the next few months as work progresses on the many vessels now on the books of shipbuilders. Local sheet makers are overwhelmed with work, and the new business includes a fair tonnage for overseas markets. Sheet rollers and sheet galvanisers have sufficient work on hand to ensure regular employment for many months provided raw material is available. In regard to semis generally, the position has improved of late as supplies of Continental material are more plentiful. Tube makers are fairly busy, chiefly with work for the home market.

**Cardiff.**—The tinplate works have been idle this week; the great majority of the mills have been undergoing extensive repairs and renewals. New orders, however, have been placed and unexecuted commitments are estimated at over 2.4 million boxes. Both the steel and the pig-iron furnaces are in active production. Shipments of tinplates last week were slightly lower at 4,603 tons, compared with 5,151 tons in the corresponding period last year, and stocks in warehouse and in vans have been increased to 5,294 tons. Prices are nominally unchanged.

**News from Abroad.**—Demand on international steel markets has been very quiet recently, in some respects even quieter than had been expected in view of the holiday season. Since recent reports about the activity of the peace industries have been quite satisfactory and requirements of the armament industries have remained on a

high level, exporters have thought that the holidays would not interfere to a large degree with the flow of orders.

A favourable feature of the situation is that prices have not undergone a further decline recently, concessions on official prices having remained at their previous level. This fact is likely to contribute to an improvement of consumers' purchases, just as the previous increase in rebates has discouraged buyers. It is noteworthy that the object of producers who granted the higher rebates, viz., the maintenance of export business, has not been attained, although iron and steel output has not experienced a major decline. Fairly sizable orders have recently been booked from Scandinavia, the Baltic, Argentina and Brazil, and contracts for supplies of semis to Great Britain have also contributed to keep Continental (particularly the Belgian) producers busy over the slack period. American competition has been less keen of late, and additional steel works have adapted their prices to the European level. Nevertheless, cut prices have recently been offered, especially for ship steel.

Unofficial discussions are taking place to settle the differences which have arisen over the quota accounts and the payments of fines or compensations for an excess or deficiency of exports in relation to the allowances. It is possible that important alterations of the internal organisation of the Cartel will be suggested in this connection. Discussions are taking place with the South African steel producers on a revision of the import quotas granted to the European exporters for the South African market. The South African producers demand a reduction of these quotas in view of their increased output capacity.

### Textiles

**Cotton (Manchester).**—Business has been adversely affected by holiday influences. Buyers have not been disposed to place orders of any weight. The first estimate of the American crop, discussed on page 330, has had little effect on prices. During the past week more favourable weather reports have been received from the belt. There have been signs of rather more demand, but speculative interest in futures has been dormant.

Inquiry in American yarns has continued more encouraging. In addition to the persistent demand in coarse counts, rather more business has been done in medium numbers. Home users of Egyptian yarns have taken deliveries more freely, but fresh contracts have been scarce.

There has been little change in cloth market conditions. A fair amount of testing of prices has occurred from day to day, but buyers have limited their commitments. Not more than a retail business has been done for India. Some makers have secured fair lines for South America. Varied buying has occurred in standard makes for the home trade, and a little more activity has shown itself in some quarters for the Dominions, especially South Africa. As many looms as possible are being turned on to Government contracts, and there is considerable pressure for deliveries.

## THE COMMODITY MARKETS

THE improvement in the level of demand, mainly for armaments, in the metal market brought a further increase in copper and lead prices during the week. Elsewhere there were few developments, the holidays having interrupted the flow of purchases. Sugar and cotton prices were both lower on the week, but the fall in wheat prices has apparently been checked. Similar trends have occurred in the United States; a weakening in sugar, cotton and lard prices caused a fall in Moody's index of wholesale prices from 142 (December 31, 1931 = 100) to 140.1 in the week ended last Wednesday.

### Metals

**Copper.**—The demand for copper continued good and standard cash gained another 12s. 6d. to close on Wednesday at £44 12s. 6d. per ton. The feature of the week was the revival of speculation, but so far the speculative account is still comparatively small. This week Japan placed a major order on the United States market in anticipation of a possible embargo, and further orders from Japan are expected. American consumers have also maintained their purchases, although they have bought heavily for over six weeks. Under the influence of the recent orders, United States stocks are likely to fall in the autumn and will thus help to strengthen the international copper position. It was announced on Thursday that the output quotas of the restricting producers have been raised from 95 to 105 per cent. of the basic tonnages with effect from August 16th. This news caused a slight fall in prices.

**Tin.**—The cash price remained stable at £229 17s. 6d. per ton, but the forward price advanced by 10s. to £225 10s. per ton. The backwardation has thus narrowed to £4 7s. 6d., a sign of the growing strength of the market. The Pool has again been able to sell a considerable tonnage; its holdings of actual tin are now estimated at less than 9,500 tons, but it will receive a certain tonnage later this month and in September, which it had lent to the market three months before. Nevertheless the basic position of the tin market has now so much improved that an advance in the quotas for the last quarter of 1939 is more than likely. The tinplate industry remains very active on both sides of the Atlantic and the position of the motor industry is also quite satisfactory.

**Lead and Spelter.**—Lead gained another 12s. 6d. to close on Wednesday at £16 1s. 3d. per ton after having touched £16 3s. 9d., the highest level of the year, on Tuesday. Spelter, on the other hand, lost 1s. 3d. and thus closed at £14 8s. 9d. per ton. The strength of lead was due to a very strong demand from British and Continental sources on armament account. According to the British Metal Corporation, the British consumption of lead advanced from 83,000 tons in the first quarter to 87,000 tons in the second quarter of this year, while the consumption of slab spelter increased from 52,000 tons to 57,000

tons. The Metallgesellschaft reports that extra-United States production of lead in the first five months of 1939 totalled 548,627 (a year ago 527,894) metric tons. The corresponding figure for spelter was 490,588 (494,564) metric tons.

### Grains

THERE has been little change in wheat prices in the last week. Attention is focused on weather reports from America, which indicate that some further deterioration in the condition of the crop may be expected from the continued heat and drought. The North European harvest is being delayed by wet and stormy weather. Demand for Argentine maize has remained firm; the United States crop is now expected to yield about 2,520 million bushels. The continent continues to take fair quantities of feeding barley from North Africa; offers of new crop barley from Russia or Roumania are small, and it is probable that supplies from these countries will not be large, as the barley harvest was disappointing.

### Other Foods

**Provisions.**—After a period of unusually low levels, egg prices rose sharply during the week, especially for home eggs. Trade in meat has been slow, but pork prices have risen with a scarcity of small pigs.

**Colonial Produce.**—The holidays have affected most of these markets and little business was transacted. There was a further small decline in the futures market for near sugar, but with a fair demand, prices for refined have remained unchanged. Prices for Accra cocoa were also lower.

**Fruit and Vegetables.**—Wet weather has depressed both the quality and the demand for English fruit. Heavy supplies of plums and English apples are now arriving in London and prices are low. Supplies of main crop potatoes were also large early in the week but were diminished later by the wet weather.

### Miscellaneous Commodities

**Oilseeds and Oils.**—Harvesting of the linseed crop is proceeding in the United States and yields and quality are reported to be equal to the average of recent years. Shipments of old crop from the Plate to the Continent continue at a fair level, but British demand is concentrated on the Indian variety, the prices of which are firmly held. The carry-over of the old cottonseed crop in Egypt is large, and although business in new crop has not yet begun, prices for the old crop have eased. In sympathy with seed, linseed oil is dearer and the discount of later positions has been reduced.

**Rubber.**—The London market was closed over the holidays. On Tuesday and Wednesday, the tone was firm but prices show little change.

## COMPANY MEETINGS

## GAUMONT-BRITISH PICTURE CORPORATION, LIMITED

## DIVIDEND PROSPECTS

The twelfth annual general meeting of the Gaumont-British Picture Corporation, Limited, was held, on the 10th instant, in London.

Mr Isidore Ostrer (the chairman) said that the available surplus for the year had enabled the directors to transfer to reserve a much larger sum than last year and at the same time to carry forward a balance of £77,437 against £58,798 brought in. In recommending that the available surplus be dealt with in that manner, the directors had not overlooked the possibility of a resumption of dividend payments on the ordinary shares.

A new agreement had been entered into with General Film Distributors, Limited, for the production of further films; one of the advantages of the new arrangement would be the reopening of their studios at Shepherd's Bush for film production.

They considered their holding in Baird Television, Limited, of great importance to the future of the Corporation, being satisfied that the period of development in the home receiver side of the business was now past and that the popularity of the new art could be assured. From the theatre angle they were concerned in what was termed Large Screen Television and they had taken the necessary steps to secure the installation of those sets in their theatres as fast as they could be produced.

Shareholders were aware that the Board of Trade had seen fit on the application of holders of a bare ten per cent. of the shares to appoint an Inspector to investigate the affairs of the Corporation. While the directors were anxious to facilitate the work of the Inspector as far as they could, they had other interests to consider, and in that respect they were acting on the opinion of eminent counsel as to their duties.

As to the prospects for the current year, having regard to the extent of the reserves now appearing in the balance sheet and the substantial improvement in their financial position during recent years, shareholders might feel that a resumption of dividend payments on the ordinary shares next year might not be imprudent if in the meantime the ordinary course of business was not adversely affected to any material extent by abnormal conditions.

The report and accounts were adopted.

## ASSOCIATED BRITISH PICTURE CORPORATION, LIMITED

## ANOTHER SUCCESSFUL YEAR

The twelfth ordinary general meeting of the Associated British Picture Corporation, Limited, was held, on the 9th instant, at Winchester House, London, Mr John Maxwell (chairman and managing director) presiding.

The Chairman, in the course of his speech, said that the directors recommended this year a further transfer to general reserve of £250,000, bringing the total up to £2,875,000, and this represented nearly one and a half times the ordinary share capital. Shareholders would agree that this showed a position of quite considerable strength. All departments of the business had functioned successfully during the year. The available total of profit, after providing for every kind of charge and expense and bringing in the £81,000 brought forward from the previous year, was £912,086. An interim dividend of 10 per cent. actual, less tax, on the ordinary shares was paid in January, and it was proposed that a final dividend of 10 per cent. actual, less tax, be paid on the ordinary shares. In the view of the board, the Corporation had had a further really successful year, and it was to be noted that the trading profit had shown a substantial increase in each of the past six years.

As to the current year, he was glad to state that the results of this year, so far as it had gone, again showed improvement. While they were living in extremely troublous times and any forecast of the result of a business to be shown next March was more than usually difficult, he could, he thought, say that, short of the complete upheaval which none of them desired and, perhaps, not many of them expected, there was every likelihood of the trading results being again as satisfactory as those now before them.

In the consolidated statement the combined assets now represented a total of nearly £18,000,000, with reserves and undistributed profit balances amounting to approximately £4,000,000, as against the share capital of £4,000,000.

He welcomed some evidence of revival in the British film production business. In the case of their own Corporation, production had proceeded steadily through the past 12 years, and he was glad to feel that they had that record of consistency.

The report and accounts were unanimously adopted.

## SHORTER COMMENTS

(Continued from page 329)

**Rawang Concessions.**—Profits for year ended March 31, 1939, £13,354 (£58,734); depreciation, £5,000 (£10,761); ordinary dividend, 5 per cent. (20 per cent.), absorbing £10,000. Carried forward, £30,146 (£31,792).

**Rawang Tin Fields.**—Profits for year to March 31, 1939, £41,157 (£106,487); depreciation, £20,000 (£19,891); ordinary dividend, 2½ per cent., against 7½ per cent. Carried forward, £76,139 (£76,882).

**George Shaw and Company.**—Net profits for year to June 30th (after debenture charges and N.D.C.), £36,918 (against £36,877); ordinary dividend, 12.38 per cent. (12.295 per cent.). Carried forward, nil.

**Batchelor's Peas.**—Trading profit, year to June 30, 1939, £101,367, against £66,454; net profit, before tax, £87,166 (£55,410); ordinary dividend 15 per cent., against 10 per cent., in two previous years.

**Whitworth and Mitchell, Ltd.**—Ordinary dividend, 1½ per cent. actual (3s. 6d. per share), less tax; net profit for year to June 30, 1939, £42,209 (£29,326).

**Allied Investors Fixed Trusts, Ltd.**—Mr S. C. Parker has resigned his position as manager of this company.

**Crompton Parkinson.**—Mr F. Le Neve-Foster has been appointed to board of Crompton Parkinson, Ltd. Mr Le Neve-Foster is a member of Warren, Murton, Foster and Swan, solicitors; has been associated with the company for many years and is also a director of Stanton Ironworks.

**Port of London Authority.**—Net income for the year to March 31, 1939, £1,838,661 (£1,772,330); taxation,

£102,909 (£101,997); stock interest and redemption funds, £1,446,140 (£1,436,970); A.R.P., £29,730 (nil); maintenance and renewals, £130,000 (£200,000). Carried forward, £370,637 (£340,969). Further £42,409 for A.R.P. charged to capital account.

**Norvic Shoe Company.**—Profits for year to June 30, 1939, £53,828 (£35,049). Taxation, £5,017 (£1,363). Preferred ordinary dividend 6 per cent. against 5 per cent.; deferred dividend 4 per cent. (nil). Carried forward, £14,748 (£8,311).

**International Nickel Company of Canada.**—Net profit, after preferred dividend, for quarter ended June 30, 1939, \$8,226,137.52, equivalent to 53 cents per share on the common stock, against \$9,547,300.37 or 62 cents per share, for first quarter. Net profit six months to June, \$17,773,438 (\$16,732,251). Six months' tax provision, \$4,437,245 (\$3,903,293); depreciation, \$3,681,254 (\$3,458,411); retirement system, etc., \$890,912 (\$859,405); net profit carried to surplus, \$17,773,438 (\$16,732,251). Current assets, \$80,563,936, of which \$39,215,228 cash (\$79,384,984, of which \$40,422,819 cash).

**Friary, Holroyd and Healy's Breweries.**—Trading profit, after depreciation, year to June 30th, £235,643, against £213,612. Net profit, after £40,000 to repairs and £16,000 debenture interest (same) and taxation, is £138,140 (£136,206). Reserve, £40,000, as before; £26,266 forward against £26,080 brought in. Dividend maintained at 13 per cent.

**A. C. Cossor, Ltd.**—A conditional agreement for placing half the issued capital "in extremely strong hands" was approved on August 10th. The shares involved are 1,000,000 5s. ordinary shares

retained by vendors to the company, A. C. Cossor (Holdings), a subsidiary of Sterling Industries (formerly Ismay Industries). Completion of transfer involved, *inter alia*, modification of agreement restricting dealings in shares for period of three years.

**General Motors Corporation.**—Net profit second quarter to June 30, 1939, \$47,815,000, or \$1.06 per share, compared with \$24,786,000, or 52 cents per share, for second quarter 1938. Net earnings half-year to June 30, 1939, \$100,993,000, or \$2.24 per share, against \$33,020,000, or 66 cents per share, in first half of 1938. Net sales June quarter, 1939, \$371,633,000, against \$272,265,000 in same period 1938, while unit sales totalled 461,714 cars and trucks against 315,682.

**Hunters The Teamen.**—Net profit year to June 30, 1939, £38,895 (£29,517). Ordinary dividend raised from 6½ per cent. tax free to 8½ per cent. tax free. Carry-forward increased from £9,098 to £13,936.

**Imperial Chemical Industries, Ltd.**—Sir Andrew Rae Duncan is joining the board of Imperial Chemical Industries, Ltd. Sir Andrew is chairman of the executive committee of the British Iron and Steel Federation, and a director of the Bank of England. He is also a member of the Central Electricity Board.

**Empress Brewery.**—Profits for year June 30, 1939, £42,544 (£45,111). Loan service, £9,900 (same); N.D.C., £2,000 (£2,500). Ordinary dividend £24,644 (£26,711).

**Wolverhampton Corporation, 3 per cent. Stock, 1924-1954.**—Books close from August 18 to 31, 1939, to prepare interest warrants due September 1, 1939.

(Continued on page 339)

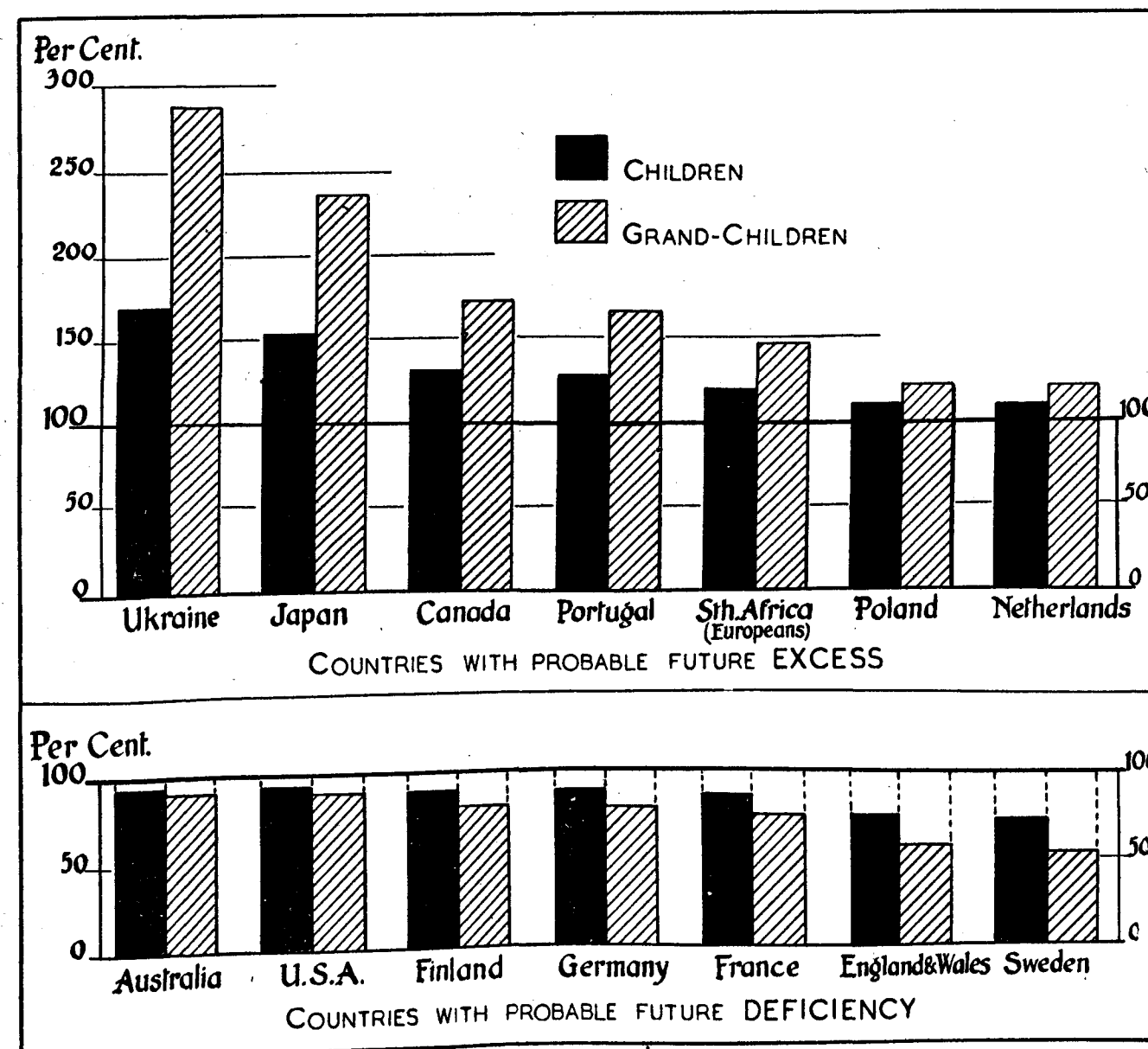
## CURRENT STATISTICS

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## Children of To-morrow



These diagrams illustrate the sizes of the two next generations as percentages of the present one in the countries named. It is assumed that the respective mortality and fertility rates, in the latest years for which particulars are available, will persist.



## Finance

## GOVERNMENT RETURNS

For the week ended August 5, 1939, total ordinary revenue was £20,771,000 against ordinary expenditure of £21,663,000, and issues of £9,000,000 under the Defence Loans Acts. Thus, including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1st last is £144,726,000, against £129,775,000 a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                               | Receipts into the Exchequer (£ thousands) |                               |                         |                         |
|---------------------------------------|-------------------------------------------|-------------------------------|-------------------------|-------------------------|
|                                       | Apr. 1, 1938, to Aug. 6, 1938             | Apr. 1, 1939, to Aug. 5, 1939 | Week ended Aug. 6, 1938 | Week ended Aug. 5, 1939 |
| ORDINARY REVENUE                      |                                           |                               |                         |                         |
| Income Tax                            | 34,689                                    | 34,454                        | 6,523                   | 7,213                   |
| Sur-tax                               | 7,240                                     | 8,010                         | 170                     | 240                     |
| Stamp duties, etc.                    | 28,390                                    | 31,090                        | 1,350                   | 2,450                   |
| Stamps                                | 6,650                                     | 6,220                         | 110                     | 110                     |
| Nat. Defence Cont.                    | 3,580                                     | 8,180                         | 430                     | 570                     |
| Other Inland Rev.                     | 380                                       | 300                           | 50                      | ...                     |
| Total Inland Rev.                     | 80,929                                    | 88,254                        | 8,633                   | 10,583                  |
| Customs                               | 76,573                                    | 87,717                        | 3,917                   | 5,352                   |
| Excise                                | 36,900                                    | 37,888                        | 600                     | 815                     |
| Total Customs and Excise              | 113,473                                   | 125,605                       | 4,517                   | 6,167                   |
| Motor duties                          | 7,989                                     | 8,118                         | 1,501                   | 1,519                   |
| P.O. (Net Receipts)                   | 4,990                                     | 5,274                         | 1,050                   | 1,210                   |
| Crown Lands                           | 520                                       | 530                           | ...                     | ...                     |
| Receipts from Sundry Loans            | 3,219                                     | 2,802                         | 1,698                   | 1,289                   |
| Misc. receipts                        | 1,991                                     | 1,726                         | 34                      | 2                       |
| Total Ordinary Rev. SELF-BAL. REVENUE | 213,111                                   | 232,009                       | 17,433                  | 20,771                  |
| P.O. and Broadcasting                 | 25,060                                    | 25,776                        | 850                     | 1,040                   |
| Total                                 | 238,171                                   | 257,785                       | 18,283                  | 21,811                  |

| Expenditure                                                         | Issues out of the Exchequer to meet payments (£ thousands) |                               |                         |                         |
|---------------------------------------------------------------------|------------------------------------------------------------|-------------------------------|-------------------------|-------------------------|
|                                                                     | Apr. 1, 1938, to Aug. 6, 1938                              | Apr. 1, 1939, to Aug. 5, 1939 | Week ended Aug. 6, 1938 | Week ended Aug. 5, 1939 |
| ORDINARY EXPENDITURE                                                |                                                            |                               |                         |                         |
| Interest & Management of National Debt                              | 95,781                                                     | 97,674                        | 8,280                   | 8,409                   |
| Pay to N. Ireland                                                   | 2,568                                                      | 2,557                         | 277                     | 298                     |
| Other Consol. Fund Services                                         | 1,198                                                      | 3,209                         | ...                     | ...                     |
| Total                                                               | 99,547                                                     | 103,440                       | 8,557                   | 8,707                   |
| Supply Services                                                     | 241,108                                                    | 271,003                       | 12,911                  | 12,956                  |
| Defence, plus loans*                                                | 241,108                                                    | 323,503                       | 12,911                  | 21,956                  |
| Total Ord. Expend. Issues from Def. Lns. SELF-BALANCING EXPENDITURE | 340,655                                                    | 374,443                       | 21,468                  | 21,663                  |
| P.O. and Broadcasting                                               | 25,060                                                     | 25,776                        | 850                     | 1,040                   |
| Total                                                               | 365,715                                                    | 400,219                       | 22,318                  | 22,703                  |

\* Supply Services, after addition of issues under Defence Loans Acts.

After reducing Exchequer balances by £268,565 to £2,579,653, the other operations for the week (as shown below, excluding issues from loans or to sinking funds) raised the gross National Debt by £9,624,000 or about £8,484 millions.

## WEEK'S CHANGES IN DEBT

| NET INCREASES (£ thousands) |        | NET REPAYMENTS, ETC. |     |
|-----------------------------|--------|----------------------|-----|
| Treasury Bills              | 9,586  | P.O. and Teleg.      | 700 |
| Public Debt Adv.            | 645    | Nat. Sav. Certs.     | 100 |
| Other                       | 230    | N. At. Shipping      | 27  |
| and Settlements             | 11     | Old Sinking Fund     | 21  |
|                             | 10,472 |                      | 848 |

## AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to August 5, 1939, are shown below:—

| Ordinary Exp. ... (£ thousands)                      |         | Ord. Rev. ...      |         |
|------------------------------------------------------|---------|--------------------|---------|
| Issues under Def. Loan Acts                          | 52,500  | Gross borrs.       | 199,806 |
| Temporary Advances to Essential Commodities Reserves | 2,500   | Less: Sinking fds. | 2,292   |
| Fund ...                                             | 80      | Net borrowing      | 197,514 |
| Inc. in balances                                     | 429,523 |                    | 429,523 |

## FLOATING DEBT

| Date          | Treasury Bills |       | Ways and Means Advances |                 | Total Floating Debt | Floating Assets |
|---------------|----------------|-------|-------------------------|-----------------|---------------------|-----------------|
|               | Tender         | Tap   | Public Depts.           | Bank of England |                     |                 |
| 1938          |                |       |                         |                 |                     |                 |
| Aug. 6 1938   | 560.0          | 320.1 | 44.2                    | ...             | 924.3               | 364.3           |
| April 15 1938 | 394.0          | 511.7 | 35.4                    | ...             | 941.2               | 547.2           |
| " 22 1938     | 402.0          | 498.0 | 39.1                    | ...             | 939.1               | 537.1           |
| " 29 1938     | 409.0          | 498.7 | 50.8                    | ...             | 958.5               | 549.5           |
| May 6 1938    | 419.0          | 513.0 | 42.1                    | ...             | 978.6               | 559.1           |
| " 13 1938     | 429.0          | 510.2 | 44.6                    | ...             | 983.8               | 554.8           |
| " 20 1938     | 439.0          | 506.2 | 43.8                    | ...             | 939.0               | 550.0           |
| " 27 1938     | 449.0          | 505.6 | 44.7                    | ...             | 999.3               | 550.3           |
| June 3 1938   | 459.0          | 535.3 | 41.1                    | ...             | 1035.4              | 576.4           |
| " 10 1938     | 464.0          | 539.3 | 43.1                    | ...             | 1046.4              | 582.4           |
| " 17 1938     | 469.0          | 541.9 | 45.7                    | ...             | 1055.3              | 585.8           |
| " 24 1938     | 479.0          | 540.4 | 45.7                    | ...             | 1065.1              | 586.1           |
| July 1 1938   | 489.0          | 563.0 | 45.3                    | ...             | 1097.3              | 608.3           |
| " 8 1938      | 494.0          | 562.8 | 43.1                    | ...             | 1099.8              | 605.8           |
| " 15 1938     | 499.0          | 558.1 | 43.1                    | ...             | 1100.2              | 601.2           |
| " 22 1938     | 504.0          | 564.9 | 46.3                    | ...             | 1115.2              | 611.2           |
| Aug. 5 1938   | 510.0          | 568.5 | 46.9                    | ...             | 1125.4              | 615.4           |

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

## TREASURY BILLS

| Date of Tender | Amount  |             |          | Average Rate % | Per Cent. Allotted at minimum Rate |
|----------------|---------|-------------|----------|----------------|------------------------------------|
|                | Offered | Applied for | Allotted |                |                                    |
| 1938           |         |             |          |                |                                    |
| Aug. 5 1938    | 35.0    | 78.6        | 35.0     | 8.0            | 1.80                               |
| April 14 1938  | 30.0    | 51.3        | 30.0     | 31             | 2.37                               |
| " 21 1938      | 30.0    | 66.0        | 30.0     | 26             | 10.35                              |
| " 28 1938      | 30.0    | 63.5        | 30.0     | 24             | 3.67                               |
| May 5 1938     | 30.0    | 60.7        | 30.0     | 15             | 11.77                              |
| " 12 1938      | 30.0    | 58.3        | 30.0     | 13             | 4.61                               |
| " 19 1938      | 30.0    | 60.8        | 30.0     | 13             | 3.63                               |
| " 26 1938      | 40.0    | 58.3        | 40.0     | 13             | 1.91                               |
| June 2 1938    | 45.0    | 64.0        | 45.0     | 13             | 1.65                               |
| " 9 1938       | 45.0    | 66.8        | 45.0     | 14             | 5.23                               |
| " 16 1938      | 50.0    | 70.1        | 50.0     | 16             | 7.81                               |
| " 23 1938      | 50.0    | 60.7        | 50.0     | 14             | 6.51                               |
| " 30 1938      | 50.0    | 66.6        | 47.0     | 17             | 0.00                               |
| July 7 1938    | 40.0    | 63.3        | 37.0     | 16             | 8.32                               |
| " 14 1938      | 35.0    | 64.5        | 35.0     | 15             | 8.99                               |
| " 21 1938      | 35.0    | 68.6        | 35.0     | 14             | 8.61                               |
| " 28 1938      | 40.0    | 73.8        | 36.0     | 14             | 4.08                               |
| Aug. 4 1938    | 35.0    | 67.9        | 30.0     | 13             | 7.9                                |

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 August 4th applications at £99 16s. 6d. per cent. for bills to be paid for on Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 21 per cent. of the amount applied for and applications at higher prices in full. Applications at £99 16s. 7d. for bills to be paid for on Saturday were accepted in full. £30.0 millions of Treasury bills are being offered on August 11th.

## NATIONAL SAVINGS CERTIFICATES

| Sales in                            | Number     | Purchase Price |
|-------------------------------------|------------|----------------|
| Twenty-nine weeks to: July 23, 1938 | 18,945,454 | 14,209,096     |
| July 22, 1939                       | 17,769,856 | 13,327,355     |
| Week to: July 23, 1938              | 591,307    | 443,480        |
| July 15, 1939                       | 596,799    | 447,359        |
| July 22, 1939                       | 559,932    | 419,949        |

## BANK OF ENGLAND RETURNS

AUGUST 9th, 1939

## ISSUE DEPARTMENT

| Notes issued: £     |             | Govt. Debt: £        |             |
|---------------------|-------------|----------------------|-------------|
| In circultn.        | 521,876,938 | Other Govt.          | 11,015,100  |
| In Bkng. Department | 24,540,027  | Securities           | 288,154,925 |
|                     |             | Other Secs.          | 120,018     |
|                     |             | Silver Coin          | 709,957     |
|                     |             | Amt. of Fid. Issue   | 300,000,000 |
|                     |             | Gold Coin & Bullion† | 246,416,965 |
|                     |             |                      | 546,416,965 |

† At 148s. 6d. per oz. fine.

## BANKING DEPARTMENT

| Props. cap... £ |             | Govt. Secs... £    |             |
|-----------------|-------------|--------------------|-------------|
| Rest            | 14,553,000  | Discs., etc.       | 5,954,915   |
| Public Depts.*  | 31,845,568  | Securities         | 21,532,552  |
|                 |             | Notes              | 27,487,467  |
| Other Depts.:   |             | Gold & Silver Coin | 24,540,027  |
| Bankers         | 81,654,303  |                    |             |
| Other Accts.    | 35,929,321  |                    |             |
|                 | 117,583,624 |                    |             |
|                 |             |                    | 167,545,165 |

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

## THE WEEK'S CHANGES

| Both Departments                                        | Amt. Aug. 9, 1939 |           | Compared with |  |
|---------------------------------------------------------|-------------------|-----------|---------------|--|
|                                                         | Last Week         | Last Year |               |  |
| COMBINED LIABILITIES                                    |                   |           |               |  |
| Note circulation                                        | 521,877 +         | 1,307 +   | 31,883        |  |
| Deposits: Public                                        | 31,846 +          | 8,566 +   | 12,530        |  |
| Bankers                                                 | 81,654 -          | 7,924 -   | 24,424        |  |
| Others                                                  | 35,929 -          | 252 -     | 1,416         |  |
| Total outside liabilities                               | 671,306 +         | 1,697 +   | 21,405        |  |
| Capital and rest                                        | 18,116 +          | 29 -      | 30            |  |
| COMBINED ASSETS                                         |                   |           |               |  |
| Govt. debt and securities                               | 414,001 +         | 2,121 +   | 10,481        |  |
| Discounts and advances                                  | 5,955 -           | 902 -     | 3,284         |  |
| Other securities                                        | 21,653 +          | 465 +     | 700           |  |
| Silver coin in issue dept.                              | 710 -             | 2 -       | 700           |  |
| Gold coin and bullion                                   | 247,104 +         | 44 -      | 80,445        |  |
| Reserves                                                |                   |           |               |  |
| Res. of notes & coin in banking department              | 25,227 -          | 1,263 -   | 12,329        |  |
| Proportion of reserve to outside liabilities            | 16.8% +           | 0.9% +    | 6.6%          |  |
| (a) Bankers' dept. only ("proportion")                  |                   |           |               |  |
| (b) Gold stocks to deposits and notes ("reserve ratio") | 36.8% -           | 0.1% -    | 21.0%         |  |

## COMPARATIVE ANALYSIS\*

|                               | 1938    |         |         |        |        |
|-------------------------------|---------|---------|---------|--------|--------|
|                               | Aug. 10 | July 19 | July 26 | Aug. 2 | Aug. 9 |
| Issue Dept.:                  |         |         |         |        |        |
| Notes in circ.                | 490.0   | 507.6   | 510.9   | 520.6  | 521.9  |
| Notes in banking dept.        | 36.4    | 38.8    | 35.5    | 25.8   | 24.5   |
| Govt. debt and securities     | 199.5   | 299.1   | 299.3   | 299.3  | 299.2  |
| Other secas.                  | 0.0     | 0.2     | 0.0     | 0.0    | 0.1    |
| Silver coin                   | 0.0     | 0.7     | 0.7     | 0.7    | 0.7    |
| Gold, valued at s. per f. oz. | 326.4   | 246.4   | 246.4   | 246.4  | 246.4  |
| Deposits:                     |         |         |         |        |        |
| Public                        | 19.3    | 28.4    | 26.0    | 23.3   | 31.8   |
| Bankers                       | 106.1   | 95.5    | 91.4    | 89.6   | 81.7   |
| Others                        | 34.5    | 36.4    | 36.7    | 36.2   | 35.9   |
| Total                         | 159.9   | 160.3   | 154.1   | 149.1  | 149.4  |
| Bkng. Dept. Secs.             |         |         |         |        |        |
| Government                    | 109.7   | 105.1   | 106.5   | 112.6  | 114.8  |
| Discounts, etc.               | 9.2     | 9.1     | 8.0     | 6.9    | 6.0    |
| Other                         | 21.5    | 24.7    | 21.5    | 21.2   | 21.5   |
| Total                         | 140.5   | 138.9   | 136.0   | 140.7  | 142.3  |
| Banking dept. reserve         | 37.6    | 39.4    | 36.1    | 26.5   | 25.2   |
| "Proportion"                  | 23.4    | 24.5    | 23.4    | 17.7   | 16.8   |
| Reserve ratio                 | 57.8    | 37.0    | 37.1    | 36.9   | 36.8   |

\* 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 Bank of Denmark appeared in *The Economist* of July 8th; Iran and Lithuania, of July 15th; Argentina, of July 22nd; Egypt, Japan and Norway, of July 29th; Canada, Estonia, Greece, Java, Latvia, Poland, Prague, Reichsbank, Turkey and Federal Reserve Reporting Members, of August 5th.

## U.S. FEDERAL RESERVE BANKS

| Million \$'s                                 |        | Aug. 11, 1938 |        | July 13, 1939 |  | Aug. 10, 1939 |  |
|----------------------------------------------|--------|---------------|--------|---------------|--|---------------|--|
| 12 U.S.F.R. BANKS                            |        |               |        |               |  |               |  |
| RESOURCES                                    |        |               |        |               |  |               |  |
| Gold certifs. on hand and due from Treas.    | 10,633 | 13,605        | 13,869 | 13,914        |  |               |  |
| Total reserves                               | 11,036 | 13,966        | 14,228 | 14,272        |  |               |  |
| Total cash reserves                          | 394    | 353           | 350    | 349           |  |               |  |
| Total bills discounted                       | 7      | 5             | 5      | 5             |  |               |  |
| Bills bt. in open mkt.                       | 1      | 1             | 1      | 1             |  |               |  |
| Total bills on hand                          | 16     | 13            | 12     | 12            |  |               |  |
| Industrial advances                          | 2,564  | 2,535         | 2,453  | 2,443         |  |               |  |
| Total U.S. Govt. secas.                      | 2,587  | 2,553         | 2,470  | 2,460         |  |               |  |
| Total bills and secas.                       | 14,250 | 17,341        | 17,461 | 17,430        |  |               |  |
| LIABILITIES                                  |        |               |        |               |  |               |  |
| F.R. notes in circn.                         | 4,136  | 4,523         | 4,531  | 4,551         |  |               |  |
| Aggregate of excess m. bank res. over reqts. | 2,920  | 4,450         | 4,460  | 4,530         |  |               |  |
| Deposits: Member-bank reserve account        | 8,046  | 10,350        | 10,413 | 10,509        |  |               |  |
| Govt. deposits                               | 839    | 791           | 863    | 844           |  |               |  |
| Total deposits                               | 9,249  | 11,778        | 11,939 | 11,950        |  |               |  |
| Cap. paid in and surplus                     | 309    | 312           | 312    | 312           |  |               |  |
| Total liabilities                            | 14,250 | 17,341        | 17,461 | 17,430        |  |               |  |
| Reserve to depts. and F.R. notes             | 82.4%  | 85.7%         | 86.4%  | 86.5%         |  |               |  |
| U.S.F.R. BANKS AND TREASURY COMBINED         |        |               |        |               |  |               |  |
| RESOURCES                                    |        |               |        |               |  |               |  |
| Monetary gold stock                          | 13,033 | 16,174        | 16,248 | 16,270        |  |               |  |
| Treasury and Nat. Bk. currency               | 2,723  | 2,885         | 2,895  | 2,897         |  |               |  |
| LIABILITIES                                  |        |               |        |               |  |               |  |
| Money in circulation                         | 6,466  | 7,041         | 7,054  | 7,070         |  |               |  |
| Treasury cash and deposits with F.R. Bks.    | 3,206  | 3,543         | 3,233  | 3,198         |  |               |  |

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

## BANK CLEARINGS

## LONDON

(£ thousands)

|                         | Month of July |           |        | Week ended Wednesday |              | Aggregate from January 1 to |              |
|-------------------------|---------------|-----------|--------|----------------------|--------------|-----------------------------|--------------|
|                         | 1938          | 1939      | Change | Aug. 10, 1938        | Aug. 9, 1939 | Aug. 10, 1938               | Aug. 9, 1939 |
| Number of working days: | 26            | 26        | %      | 6                    | 5            | 186                         | 185          |
| Town .....              | 2,976,141     | 2,594,921 | - 12.9 | 649,888              | 514,236      | 20,724,028                  | 18,500,702   |
| Metropolitan .....      | 187,040       | 183,783   | - 1.8  | 41,900               | 40,538       | 1,303,432                   | 1,269,160    |
| Country .....           | 318,322       | 333,744   | + 4.9  | 82,657               | 81,221       | 2,282,173                   | 2,297,406    |
| Total .....             | 3,481,503     | 3,112,448 | - 10.6 | 774,445              | 635,995      | 24,309,633                  | 22,067,268   |

## PROVINCIAL

(£ thousands)

|                       | Month of July |         |        | Week ended Saturday |              | Aggregate from January 1 to |              |
|-----------------------|---------------|---------|--------|---------------------|--------------|-----------------------------|--------------|
|                       | 1938          | 1939    | Change | Aug. 6, 1938        | Aug. 5, 1939 | Aug. 6, 1938                | Aug. 5, 1939 |
| No. of working days:  | 26            | 26      | %      | 5                   | 6            | 184                         | 184          |
| BIRMINGHAM .....      | 12,210        | 11,754  | - 3.7  | 2,079               | 3,447        | 76,029                      | 75,709       |
| BRISTOL .....         | 3,380         | 3,970   | + 17.4 | 902                 | 1,256        | 25,280                      | 26,567       |
| BURTON .....          | 5,570         | 5,547   | - 0.4  | 987                 | 1,443        | 39,471                      | 41,144       |
| HULL .....            | 3,701         | 3,589   | - 0.3  | 812                 | 858          | 26,489                      | 25,025       |
| LEEDS .....           | 4,468         | 4,414   | - 1.2  | 727                 | 1,159        | 30,905                      | 31,223       |
| LEICESTER .....       | 3,494         | 3,253   | - 6.8  | 551                 | 922          | 22,300                      | 22,281       |
| LIVERPOOL .....       | 23,865        | 21,242  | - 10.9 | 4,329               | 165,548      | 154,494                     | 154,494      |
| MANCHESTER .....      | 39,618        | 43,315  | + 9.3  | 9,759               | 12,347       | 294,753                     | 296,799      |
| NEWCASTLE .....       | 6,333         | 6,640   | + 4.8  | 1,492               | 1,881        | 48,060                      | 47,563       |
| NOTTINGHAM .....      | 2,327         | 2,163   | - 7.0  | 521                 | 690          | 15,963                      | 15,502       |
| SHEFFIELD .....       | 4,779         | 4,764   | - 0.3  | 1,286               | 1,758        | 35,040                      | 33,690       |
| Total: 11 Towns ..... | 109,745       | 110,651 | + 0.8  | 23,445              | 30,697       | 779,838                     | 769,997      |
| DUBLIN .....          | ...           | ...     | ...    | 4,778               | 5,603        | 194,940                     | 191,472      |

† 31 weeks.

## MONEY RATES

## LONDON

|                                                  | Aug. 3, 1939 | Aug. 4, 1939 | Aug. 5, 1939 | Aug. 7, 1939 | Aug. 8, 1939 | Aug. 9, 1939 | Aug. 10, 1939 |
|--------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Bank rate (changed from 2½% June 30, 1932) ..... | 2            | 2            | 2            | 2            | 2            | 2            | 2             |
| Market rates of discount                         |              |              |              |              |              |              |               |
| 60 days' bank drafts .....                       | 58-11½       | 21½          | 58-21½       | 58           | 58           | 58           | 58            |
| 3 months' do. ....                               | 11½          | 21½-11½      | 21½-11½      | 21½          | 58-21½       | 58-21½       | 58-21½        |
| 4 months' do. ....                               | 34           | 34           | 34           | 34           | 34           | 34           | 34            |
| 6 months' do. ....                               | 1-1½         | 1-1½         | 1-1½         | 1-1½         | 1-1½         | 1-1½         | 1-1½          |
| Discount Treasury Bills                          |              |              |              |              |              |              |               |
| 2 months' .....                                  | 58-11½       | 58-11½       | 58-21½       | 58-21½       | 58           | 58           | 58            |
| 3 months' .....                                  | 11½          | 11½          | 21½-11½      | 21½          | 58-21½       | 58-21½       | 58-21½        |
| Loans—Day-to-day .....                           | 12-1         | 12-1         | 12-1         | 12-1         | 12-1         | 12-1         | 12-1          |
| Short .....                                      | 12-1         | 12-1         | 12-1         | 12-1         | 12-1         | 12-1         | 12-1          |
| Deposit allwncs.: Bk. ....                       | 12           | 12           | 12           | 12           | 12           | 12           | 12            |
| Discount houses at call                          | 12           | 12           | 12           | 12           | 12           | 12           | 12            |
| At notice .....                                  | 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 |
| July 13 ..... | 12-1        | 11½        | 7-15½    | 14       | 3-3½        | 314-312  | 312-4    |
| " 20 .....    | 12-1        | 25-13½     | 13-15½   | 11-14    | 3-3½        | 314-312  | 312-4    |
| " 27 .....    | 12-1        | 23-14      | 15½      | 1-11½    | 3-3½        | 314-312  | 312-4    |
| Aug. 3 .....  | 12-1        | 11½        | 34       | 1-11½    | 3-3½        | 314-312  | 312-4    |
| " 10 .....    | 12-1        | 58-21½     | 34       | 1-11½    | 3-3½        | 314-312  | 312-4    |

## NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

|                                         | Aug. 10, 1938 | July 12, 1939 | July 19, 1939 | July 26, 1939 | Aug. 2, 1939 | Aug. 9, 1939 |
|-----------------------------------------|---------------|---------------|---------------|---------------|--------------|--------------|
| Call money .....                        | 1%            | 1%            | 1%            | 1%            | 1%           | 1%           |
| Time money (90 days' mixed coll.) ..... | 1½            | 1½            | 1½            | 1½            | 1½           | 1½           |
| Bank acceptances:—                      |               |               |               |               |              |              |
| Members—eligible, 90 days .....         | 1½            | 1½            | 1½            | 1½            | 1½           | 1½           |
| Non-mem.—eligible, 90 days .....        | 1½            | 1½            | 1½            | 1½            | 1½           | 1½           |
| Commercial accept., 90 days .....       | 1             | 1             | 1             | 1             | 1            | 1            |

## EXCHANGE RATES

## LONDON—SPOT

## (a) Active Exchanges

(Range of the day's business)

| London on        | Par of Exch. per £ | Aug. 4, 1939 | Aug. 5, 1939 | Aug. 7, 1939 | Aug. 8, 1939 | Aug. 9, 1939 | Aug. 10, 1939 |
|------------------|--------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| New York, \$     | 4.86½              | 4.68-68½     | 4.68-68½     | 4.68-68½     | 4.68-68½     | 4.68-68½     | 4.68-68½      |
| Montreal, \$     | 4.86½              | 4.67½-68½    | 4.67½-68½    | 4.67½-68½    | 4.67½-68½    | 4.67½-68½    | 4.67½-68½     |
| Paris, Fr.       | 124.21             | 176½-176½    | 176½-176½    | 176½-176½    | 176½-176½    | 176½-176½    | 176½-176½     |
| Brussels, Bel.   | 35.00a             | 27.54-57     | 27.54-57     | 27.54-57     | 27.54-57     | 27.54-57     | 27.54-57      |
| Milan, L.        | 92.46              | 88½-89½      | 88½-89½      | 88½-89½      | 88½-89½      | 88½-89½      | 88½-89½       |
| Zurich, Fr.      | 25.22½             | 20.72-76     | 20.72-76     | 20.72-76     | 20.72-76     | 20.72-76     | 20.72-76      |
| Athens, Dr.      | 375                | 540-555      | 540-555      | 540-555      | 540-555      | 540-555      | 540-555       |
| Amst'dm, Fl.     | 12.107             | 8.77½-80     | 8.77½-80     | 8.77½-80     | 8.77½-80     | 8.77½-80     | 8.77½-80      |
| Berlin, Mk.      | 20.43              | 11.65-68     | 11.65-68     | 11.65-68     | 11.65-68     | 11.65-68     | 11.65-68      |
| Registered Marks |                    |              |              |              |              |              |               |
| Br. India Rup.   | †18d               | 63-68        | 63-68        | 63-68        | 63-68        | 63-68        | 63-68         |
| Hong Kong, \$    | †100               | 145½-146     | 145½-146     | 145½-146     | 145½-146     | 145½-146     | 145½-146      |
| Shanghai, \$     | †100               | 4.45½-4.46   | 4.45½-4.46   | 4.45½-4.46   | 4.45½-4.46   | 4.45½-4.46   | 4.45½-4.46    |
| Rio, Mil.        | †589d              | 20.17-20.17  | 20.17-20.17  | 20.17-20.17  | 20.17-20.17  | 20.17-20.17  | 20.17-20.17   |
| B. Aires, \$     | 11.45              | 17.13½       | 17.13½       | 17.13½       | 17.13½       | 17.13½       | 17.13½        |
| Valparaiso, \$   | 40                 | 117 e (f)    | 117 e (f)    | 117 e (f)    | 117 e (f)    | 117 e (f)    | 117 e (f)     |
| Montevideo, \$   | †51d               | 173½-183½    | 173½-183½    | 173½-183½    | 173½-183½    | 173½-183½    | 173½-183½     |
| Lima, Sol.       | 17.38              | 24½-25½      | 24½-25½      | 24½-25½      | 24½-25½      | 24½-25½      | 24½-25½       |
| Mexico, Pes.     | 9.76               | Unq'd        | Unq'd        | Unq'd        | Unq'd        | Unq'd        | Unq'd         |
| Manila, Pes.     | †25.66d            | 25½-26½      | 25½-26½      | 25½-26½      | 25½-26½      | 25½-26½      | 25½-26½       |
| Moscow, Rbls.    | ...                | 24.81-81½    | 24.81-81½    | 24.81-81½    | 24.81-81½    | 24.81-81½    | 24.81-81½     |

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. (e) Latest "export" rate. (g) Official rate is \$15 sellers. (h) Average remittance rate for importers. (i) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (j) Nominal.

## (b) Other Exchanges

| London on        | Par of Exch. per £ | August 4, 1939 | August 9, 1939 | August 10, 1939 |
|------------------|--------------------|----------------|----------------|-----------------|
| Helsingfors, M.  | 193.23             | 226½-227½      | 226½-227½      | 226½-227½       |
| Madrid, Pt.      | 25.22½             | 42½-43½        | 42½-43½        | 42½-43½         |
| Lisbon, Esc.     | 110                | 110-110½       | 110-110½       | 110-110½        |
| Budapest, Pen.   | 27.82              | 24*            | 24*            | 24*             |
| 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                | 590*           | 590*           | 590*            |
| Belgrade, Din.   | 276.32             | 205-215        | 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.           | 131½-141½      | 131½-141½      | 131½-141½       |
| Singapore, \$    | †1.28d.            | 28-28½         | 28-28½         | 28-28½          |
| Batavia, F.      | 12.11              | 8.75-78        | 8.75-78        | 8.75-78         |
| 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) Official.

## LONDON—FORWARD

(Closing quotations)

| London on       | Aug. 4, 1939       | Aug. 5, 1939 | Aug. 7, 1939 | Aug. 8, 1939 | Aug. 9, 1939 | Aug. 10, 1939 |
|-----------------|--------------------|--------------|--------------|--------------|--------------|---------------|
|                 | Per £              | Per £        | Per £        | Per £        | Per £        | Per £         |
| New York cent.  | 1 Month (p) 58-12  | (p) 58-12    | (p) 11½-9½   | (p) 11½-9½   | (p) 11½-9½   | (p) 78-34     |
|                 | 2 " 11½-11½        | 11½-11½      | 11½-11½      | 11½-11½      | 11½-11½      | 11½-11½       |
|                 | 3 " 17½-134        | 17½-134      | 2-17½        | 2-17½        | 2-17½        | 2-17½         |
| Paris, francs   | 1 Month (p) 132-32 | (d) 132-32   | (p) 132-32   | (p) 132-32   | (p) 132-32   | (p) 132-32    |
|                 | 2 " 132-32         | 132-32       | 132-32       | 132-32       | 132-32       | 132-32        |
|                 | 3 " 316-16         | 316-16       | 316-16       | 316-16       | 316-16       | 316-16        |
| Amsterdam cent. | 1 Month (p) 14-par | (p) 14-par   | (p) 14-par   | (p) 14-par   | (p) 14-par   | (p) 14-par    |
|                 | 2 " 14-par         | 14-par       | 14-par       | 14-par       | 14-par       | 14-par        |
|                 | 3 " 14-par         | 14-par       | 14-par       | 14-par       | 14-par       | 14-par        |
| Brussels, cent. | 1 Month (p) 14-par | (p) 14-par   | (p) 14-par   | (p) 14-par   | (p) 14-par   | (p) 14-par    |
|                 | 2 " 14-par         | 14-par       | 14-par       | 14-par       | 14-par       | 14-par        |
|                 | 3 " 14-par         | 14-par       | 14-par       | 14-par       | 14-par       | 14-par        |
| Zurich, cent.   | 1 Month (p) 2½-1   | (p) 2½-1     | (p) 2½-1     | (p) 2½-1     | (p) 2½-1     | (p) 2½-1      |
|                 | 2 " 4½-2½          | 4½-2½        | 4½-2½        | 4½-2½        | 4½-2½        | 4½-2½         |
|                 | 3 " 7-5            | 7-5          | 7-5          | 7-5          | 7-5          | 7-5           |

(p) Premium.

(d) Discount.

## EXCHANGE RATES—cont.

## NEW YORK

| New York on        | Aug. 3, 1939  | Aug. 4, 1939  | Aug. 7, 1939  | Aug. 8, 1939  | Aug. 9, 1939  |
|--------------------|---------------|---------------|---------------|---------------|---------------|
| London:—           |               |               |               |               |               |
| 60 days .....      | Cents 467½-32 | Cents 467½-32 | Cents 467½-32 | Cents 467½-32 | Cents 467½-32 |
| Cables .....       | 468½          | 468½          | 468½          | 468½          | 468½          |
| Demand .....       | 2.64½-16      | 2.64½-16      | 2.64½-16      | 2.64½-16      | 2.64½-16      |
| Paris, Fr.         | 16.99         | 16.99½        | 16.99         | 16.99         | 16.99         |
| Brussels, Bel.     | 22.56         | 22.57½        | 22.58         | 22.57½        | 22.57½        |
| Switzerland, Fr.   | 5.26½         | 5.26½         | 5.26½         | 5.26½         | 5.26½         |
| Italy, Lira        | 40.13         | 40.13         | 40.13         | 40.13         | 40.13         |
| Berlin, Mark       | 20.90         | 20.90         | 20.90         | 20.90         | 20.90         |
| Amsterdam, Guilder | 23.52½        | 23.52½        | 23.52½        | 23.52½        | 23.52½        |
| Copenhagen, Kr.    | 24.12½        | 24.12½        | 24.12½        | 24.12½        | 24.12½        |
| Oslo, Kr.          | 24.12½        | 24.12½        | 24.12½        | 24.12½        | 24.12½        |
| Stockholm, Kr.     | 0.85½         | 0.85½         | 0.85½         | 0.85½         | 0.85½         |
| Athens, Dr.        | 100.00        | 100.00        | 100.00        | 100.00        | 100.00        |
| Montreal, Can. \$  | 27.31         | 27.31         | 27.31         | 27.31         | 27.31         |
| Yokohama, Yen      | 8.85          | 8.85          | 8.85          | 8.85          | 8.85          |
| Shanghai, \$       | 29.04         | 29.04         | 29.04         | 29.04         | 29.04         |
| B. Aires, Peso     | 5.10          | 5.10          | 5.10          | 5.10          | 5.10          |
| Rio, Milreis†      | 5.10          | 5.10          | 5.10          | 5.10          | 5.10          |

Usance: T.T.

† Official.

MONTHLY STATEMENT OF LONDON CLEARING BANKS  
(000's omitted)

| Average Weekly Balance<br>JULY, 1939                                                                        | Barclays<br>Bank<br>Limited | Coutts<br>and Co. | District<br>Bank<br>Limited | Glyn,<br>Mills<br>and Co. | Lloyds<br>Bank<br>Limited | Martins<br>Bank<br>Limited | Midland<br>Bank<br>Limited | National<br>Bank<br>Limited | National<br>Provin-<br>cial<br>Bank<br>Limited | West-<br>minster<br>Bank<br>Limited | Williams<br>Deacon's<br>Bank<br>Limited | Aggre-<br>gate   |
|-------------------------------------------------------------------------------------------------------------|-----------------------------|-------------------|-----------------------------|---------------------------|---------------------------|----------------------------|----------------------------|-----------------------------|------------------------------------------------|-------------------------------------|-----------------------------------------|------------------|
| ASSETS                                                                                                      | £                           | £                 | £                           | £                         | £                         | £                          | £                          | £                           | £                                              | £                                   | £                                       | £                |
| Coin, bank notes and<br>balances with the Bank<br>of England .....                                          | 43,928                      | 1,827             | 8,565                       | 3,254                     | 41,280                    | 9,904                      | 48,594                     | 3,111                       | 35,698                                         | 34,978                              | 3,752                                   | 234,891          |
| Balances with and cheques<br>in course of collection<br>on other Banks in Great<br>Britain and Ireland..... | 11,587                      | 812               | 2,101                       | 3,108                     | 9,892<br>3,257            | 2,734<br>662               | 11,897<br>...              | 278<br>...                  | 7,134<br>...                                   | 9,178<br>...                        | 1,783<br>...                            | 60,504<br>3,919  |
| Items in transit.....                                                                                       | ...                         | ...               | ...                         | ...                       | ...                       | ...                        | ...                        | ...                         | ...                                            | ...                                 | ...                                     | ...              |
| Money at call and short<br>notice.....                                                                      | 24,565                      | 2,975             | 9,301                       | 9,111                     | 27,071                    | 5,855                      | 24,605                     | 3,503                       | 16,080                                         | 26,088                              | 6,240                                   | 155,394          |
| Bills discounted .....                                                                                      | 63,763                      | 1,285             | 7,324                       | 405                       | 49,159                    | 5,105                      | 64,244                     | 1,445                       | 36,176                                         | 48,248                              | 884                                     | 278,038          |
| Investments .....                                                                                           | 96,512                      | 6,820             | 28,777                      | 9,414                     | 107,544                   | 30,782                     | 112,648                    | 14,302                      | 74,671                                         | 104,277                             | 11,205                                  | 596,952          |
| Advances to customers and<br>other accounts .....                                                           | 201,210                     | 10,329            | 30,582                      | 7,253                     | 163,115                   | 47,048                     | 215,495                    | 16,475                      | 142,921                                        | 132,558                             | 14,929                                  | 981,915          |
| Liabilities of customers for<br>acceptances, endorse-<br>ments, etc.....                                    | 15,490                      | 731               | 9,548                       | 3,559                     | 34,484                    | 7,216                      | 19,087                     | 295                         | 9,185                                          | 20,640                              | 1,889                                   | 122,124          |
| Bank premises account.....                                                                                  | 7,499                       | 412               | 1,621                       | 740                       | 7,496                     | 2,842                      | 9,687                      | 580                         | 7,415                                          | 5,278                               | 1,049                                   | 44,619           |
| Investments in affiliated<br>banks and subsidiary<br>companies .....                                        | 7,010                       | ...               | ...                         | ...                       | 3,624                     | ...                        | 8,016                      | ...                         | 2,514                                          | 2,992                               | ...                                     | 24,156           |
|                                                                                                             | 471,564                     | 25,191            | 97,819                      | 36,844                    | 446,922                   | 112,148                    | 514,273                    | 39,989                      | 331,794                                        | 384,237                             | 41,731                                  | 2,502,512        |
| Ratio of cash to current,<br>deposit and other ac-<br>counts .....                                          | 10·23                       | 8·13              | 10·40                       | 10·37                     | 10·66                     | 10·19                      | 10·39                      | 8·72                        | 11·72                                          | 10·14                               | 10·12                                   | 10·49            |
| 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                     | 1,160                       | 8,500                                          | 9,320                               | 900                                     | 60,596           |
| Current, deposit and other<br>accounts.....                                                                 | 429,466                     | 22,460            | 82,319                      | 31,390                    | 387,122                   | 97,202                     | 467,617                    | 35,675                      | 304,630                                        | 344,945                             | 37,067                                  | 2,239,893        |
| Acceptances, endorsements,<br>etc. ....                                                                     | 15,490                      | 731               | 9,548                       | 3,559                     | 34,484<br>6               | 7,216<br>20                | 19,087<br>...              | 295<br>1,359                | 9,185<br>...                                   | 20,640<br>12                        | 1,889<br>...                            | 122,124<br>1,397 |
| Notes in circulation .....                                                                                  | ...                         | ...               | ...                         | ...                       | ...                       | ...                        | ...                        | ...                         | ...                                            | ...                                 | ...                                     | ...              |
| Reduction of bank premises<br>account .....                                                                 | ...                         | ...               | ...                         | 305                       | ...                       | ...                        | ...                        | ...                         | ...                                            | ...                                 | ...                                     | 305              |
|                                                                                                             | 471,564                     | 25,191            | 97,819                      | 36,844                    | 446,922                   | 112,148                    | 514,273                    | 39,989                      | 331,794                                        | 384,237                             | 41,731                                  | 2,502,512        |



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

| Prices, Year 1938  |                  | Prices, Year 1939 Jan. 1 to Aug. 9, inclusive |                  | Name of Security              | Price, Aug. 9, 1939  | Change since Aug. 2, 1939 | Yield, Aug. 9, 1939 | Prices, Year 1939 Jan. 1 to Aug. 9, inclusive |                     | Last two Dividends | Name of Security                 | Price, Aug. 9, 1939 | Change since Aug. 2, 1939 | Yield, Aug. 9, 1939 |
|--------------------|------------------|-----------------------------------------------|------------------|-------------------------------|----------------------|---------------------------|---------------------|-----------------------------------------------|---------------------|--------------------|----------------------------------|---------------------|---------------------------|---------------------|
| High-est           | Low-est          | High-est                                      | Low-est          |                               |                      |                           |                     | High-est                                      | Low-est             |                    |                                  |                     |                           |                     |
| 791 <sup>4</sup>   | 64               | 711 <sup>8</sup>                              | 647 <sup>8</sup> | <b>British Funds</b>          | 661 <sup>2</sup>     | +1                        | £ s. d.             | 11/10 <sup>12</sup>                           | 6                   | a                  | Brit. Overseas A £5              | 15/-                | -                         | £ s. d.             |
| 1113 <sup>4</sup>  | 98               | 1071 <sup>8</sup>                             | 101              | Consols 2 1/2% .....          | 1011 <sup>2</sup>    | +14                       | 3 15 2              | 97 <sup>8</sup>                               | 6 3/4               | 5                  | Chrd. of India £5 ..             | 6 3/4               | +1 <sup>8</sup>           | 7 8 0               |
| 1003 <sup>4</sup>  | 90               | 963 <sup>4</sup>                              | 901 <sup>8</sup> | Do. 4% (aft. 1957) ..         | 951 <sup>2</sup>     | +14                       | 3 2 1               | 12/6                                          | 3 1/4               | 5                  | Com. Bk. of Aus. 10/-            | 11/3xd              | -                         | 4 18 0              |
| 1031 <sup>4</sup>  | 92               | 991 <sup>8</sup>                              | 927 <sup>8</sup> | Conv. 2 1/2% 1944-49 ..       | 953 <sup>4</sup>     | +14                       | 3 7 11              | 52/9                                          | 5 5                 | 5                  | Dist. B. £1 fy. pd.              | 48/9                | -                         | 4 2 1               |
| 1049 <sup>8</sup>  | 90 1/2           | 991 <sup>8</sup>                              | 91               | Do. 3 1/2% 1948-53 ..         | 922 <sup>12</sup>    | +14                       | 3 15 8              | 75/-                                          | 3 1/2               | 6                  | En. S. & Aust. £5 3/4p.          | 62/6                | -                         | 6 14 0              |
| 1051 <sup>8</sup>  | 100              | 1041 <sup>2</sup>                             | 102              | Do. 4 1/2% 1940-44 ..         | 1021 <sup>12</sup>   | +14                       | 3 2 4               | 101 <sup>4</sup>                              | 10 10               | 8                  | Hambros 10/0, £2 1/2p.           | 81 <sup>4</sup>     | -                         | 5 9 0               |
| 911 <sup>11</sup>  | 81               | 1053 <sup>8</sup>                             | 91               | Do. 5% 1944-64 ..             | 1091 <sup>4</sup>    | +14                       | 3 3 3               | £93                                           | £73 1/4             | £3 1/2             | Hong. & S. £125                  | 73 <sup>4</sup>     | -                         | 4 9 0               |
| 1051 <sup>8</sup>  | 102              | 1053 <sup>8</sup>                             | 102              | Fund. 2 1/2% 1956-61 ..       | 841 <sup>4</sup>     | +14                       | 3 12 0              | 59/41 <sup>2</sup>                            | 6 6                 | 6                  | Lloyds £5, £1 pd. ....           | 54 <sup>12</sup>    | -                         | 4 10 0              |
| 971 <sup>11</sup>  | 88 1/2           | 871 <sup>8</sup>                              | 87 3/4           | Fund. 3 1/2% 1952-57 ..       | 901 <sup>2</sup>     | +14                       | 3 10 1              | 87 <sup>8</sup>                               | 7 1/2               | 7                  | Midland £1 fy. pd. ....          | 71 <sup>8</sup>     | -                         | 4 10 0              |
| 991 <sup>11</sup>  | 90               | 951 <sup>8</sup>                              | 89               | Fund. 3 3/4% 1959-69 ..       | 911 <sup>2</sup>     | +12                       | 3 10 3              | 86 <sup>1</sup>                               | 5 1/2               | 5                  | Nat. Dis. £2 1/2p.               | 79 <sup>1</sup>     | -1/-                      | 4 2 0               |
| 1141 <sup>8</sup>  | 98               | 1091 <sup>2</sup>                             | 102 1/2          | Fund. 4 1/2% 1960-90 ..       | 105 <sup>2</sup>     | +12                       | 3 14 2              | 6                                             | 5 1/2               | 5                  | Nat. Ind. £25, £10 ..            | 23                  | -1                        | 4 10 0              |
| 1011 <sup>11</sup> | 90               | 991 <sup>4</sup>                              | 92 1/2           | Nat. D. 2 1/2% 1944-48 ..     | 971 <sup>2</sup>     | +12                       | 3 0 6               | 30 <sup>8</sup>                               | 20 <sup>8</sup>     | 11                 | N. Prov. £5, £1 pd.              | 63/6                | -6d                       | 4 14 0              |
| 1001 <sup>4</sup>  | 93               | 967 <sup>8</sup>                              | 91 1/2           | Do. 3% 1954-58 ..             | 931 <sup>2</sup>     | +12                       | 3 9 11              | 341 <sup>4</sup>                              | 27 <sup>12</sup>    | 8                  | Roy. Bk. of Scotland             | 430                 | -                         | 3 19 1              |
| 1121 <sup>11</sup> | 100              | 1083 <sup>8</sup>                             | 102 3/4          | Victory Bonds 4% ..           | 105 <sup>2</sup>     | +12                       | 3 12 9              | 71/-                                          | 60/6                | 7 1/2              | St. of S.A. £20, £5 pd.          | 131 <sup>4</sup>    | -                         | 5 6 0               |
| 1039 <sup>8</sup>  | 90 1/2           | 987 <sup>8</sup>                              | 90 3/4           | War L. 3 1/2% aft. 1952 ..    | 913 <sup>4</sup>     | +12                       | 3 16 4              | 45 <sup>1</sup>                               | 417                 | 8 1/2              | Union S. Dis. £1 ..              | 43/9                | -                         | 4 11 5              |
| 102 <sup>11</sup>  | 90 1/2           | 99 <sup>8</sup>                               | 95 1/2           | Local Loans 3% ..             | 781 <sup>4</sup>     | +12                       | 3 16 8              | 161 <sup>8</sup>                              | 331 <sup>16</sup>   | 5                  | West. £4, £1 pd. ....            | 80/6                | -                         | 4 9 0               |
| 681 <sup>2</sup>   | 55               | 76 <sup>4</sup>                               | 55 1/2           | Austria 3% 1933-53 ..         | 951 <sup>2</sup>     | +12                       | 3 8 9               | 46/-                                          | 91/9                | 6 1/4              |                                  |                     |                           |                     |
| 821 <sup>4</sup>   | 68               | 76 <sup>4</sup>                               | 65 1/2           | India 2 1/2% ..               | 591 <sup>2</sup>     | +12                       | 4 4 0               | 46/-                                          | 91/9                | 9                  |                                  |                     |                           |                     |
| 958 <sup>8</sup>   | 75               | 90 <sup>8</sup>                               | 78               | Do. 3 1/2% ..                 | 84 <sup>4</sup>      | +12                       | 4 3 4               |                                               |                     |                    |                                  |                     |                           |                     |
| 1171 <sup>8</sup>  | 110              | 1151 <sup>4</sup>                             | 105 3/4          | Do. 4 1/2% 1958-68 ..         | 107 <sup>2</sup>     | +2                        | 4 0 2               | 263 <sup>4</sup>                              | 23                  | 40                 | Alliance £1, fully pd.           | 23                  | -1                        | 3 18 0              |
| 1087 <sup>8</sup>  | 97               | 1061 <sup>4</sup>                             | 99               | <b>Dom. &amp; Govt. Secs.</b> |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
| 1041 <sup>11</sup> | 97               | 1031 <sup>2</sup>                             | 99 1/2           | Austr. 5% 1945-75 ..          | 1001 <sup>2</sup>    | +12                       | 4 19 3              | 98 <sup>1</sup>                               | 85 <sup>8</sup>     | 20                 | Atlas £5, £1 1/4 pd.             | 131 <sup>2</sup>    | -                         | 2 19 3 1/2          |
| 115                | 109 1/2          | 1121 <sup>2</sup>                             | 107 1/2          | Canada 4% 1940-70 ..          | 1001 <sup>2</sup>    | +12                       | 3 19 7              | 98 <sup>1</sup>                               | 85 <sup>8</sup>     | 20                 | Com. Un. £1, fy. pd.             | 81 <sup>2</sup>     | -                         | 4 0 0               |
| 108                | 95 1/2           | 103                                           | 94               | Nigeria 5% 1950-60 ..         | 1071 <sup>2</sup>    | +12                       | 4 3 0               | 21 <sup>2</sup>                               | 25                  | 25                 | Gen. Acc. £1, 5/- pd.            | 87/6                | -                         | 4 0 0               |
| 1071 <sup>11</sup> | 95               | 1023 <sup>4</sup>                             | 98               | N. Zealand 5% 1946            | 1001 <sup>2</sup>    | +12                       | 4 19 6              | 117                                           | 31 <sup>2</sup>     | 31 <sup>2</sup>    | Lon. & Lanc. £5, £2p.            | 10                  | -                         | 3 2 6               |
| 1121 <sup>11</sup> | 97               | 110                                           | 104 1/4          | Queens. 5% 1940-60            | 1001 <sup>2</sup>    | +12                       | 4 19 6              | 20                                            | 161 <sup>18</sup>   | 130                | Pearl (£1) 8/- pd.               | 17 <sup>10</sup>    | -                         | 3 2 6               |
| 961 <sup>2</sup>   | 78               | 85                                            | 76 1/2           | S. Africa 5% 1945-75          | 77                   | -1 1/2                    | 5 16 11             | 94/71 <sup>2</sup>                            | 80 <sup>1</sup>     | 150                | Phoenix (£1) 8/- pd.             | 131 <sup>4</sup>    | -1                        | 4 10 0              |
| 102                | 23               | 40 1/2                                        | 25               | <b>Foreign Governments</b>    |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
| 89                 | 38               | 65 1/2                                        | 48               | Arg. 4 1/2% Stg. Bds.         | 271 <sup>2</sup>     | -1                        | 15 0 0              | 991 <sup>8</sup>                              | 81 <sup>1</sup>     | 19                 | Prudential £1 A                  | 341 <sup>2</sup>    | -                         | 2 16 0 1/2          |
| 99                 | 80               | 95                                            | 79 3/4           | Austria 9% 1930-59            | 52                   | -1                        | 10 5 0              | 78 <sup>12</sup>                              | 31 <sup>2</sup>     | 31 <sup>2</sup>    | Do. £1, with 4s. pd.             | 80/-                | -                         | 2 10 0 1/2          |
| 36                 | 31               | 31                                            | 15 1/4           | Belgian 4% (36) 1970          | 841 <sup>2</sup>     | -1                        | 5 1 4               | 171 <sup>8</sup>                              | 6/3                 | 6/3                | Royal Exchange £1...             | 81 <sup>2</sup>     | -                         | 3 10 0              |
| 371 <sup>2</sup>   | 123 <sup>4</sup> | 211 <sup>2</sup>                              | 121 <sup>2</sup> | Bulgaria 7 1/2% .....         | 15                   | -                         | 12 10 0             | 88 <sup>12</sup>                              | 76 <sup>1</sup>     | 11/3               | Royal £1, 12/6 pd.               | 71 <sup>8</sup>     | -                         | 4 11 0              |
| 609 <sup>8</sup>   | 17               | 161 <sup>2</sup>                              | 9                | Brazil 5% Fd. 1914...         | 20                   | -                         | Nil                 | 84 <sup>4</sup>                               | 61 <sup>2</sup>     | 10                 | S.U. & N.A. £20, £1 pd.          | 131 <sup>4</sup>    | -                         | 4 15 0              |
| 731 <sup>2</sup>   | 40               | 31 <sup>2</sup>                               | 27 1/4           | Chile 6% (1929) ..            | 101 <sup>2</sup>     | -1                        | 19 1 0              |                                               |                     |                    | Sun. Ln. £1 with 5/- pd.         | 77/6                | -                         | 2 17 0 1/2          |
| 1053 <sup>4</sup>  | 20               | 72                                            | 30               | China 5% (1913) ..            | 281 <sup>2</sup>     | -1                        | ...                 | 230                                           | 210                 | 4                  |                                  |                     |                           |                     |
| 99                 | 94               | 100                                           | 94 1/2           | Czechoslovakia 8% ..          | 60                   | -5                        | 13 6 8              | 471 <sup>2</sup>                              | 391 <sup>2</sup>    | 10                 | <b>Investment Trusts</b>         | 211                 | -                         | 5 13 9              |
| 104                | 84 1/2           | 86 1/2                                        | 68 1/2           | Denmark 3% ..                 | 961 <sup>2</sup>     | -5                        | 3 2 2               | 113 <sup>2</sup>                              | 761 <sup>2</sup>    | 31 <sup>2</sup>    | Anglo-Amer. Deb.                 | 391 <sup>2</sup>    | -                         | 8 17 3              |
| 13                 | 91 <sup>4</sup>  | 121 <sup>2</sup>                              | 103 <sup>4</sup> | Egypt Unified 4% ..           | 701 <sup>2</sup>     | -5                        | 5 13 6              | 171 <sup>2</sup>                              | 91 <sup>2</sup>     | 10                 | Anglo-Celtic Ord.                | 81 <sup>12</sup>    | -                         | 6 3 0               |
| 60                 | 20               | 44                                            | 21               | French 4% (British)           | 111 <sup>2</sup>     | -1                        | 15 12 6             | 601 <sup>2</sup>                              | 35                  | 11 <sup>2</sup>    | Brit. Assets Trust 5/-           | 40                  | -                         | 6 0 0               |
| 46                 | 15               | 33 1/2                                        | 20 1/4           | Ger. Dawes Ln. 5% ..          | 32                   | -1                        | 11 2 0              | 1171 <sup>2</sup>                             | 971 <sup>2</sup>    | 41 <sup>2</sup>    | Charterhouse Inv. £1             | 174 <sup>12</sup>   | -                         | 6 0 0               |
| 25                 | 30               | 25                                            | 22               | Do. Young Ln. 4 1/2% ..       | 22                   | -1                        | 21 8 0              | 240                                           | 203                 | 4                  | Debenet Corp. Sdk.               | 40                  | -                         | 10 0 0              |
| 581 <sup>2</sup>   | 20               | 35 1/2                                        | 22               | Do. 4 1/2% Stab. Ln.          | 251 <sup>2</sup>     | -1                        | 17 13 0             | 225                                           | 211                 | 5                  | For. Amer. & Def.                | 971 <sup>2</sup>    | -                         | 7 3 7               |
| 60                 | 35               | 52                                            | 36               | Hungary 6% ..                 | 36                   | -2                        | 15 5 6              | 15/6                                          | 12/-                | 21 <sup>2</sup>    | Guardian Investment              | 215                 | -                         | 5 1 7 1/2           |
| 641 <sup>2</sup>   | 38               | 53                                            | 32               | Japan, 5 1/2% 1936-65         | 36                   | -2                        | 18 15 0             | 2371 <sup>2</sup>                             | 2071 <sup>2</sup>   | 81 <sup>2</sup>    | Invest. Trust Def.               | 213                 | -                         | 6 2 0               |
| 50                 | 35               | 46 1/2                                        | 42 1/2           | Do. 6% (24) red. 1959         | 45                   | -3                        | 8 17 0              | 1181 <sup>2</sup>                             | 80                  | 41 <sup>2</sup>    | Lake View Inv. 10/-              | 13/9                | +3                        | 6 11 0              |
| 751 <sup>2</sup>   | 54               | 65                                            | 50               | Peru 7 1/2% 1922 ..           | 35                   | -                         | 11 0 0              | 2171 <sup>2</sup>                             | 181 <sup>2</sup>    | 4                  | Mercantile Inv.                  | 212                 | -                         | 5 13 0              |
| 153 <sup>4</sup>   | 91 <sup>4</sup>  | 111 <sup>2</sup>                              | 7                | Poland 7% ..                  | 50                   | -                         | 17 18 0             | 1681 <sup>2</sup>                             | 150                 | 31 <sup>2</sup>    | Mercants Trust Ord.              | 86xd                | -                         | 8 14 6              |
| 92                 | 75               | 83                                            | 74               | Roum. 4% Con. 1922            | 101 <sup>2</sup>     | -                         | 4 1 1               | 195                                           | 179                 | 3                  | Metropolitan Trust...            | 184 <sup>12</sup>   | -                         | 6 10 0              |
| 1153 <sup>4</sup>  | 101              | 111 1/2                                       | 106              | U.K. & Arg. C. 3%             | 74                   | -                         | 3 14 2              | 180                                           | 164                 | 6                  | Scottish Inv. 5/-                | 1521 <sup>2</sup>   | -                         | 5 0 0               |
| 117                | 104 1/2          | 114                                           | 108              | <b>Corporation Stocks</b>     |                      |                           |                     |                                               |                     |                    | Trustees Corp. Ord.              | 181 <sup>12</sup>   | -                         | 5 10 2              |
| 971 <sup>2</sup>   | 90 1/2           | 93 1/2                                        | 88               | Birham 5% 1946-56             | 108                  | -                         | 3 14 6              | 271 <sup>12</sup>                             | 20/-                | 131 <sup>2</sup>   | United States Deb...             | 1651 <sup>2</sup>   | -                         | 6 0 10              |
| 1053 <sup>4</sup>  | 94 3/8           | 1023 <sup>4</sup>                             | 97               | Bristol 5% 1948-58            | 108                  | -                         | 3 19 6              | 13/9                                          | 10/9                | 2                  | <b>Financial Trusts, &amp;c.</b> |                     |                           |                     |
|                    |                  |                                               |                  | L.C.C. 3% ..                  | 751 <sup>10</sup> xd | -                         | 3 14 6              | 261 <sup>12</sup>                             | 17/9                | 161 <sup>2</sup>   | Brit. S. Afr. 15/- fy. pd.       | 20/6                | -6d                       | 6 1 7               |
|                    |                  |                                               |                  | Middx. 3 1/2% 1957-62         | 98                   | +1 1/2                    | 3 13 9              | 514                                           | 41 <sup>8</sup>     | 3                  | C. of Lond. R. Pty £1            | 11/3                | -                         | 7 2 3               |
|                    |                  |                                               |                  |                               |                      |                           |                     | 20/3                                          | 15/10 <sup>12</sup> | 3                  | Daily Mail & Gen. £1             | 18/6                | +3d                       | 8 11 6 1/2          |
|                    |                  |                                               |                  |                               |                      |                           |                     | 25/-                                          | 18/9                | 4                  | Dalgety £20 £5 pd.               | 44                  | -                         | 5 18 0              |
|                    |                  |                                               |                  |                               |                      |                           |                     | 17/6                                          | 11/6                | 3                  | Forestal Land £1                 | 17/6                | -                         | 8 0 0               |
|                    |                  |                                               |                  |                               |                      |                           |                     | 31/24                                         | 71 <sup>8</sup>     | Nil                | Hudson's Bay Co. £1              | 16/3                | -                         | 4 0 0               |
|                    |                  |                                               |                  |                               |                      |                           |                     | 10/3                                          | 7/-                 | 31 <sup>2</sup>    | Java Invest. £1 .....            | 16/3                | -                         | 4 0 0               |
|                    |                  |                                               |                  |                               |                      |                           |                     | 31/41 <sup>2</sup>                            | 23/71 <sup>2</sup>  | 121 <sup>2</sup>   | Merx Corp. Def.                  | 8/-                 | -                         | 8 15 0              |
|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    | Primitive Hold. £1               | 8/-                 | -                         | 8 0 0               |
|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    | Sudan Plant. £1                  | 25/-                | -                         | 8 0 0               |
|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
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|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
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|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |
|                    |                  |                                               |                  |                               |                      |                           |                     |                                               |                     |                    |                                  |                     |                           |                     |

(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 payment of 2½%. (m) To redemption at par, in year shown. (n) Yield worked at ½% of face value. (o) Yield worked on 22½% basis. (p) Yield worked on a 5½% basis. (q) Yield worked on a 14% basis. (r) Yield on 2-0925% basis. (s) Yield based on 47% of coupon. (t) 1% paid free of income tax. (u) Yield based on 40% of coupon. † Free of Income Tax.

| Prices, Year 1939, Jan. 1 to Aug. 9, inclusive |          |        |       | Last Two Dividends |       | Name of Security        | Price, Aug. 9, 1939 | Change since Aug. 9, 1939 | Yield Aug. 9, 1939 | Prices, Year 1939, Jan. 1 to Aug. 9, inclusive |           | Last Two Dividends |          | Name of Security       | Price, Aug. 9, 1939     | Change since Aug. 9, 1939 | Yield Aug. 9, 1939 |            |
|------------------------------------------------|----------|--------|-------|--------------------|-------|-------------------------|---------------------|---------------------------|--------------------|------------------------------------------------|-----------|--------------------|----------|------------------------|-------------------------|---------------------------|--------------------|------------|
| High                                           | Low      | (a) %  | (b) % | High               | Low   |                         |                     |                           |                    | (a) %                                          | (b) %     |                    |          |                        |                         |                           |                    |            |
| 45 1/2                                         | 34 1/2   | Nil    | 8c    | Nil                | Nil   | Iron, Coal, &c.—cont.   | 37/6                | —                         | 4 15 4             | 6 1/2                                          | 5 1/4     | 7 1/2              | Nil      | 20 c                   | Miscellaneous—cont.     | 6 1/2                     | —                  | 4 6 0      |
| 75 1/2                                         | 84 7/8   | 1 c    | Nil   | Nil                | Nil   | Thornycroft, John       | 54                  | -1                        | 8 0 0              | 4/9                                            | 2 1/2     | Nil                | Nil      | 10                     | Gallacher Ltd. Ord. £1  | 2/10 1/2                  | +1 1/2             | Nil        |
| 25 1/2                                         | 20 1/2   | 7 c    | 2 1/2 | Nil                | Nil   | U. States Steel £100    | 23/6                | —                         | 5 9 7              | 12/—                                           | 6/9       | 15 c               | 15 c     | 10                     | Gaumont-Brit. 10/—      | 7/6                       | —                  | Nil        |
| 24 1/2                                         | 18 1/2   | 4 a    | 6     | 2 1/2              | Nil   | U. Steel Cor. Ord. £1   | 18/3                | -3d                       | 10 16 0            | 21/—                                           | 23/6      | 26 c               | Nil      | 10                     | Gen. Refract's 10/—     | 30/7 1/2                  | —                  | 6 11 0     |
| 21 1/2                                         | 12 1/2   | 3 a    | 3 a   | Nil                | Nil   | Vickers 10/—            | 23 1/2              | —                         | 16 6 0             | 86/6                                           | 71/10 1/2 | 20 b               | 5 a      | 10                     | Harrison & Cros. Dr. £1 | 52/6                      | —                  | 6 2 0      |
| 24 1/2                                         | 12 1/2   | 3 a    | 3 a   | Nil                | Nil   | Ward (Thos. W.) £1      | 358                 | +1 1/2                    | 16 6 0             | 23 1/2                                         | 25/—      | 27 1/2             | 15 a     | 10                     | Harolds £1              | 52/6                      | —                  | 13 1 0     |
| 67 1/2                                         | 58 9/8   | 12 1/2 | 20 c  | Nil                | Nil   | Whitehead I & S. £1     | 62/6                | —                         | 6 8 0              | 32/6                                           | 27/6      | 3 a                | 5 b      | 10                     | Imp. Airways £1         | 33/6                      | —                  | 4 4 3      |
|                                                |          |        |       |                    |       | Yarrow & Co. £1         |                     |                           |                    | 12/7 1/2                                       | 8/6       | 5 c                | Nil      | 10                     | Imp. Chem. Ord. £1      | 29/—                      | -3d                | 5 10 0     |
| 4 1/2                                          | 2/3      | Nil    | Nil   | Nil                | Nil   | Bleachers £1            | 2/9                 | -4 1/2                    | Nil                | 71/6                                           | 61/8      | +17 1/2            | 7 1/2 a  | 10                     | Imp. Smelting £1        | 61 1/2                    | +1 1/2             | 3 14 8 1/2 |
| 5/6                                            | 2/11 1/2 | Nil    | Nil   | Nil                | Nil   | Bradford Dyers £1       | 3/7 1/2             | -3d                       | Nil                | £60 1/2                                        | £45 3/4   | £82 25             | £82 00   | 10                     | Imp. Tobacco £1         | £52 1/2                   | -1 1/2             | 3 16 2     |
| 8 1/2                                          | 2/9      | Nil    | Nil   | Nil                | Nil   | Brit. Cel. Ord. 10/—    | 4/7 1/2             | -3d                       | Nil                | 13/1 1/2                                       | 9/1 1/2   | 5 a                | 5 a      | 10                     | Inter. Nickel n.p.      | 11/3                      | —                  | 4 9 0      |
| 6/—                                            | 3/3      | Nil    | Nil   | Nil                | Nil   | Calico Printers £1      | 30/—                | —                         | 6 13 3             | 38/6                                           | 30/6      | 4 a                | 6 b      | 10                     | International Tea 5/—   | 33/9                      | -7 1/2             | 5 18 6     |
| 39/—                                           | 28/3     | 10     | 10    | 10                 | 10    | Coats, P. & G. £1       | 30/—                | -1 1/2                    | 3 0 0              | 17/6                                           | 8/6       | 10 c               | Nil      | 10                     | Lever & Unilever £1     | 11/3                      | —                  | 10 Nil     |
| 31 1/2                                         | 23/—     | 2 1/2  | 2 1/2 | 2 1/2              | 2 1/2 | Courtauld £1            | 26/9                | -1 1/2                    | 5 14 0             | 56/5                                           | 33/1 1/2  | 21 a               | 24 b     | 10                     | Lon. & Th. Oil Wh £1    | 33/9                      | —                  | 4 0 0      |
| 4 1/2                                          | 22/6     | 2 1/2  | 2 1/2 | 2 1/2              | 2 1/2 | English Swg. Ctn. £1    | 2/10 1/2            | -1 1/2                    | Nil                | 62/3                                           | 53/1 1/2  | 18 a               | 14 b     | 10                     | London Brick £1         | 55/6                      | —                  | 3 11 6     |
| 4 1/2                                          | 22/6     | 2 1/2  | 2 1/2 | 2 1/2              | 2 1/2 | Fine Cotton Spin. £1    | 23/6                | -3d                       | 5 10 0             | 85/—                                           | 63/9      | 12 1/2 b           | 7 1/2 a  | 10                     | Lyons (J. Ord.) £1      | 59/6                      | —                  | 5 0 0      |
| 29/9                                           | 20/6     | 3      | 3     | 3                  | 3     | Linen Thread Stk. £1    | 48/6                | -3d                       | 4 2 6 1/2          | 35/6                                           | 30/7 1/2  | 21 a               | 9 1/2 a  | 10                     | Marks & Spen. A/5/—     | 80/—                      | —                  | 5 0 0      |
| 49/3                                           | 44/3     | +10    | +10   | +10                | +10   | Patons & Baldwins £1    | 9/—                 | -1/6                      | 3 10 8             | 27/9                                           | 21/3      | 7 1/2 a            | 5 b      | 10                     | Murex £1 Ord.           | 34/4 1/2                  | —                  | 6 18 9     |
| 13/9                                           | 4/6      | Nil    | 1 1/2 | 1 1/2              | 1 1/2 | Whitworth & Mit. £1     |                     |                           |                    | 40/7 1/2                                       | 29/4 1/2  | 37 1/2 b           | 12 1/2 a | 10                     | Pinchin Johnson 10/—    | 33/9                      | -1/3               | 7 8 0      |
|                                                |          |        |       |                    |       | Electrical Manufactg.   | 41/—                | —                         | 4 17 6             | 52/5 1/2                                       | 35/4 1/2  | 31 a               | 9 3/4 b  | 10                     | Prices Trust Ord. 5/—   | 40/—                      | —                  | 6 5 0      |
| 45/—                                           | 34/7 1/2 | 10     | 10    | 10                 | 10    | Associated Elec. £1     | 83/9                | +1/3                      | 4 15 6             | 17/10 1/2                                      | 15/3      | 14 b               | 3 a      | 10                     | Ranks Ord. 5/—          | 17/6                      | —                  | 4 17 0     |
| 87/6                                           | 77/6     | 5      | 15    | 15                 | 15    | British Insulated £1    | 66/3                | —                         | 4 10 6             | 48/5 1/2                                       | 36/4 1/2  | 22 1/2 c           | 22 1/2 c | 10                     | Reckitt & Sons Ord. £1  | 51/6                      | -1 1/2             | 6 2 0      |
| 90/6                                           | 59/6     | 5      | 10    | 10                 | 10    | Sallenders £1           | 18/9                | -7 1/2                    | 8 8 0              | 11/3                                           | 7/3       | 5 a                | 5 a      | 10                     | United Dairies £1       | 7/6                       | -6d                | 6 13 3     |
| 21/—                                           | 15/—     | 24     | 10    | 10                 | 10    | Clyde Valley Elec. £1   | 36/—                | —                         | 5 11 0             | 56/—                                           | 49/5      | 5 a                | 5 a      | 10                     | Whitpapr Mills. Def. £1 | 25/—                      | —                  | 9 4 0      |
| 36/6 1/2                                       | 31/—     | 20     | 20    | 20                 | 20    | County of London £1     | 23/6                | —                         | 4 16 6             | 27/9                                           | 21/3      | 7 1/2 a            | 5 b      | 10                     | Wiggins, Teape Ord. £1  | 38/3                      | -3d                | 5 4 6      |
| 70/9                                           | 20/9     | 15     | 5     | 5                  | 5     | Edmundsons £1           | 31/3                | —                         | 4 19 0             | 48/5 1/2                                       | 36/4 1/2  | 15                 | 15 a     | 10                     | Woolworth Ord. 5/—      | 65/—                      | —                  | 5 0 0      |
| 21/3                                           | 19/9     | 15     | 5     | 5                  | 5     | Lancashire Elec. £1     | 23 1/2              | -3d                       | 5 12 0             | 65/—                                           | 55/4 1/2  | 14 b               | 3 1/2 a  | 10                     | Tate and Lyle £1        | 62/6                      | —                  | 4 0 0      |
| 41/3                                           | 32/—     | 5      | 5     | 5                  | 5     | Land. Ass. Elec. £1     | 46 1/2              | —                         | 5 9 9              | 48/9                                           | 39/6      | 5 b                | 5 b      | 10                     | Tilling. Thos. £1       | 48/1 1/2                  | -7 1/2             | 4 3 0      |
| 26/9                                           | 20/3     | 7 1/2  | 7 1/2 | 7 1/2              | 7 1/2 | Metro. Electric £1      | 37/6                | —                         | 4 5 4              | 68/6                                           | 56/3      | 11 b               | 5 b      | 10                     | Tob. Secrs. Ord. £1     | 57/6                      | -1/3               | 5 11 3     |
|                                                |          |        |       |                    |       | Midland Counties £1     | 30/6                | —                         | 4 12 0             | 38/9                                           | 25/3      | 35 c               | 25 c     | 10                     | Triplex Safety G. 10/—  | 36/3                      | -7 1/2             | 6 18 0     |
|                                                |          |        |       |                    |       | North-East. Elec. £1    | 43 1/2              | +1 1/2                    | 4 13 0             | 91/—                                           | 82/9      | 13 1/4 b           | 10       | Tube Investments £1    | 90/—                    | —                         | 5 16 0             |            |
|                                                |          |        |       |                    |       | Northmet £1             | 21/3                | —                         | 4 14 1 1/2         | 69/—                                           | 55/7 1/2  | 13 1/4 b           | 6 1/2 b  | 10                     | Turner & Newall £1      | 50/—                      | -7 1/2             | 3 13 6     |
|                                                |          |        |       |                    |       | Palestine E. A/ £1      | 36/3                | —                         | 4 8 0              | 161/4                                          | 131/2     | 95 a               | 95 a     | 10                     | United Molasses 6/8     | 24/4 1/2                  | -7 1/2             | 6 4 0      |
|                                                |          |        |       |                    |       | Scottish Power £1       | 37/6                | —                         | 4 5 4              | 85/6                                           | 60        | 30                 | Nil      | 10                     | Whitpapr Mills. Def. £1 | 25/—                      | —                  | 9 4 0      |
|                                                |          |        |       |                    |       | Yorkshire Electric £1   | 37/6                | —                         | 4 5 4              | 48/5 1/2                                       | 36/4 1/2  | 15                 | 15 a     | 10                     | Wiggins, Teape Ord. £1  | 38/3                      | -3d                | 5 4 6      |
|                                                |          |        |       |                    |       | Gas                     |                     |                           |                    | 41/—                                           | 33/1 1/2  | 11 1/4 b           | 11 1/4 a | 10                     | Woolworth Ord. 5/—      | 65/—                      | —                  | 5 0 0      |
|                                                |          |        |       |                    |       | Gas L. & C. £1          | 21/9                | —                         | 5 2 0              | 12 1/2                                         | 9/8       | 37 1/2 b           | 10       | Roan Antioch Cpr. 5/—  | 16/—                    | +3d                       | 6 4 0              |            |
|                                                |          |        |       |                    |       | Imp. Cont. Stk.         | 113/2               | —                         | 8 16 2             | 14 1/2                                         | 11        | 10                 | 10       | Sub Nigel 10/—         | 11                      | —                         | 6 16 0             |            |
|                                                |          |        |       |                    |       | Newc.-on-Tyne £1        | 20/6                | —                         | 5 4 3              | 17/12                                          | 14 1/2    | 10                 | 10       | Union Cpn. 12/6 fy pd. | 79/6                    | —                         | 5 10 0             |            |
|                                                |          |        |       |                    |       | S. Metropolitan Stk.    | 82/6                | -1                        | 6 12 8             | 8/8                                            | 7         | 2/6                | 5 1/2    | 10                     | W. Witwatersrand 10/—   | 48/—                      | —                  | Nil        |
|                                                |          |        |       |                    |       | Motors and Cycle        |                     |                           |                    | 69/6                                           | 43/6      | Nil                | Nil      | 10                     | Wiluna Gold £1          | 8/9                       | -3d                | Nil        |
|                                                |          |        |       |                    |       | Albion Motors Ord. £1   | 50/—                | —                         | 6 0 0              | 13/—                                           | 6/9       | 10 c               | Nil      | 10                     |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Assoc. Equip. Ord. £1   | 35/—                | +1/3                      | 4 5 9 1/2          |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Austin 5/—              | 30/—                | —                         | 5 0 0              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Birm. Small Arms £1     | 27/9                | —                         | 7 4 0              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Dennis 5/—              | 17/6                | +7 1/2                    | 5 14 3             |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Ford Motors £1          | 17/6                | —                         | 5 14 6             |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Lucas, J. (£1)          | 60/—                | —                         | 5 0 0              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Leyland Motors £1       | 93/9                | —                         | 6 6 0              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Morris Motors 5/—Od.    | 32/7 1/2            | -1/3                      | 9 8 0              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Ral. Cycle Hold. £1     | 5                   | -1 1/2                    | 5 0 0              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Rolls-Royce £1          | 16/6                | -3d                       | 6 16 0             |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Stand. Motor 5/—        |                     |                           |                    |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Shipping                |                     |                           |                    |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Clan Line Steam £1      | 51/2                | —                         | 3 12 0             |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Cunard £1               | 2 1/2               | —                         | 5 0 0              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Furness, Withy £1       | 16/—                | —                         | 7 18 0             |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | P. & O. Def. £1         | 16/6                | —                         | 6 0 0              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Royal Mail Lines £1     | 7/3                 | —                         | Nil                |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Union Castle Co. £1     |                     |                           |                    |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Allied Sumatra £1       | 16/—                | +1/—                      | 5 0 0              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Anglo-Dutch £1          | 25/—                | +9d                       | 4 0 0              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Bah Lias £1             | 27/6                | —                         | 5 16 4             |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Jhanzie Tea £1          | 22/6                | —                         | 6 4 6              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Jorchaat Tea £1         | 32/6                | —                         | 6 0 0              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Jokai (Assam) £1        | 21/1 1/2            | —                         | Nil                |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Lingpi Plant. £1        | 3/7 1/2             | +1 1/2                    | 5 10 0             |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | London Asiatic 2/—      | 29/9                | +6d                       | 6 13 6             |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | United Serdang 2/—      | 3/2 1/4             | +2 1/4                    | 5 14 0             |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | OH                      |                     |                           |                    |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Anglo-Iranian £1        | 72/6                | -2/6                      | 5 10 3             |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Apex (Trinidad) 5/—     | 24/—                | —                         | 8 16 6             |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Attock £1               | 28/—                | -1/3                      | 6 0 0              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Burmah Oil £1           | 73/—                | -1 1/2                    | 5 12 9             |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Mexican Eagle £100      | 34                  | -3 1/2                    | 5 12 9             |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Royal Transport £1      | 81/6                | -1/10 1/2                 | 4 17 7 1/2         |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Shell Transport £1      | 82/6                | -1/3                      | 6 1 0              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Trinidad Lease £1       | 46/—                | -1/9                      | 5 4 5              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Trin. Pet. Develop £1   |                     |                           |                    |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Miscellaneous           |                     |                           |                    |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Aerated Bread £1        | 16/10 1/2           | —                         | 5 18 6             |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Allied News £1          | 17/—                | -6d                       | 7 1 5              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Amal. Metal £1          | 21/10 1/2           | —                         | 6 8 0              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Amal. Print 10/—        | 7/6                 | —                         | 8 6 9              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Assoc. Brit. Pic. 5/—   | 8/—                 | -3d                       | 7 17 5             |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Assoc. News. Def. 5/—   | 71/3                | —                         | 5 12 3             |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Assoc. P. Cement £1     | 56/3                | —                         | 5 7 0              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Barker (John) £1        | 8/3                 | -3d                       | 5 14 10d           |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Beechams Perf. Drug 5/— | 43/1 1/2            | —                         | 3 9 0              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Boots Perf. Drug 5/—    | 21/3                | —                         | 7 1 2              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Borax Deferred 5/—      | 11/—                | -6d                       | Nil                |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Bowl Paper Mills £1     | 17/9                | —                         | 8 6 0              |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Bristol Aero. 10/—      | 58/12 1/2           | —                         | 4 8 10             |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       | Brit. Aluminium £1      | 35/—                | +7 1/2                    | 4 8 10             |                                                |           |                    |          |                        |                         |                           |                    |            |
|                                                |          |        |       |                    |       |                         |                     |                           |                    |                                                |           |                    |          |                        |                         |                           |                    |            |

\* Bid and offered prices are free of Commission and Stamp Duty.  
(m) Including bonus of 5% free of tax. (p) Annas per share.  
(n) Yield on 18.95% basis. (q) Assuming 15% on increased capital.

## Investment

TRANSPORT RECEIPTS  
BRITISH RAILWAY TRAFFICS

|                | Gross Receipts, week ended Aug. 6 (£'000) |             |             |             |                | Aggregate Gross Receipts, 31 weeks (£'000) |             |             |             |                |
|----------------|-------------------------------------------|-------------|-------------|-------------|----------------|--------------------------------------------|-------------|-------------|-------------|----------------|
|                | Passenger                                 | Merchandise | Coal & Coke | Total Goods | Total Receipts | Passenger                                  | Merchandise | Coal & Coke | Total Goods | Total Receipts |
| M. & S.—       |                                           |             |             |             |                |                                            |             |             |             |                |
| 1938           | 782                                       | 288         | 142         | 430         | 1,212          | 16,248                                     | 14,061      | 7,782       | 21,843      | 38,091         |
| 1939           | 1018                                      | 472         | 256         | 728         | 1,746          | 15,834                                     | 14,599      | 8,272       | 22,871      | 38,705         |
| % N.E. (a)—    |                                           |             |             |             |                |                                            |             |             |             |                |
| 1938           | 540                                       | 232         | 158         | 390         | 930            | 10,406                                     | 9,916       | 7,325       | 17,241      | 27,647         |
| 1939           | 617                                       | 330         | 227         | 557         | 1,174          | 10,251                                     | 9,996       | 7,808       | 17,804      | 28,055         |
| Great Western— |                                           |             |             |             |                |                                            |             |             |             |                |
| 1938           | 360                                       | 106         | 45          | 151         | 511            | 6,801                                      | 5,733       | 3,336       | 9,069       | 15,870         |
| 1939           | 476                                       | 227         | 113         | 340         | 816            | 6,701                                      | 6,269       | 3,518       | 9,787       | 16,488         |
| Southern—      |                                           |             |             |             |                |                                            |             |             |             |                |
| 1938           | 501                                       | 41          | 15          | 56          | 557            | 10,159                                     | 1,864       | 940         | 2,804       | 12,963         |
| 1939           | 567                                       | 70          | 30          | 100         | 667            | 10,092                                     | 1,915       | 994         | 2,909       | 13,001         |
| Total—         |                                           |             |             |             |                |                                            |             |             |             |                |
| 1938           | 2,183                                     | 667         | 360         | 1,027       | 3,210          | 43,614                                     | 31,574      | 19,383      | 50,957      | 94,571         |
| 1939           | 2,678                                     | 1,099       | 626         | 1,725       | 4,403          | 42,878                                     | 32,779      | 20,592      | 53,371      | 96,249         |

(a) Week ended August 5.

CUMULATIVE AND WEEKLY COMPARISONS  
(000's omitted)

|                                                         | L.M.S.  | L.N.E.R. | Great Western | Southern |
|---------------------------------------------------------|---------|----------|---------------|----------|
| Cumulative Figures                                      |         |          |               |          |
| gross decrease, second half 1938, over second half 1937 | - 2,423 | - 1,812  | - 926         | - 54     |
| gross increase, first half 1939, over first half 1938   | + 110   | + 7      | + 309         | + 57     |
| gross increase, second half 1939, over second half 1938 | + 504   | + 404    | + 309         | - 19     |
| Weekly Figures                                          |         |          |               |          |
| v. weekly increase, 2nd half 1939 over 2nd half 1938    | + 100.8 | + 80.2   | + 61.8        | - 3.8    |
| 1st week compared with average 1927-30                  | + 534   | + 244    | + 305         | + 110    |
| 2nd week compared with average 1927-30                  | - 90    | - 87     | + 36          | + 2      |

## IRISH RAILWAY TRAFFICS

| Company             | Gross Receipts, week ended Aug. 4, 1939 (£'000) |       |       | Aggregate Gross Receipts 31 weeks (£'000) |         |         |
|---------------------|-------------------------------------------------|-------|-------|-------------------------------------------|---------|---------|
|                     | Pass.                                           | Goods | Total | Pass.                                     | Goods   | Total   |
| Belfast & Co. Down— |                                                 |       |       |                                           |         |         |
| 1938                | 4.7                                             | 0.4   | 5.1   | 77.4                                      | 13.2    | 90.6    |
| 1939                | 4.1                                             | 0.5   | 4.6   | 79.7                                      | 13.4    | 93.1    |
| Great Northern—     |                                                 |       |       |                                           |         |         |
| 1938                | 24.4                                            | 8.2   | 32.6  | 329.5                                     | 271.8   | 601.3   |
| 1939                | 18.4                                            | 10.7  | 29.1  | 332.5                                     | 311.7   | 644.2   |
| Great Southern—     |                                                 |       |       |                                           |         |         |
| 1938                | 74.0                                            | 32.2  | 106.2 | 1,097.9                                   | 1,203.0 | 2,300.9 |
| 1939                | 59.0                                            | 39.7  | 98.7  | 1,083.6                                   | 1,248.9 | 2,332.5 |

## THE WEEK'S COMPANY RESULTS

| Company                               | Year Ending | Balance from Last Account | Net Profit After Payment of Dividend Interest | Amount Available for Distribution | Appropriation |                      |                                        | Corresponding Period Last Year |            |
|---------------------------------------|-------------|---------------------------|-----------------------------------------------|-----------------------------------|---------------|----------------------|----------------------------------------|--------------------------------|------------|
|                                       |             |                           |                                               |                                   | Dividend      |                      | Carried to Reserve, Depreciation, etc. | Balance Forward                | Net Profit |
|                                       |             |                           |                                               |                                   | Pref. Amount  | Ordinary Amount Rate |                                        |                                |            |
| <b>Breweries</b>                      |             |                           |                                               |                                   |               |                      |                                        |                                |            |
| Watson & Co.                          | June 30     | 58,853                    | 42,500                                        | 101,353                           | £ 7,250       | 30,813               | 42½                                    | £ 4,386                        | 58,904     |
| Blackburn's Old Brewery               | June 30     | 7,602                     | 15,942                                        | 23,544                            | 3,900         | 6,500                | 10                                     | 5,500                          | 7,644      |
| Blackburn's Brewery                   | June 30     | 60,652                    | 15,907                                        | 76,559                            | 3,806         | 9,052                | 10                                     | 63,700                         | 15,904     |
| Blackburn's Brewery Co.               | June 30     | ...                       | 30,644                                        | 30,644                            | 6,000         | 24,644               | 24½                                    | 32,711                         | 15,904     |
| Blackburn's Brewery Co.               | June 30     | 26,080                    | 138,140                                       | 164,220                           | 20,936        | 77,018               | 13                                     | 40,000                         | 136,205    |
| Blackburn's Brewery Co.               | June 30     | 905,255                   | 1,662,488                                     | 2,567,743                         | 87,000        | 1,413,750            | 26                                     | 190,712                        | 1,784,084  |
| Blackburn's Brewery Co.               | June 30     | 67,312                    | 95,044                                        | 162,356                           | 9,135         | 76,125               | 35                                     | 9,718                          | 106,153    |
| <b>Iron, Coal and Steel</b>           |             |                           |                                               |                                   |               |                      |                                        |                                |            |
| Iron, Coal and Steel                  | June 30     | 3,938                     | 27,470                                        | 31,408                            | 4,984         | 11,962               | 12                                     | 10,500                         | 3,962      |
| <b>Textiles</b>                       |             |                           |                                               |                                   |               |                      |                                        |                                |            |
| Olden (Isaac) and Son                 | June 30     | 8,097                     | 20,957                                        | 29,054                            | 7,884         | 11,826               | 7½                                     | 9,344                          | 18,317     |
| <b>Other Companies</b>                |             |                           |                                               |                                   |               |                      |                                        |                                |            |
| Olden (S.) and Co.                    | June 30     | 1,224                     | 7,050                                         | 8,274                             | ...           | 6,000                | 10                                     | 1,274                          | 8,119      |
| <b>Total Profits, 1939, in £000's</b> | No. of Cos. |                           |                                               |                                   |               |                      |                                        |                                |            |
| To August 5                           | 1,666       | 70,237                    | 212,834                                       | 283,071                           | 41,420        | 113,373              | ...                                    | 54,053                         | 74,225     |
| To August 12                          | 1,676       | 71,376                    | 214,891                                       | 286,267                           | 41,571        | 115,041              | ...                                    | 54,315                         | 75,339     |

## OVERSEAS WEEKLY TRAFFIC RECEIPTS

| Name                | Weeks Ending | Gross Receipts for Week |            | Aggregate Gross Receipts |             |
|---------------------|--------------|-------------------------|------------|--------------------------|-------------|
|                     |              | 1939                    | + or -     | 1939                     | + or -      |
| Bengal & N. Western | 15 July 20   | Rs. 28,60,578           | - 20,148   | Rs. 1,13,17,617          | - 11,64,037 |
| Bombay, Bar. & C.I. | 15 20        | 23,90,000               | + 2,37,480 | 3,20,31,037              | + 24,90,412 |
| Madras & S. Mah.    | 15 20        | 19,67,000               | + 27,870   | 2,53,11,125              | + 11,51,508 |
| S. Indian           | 15 20        | 15,36,348               | + 1,02,805 | 1,57,74,007              | + 64,308    |

## CANADIAN

| Name              | Weeks Ending | Gross Receipts for Week |           | Aggregate Gross Receipts |             |
|-------------------|--------------|-------------------------|-----------|--------------------------|-------------|
|                   |              | 1939                    | + or -    | 1939                     | + or -      |
| Canadian National | 30 July 31   | \$5,221,390             | + 488,459 | \$103,245,178            | + 6,308,902 |
| Canadian Pacific  | 30 July 31   | \$4,077,000             | + 327,000 | \$73,465,000             | + 1,087,000 |

## SOUTH &amp; CENTRAL AMERICAN

| Name              | Weeks Ending | Gross Receipts for Week |           | Aggregate Gross Receipts |           |
|-------------------|--------------|-------------------------|-----------|--------------------------|-----------|
|                   |              | 1939                    | + or -    | 1939                     | + or -    |
| Antofagasta       | 31 Aug. 6    | \$10,730                | + 1,150   | \$39,220                 | - 83,770  |
| Argentine N.E.    | 5 Aug. 5     | \$192,400               | - 11,500  | \$42,600                 | - 65,400  |
| B.A. and Pacific  | 5 Aug. 5     | \$11,935                | - 714     | \$4,473                  | - 4,058   |
| B.A. Central      | 5 July 29    | \$1,238,000             | + 13,000  | \$6,370,000              | + 70,000  |
| B.A. Gt. Southern | 5 Aug. 5     | \$1,005,000             | - 71,000  | \$9,833,000              | - 855,000 |
| B.A. Western      | 5 Aug. 5     | \$1,118,176             | + 4,405   | \$609,988                | - 53,040  |
| Central Argentine | 5 Aug. 5     | \$1,067,000             | + 46,000  | \$3,535,000              | + 280,000 |
| Central Uruguay   | 4 July 29    | \$1,134,246             | + 31,253  | \$68,989                 | - 139,218 |
| Leopoldina        | 31 Aug. 5    | \$2,220,100             | + 138,000 | \$2,438,000              | + 693,000 |
| Mexican Railway   | 4 July 31    | \$2,359                 | - 327     | \$601,239                | + 10,096  |
| Nitrate           | 30 July 31   | \$1,474,754             | + 455     | \$70,318                 | - 20,187  |
| United of Havana  | 5 Aug. 5     | \$1,161,000             | - 2,785   | \$2,193                  | - 4,021   |

\* 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." (f) 10 days.

## SUEZ CANAL RECEIPTS

| Transit Receipts | Weeks Ending | Gross Receipts for Week |          | Aggregate Gross Receipts |           |
|------------------|--------------|-------------------------|----------|--------------------------|-----------|
|                  |              | 1939                    | + or -   | 1939                     | + or -    |
| Transit Receipts | 30 July 31   | \$250,600               | - 32,000 | \$5,353,600              | - 274,500 |

## LONDON TRANSPORT BOARD

| Week ending                                           | Receipts   | Compared with prev. Year |
|-------------------------------------------------------|------------|--------------------------|
|                                                       |            |                          |
| Week ending Aug. 5, 1939, before pooling              | £ 570,500  | + 7,300                  |
| Total, 5 weeks to date                                | 2,927,000  | + 92,500                 |
| L.P.T.B. receipts, 52 weeks to June 24, 1939          | 29,736,000 | + 347,000                |
| L.P.T.B. receipts, 52 weeks to June 25, 1938          | 29,388,200 | + 657,100                |
| L.P.T.B. receipts, 52 weeks to June 26, 1937          | 28,732,000 | + 255,000                |
| L.P.T.B. receipts, year to June, 1938, after pooling  | 30,923,828 | + 676,450                |
| London Transport Pool receipts, year to June 30, 1938 | 42,120,179 | + 742,250                |

## Industry and Trade

## COMMODITY STATISTICS

## Coal

## COAL OUTPUT ('000 tons)

| District                         | Week ended    |               | Jan.-June |           |
|----------------------------------|---------------|---------------|-----------|-----------|
|                                  | July 22, 1939 | July 29, 1939 | 1938      | 1939      |
| Northumberland                   | 282.1         | 226.1         | 6,632.1   | 6,750.0   |
| Durham                           | 632.3         | 663.4         | 16,365.0  | 15,984.7  |
| Yorkshire                        | 836.4         | 810.8         | 21,992.3  | 22,395.5  |
| Lancs. Cheshire and N. Wales     | 323.1         | 311.3         | 8,732.9   | 8,790.6   |
| Derby, Notts & Leicester         | 597.5         | 565.4         | 16,556.1  | 17,371.6  |
| Staffs, Worcs, Salop and Warwick | 385.3         | 404.4         | 9,987.1   | 10,413.1  |
| South Wales & Monmouth           | 754.8         | 772.9         | 18,549.1  | 17,937.9  |
| Other English districts*         | 122.1         | 123.7         | 2,716.6   | 2,791.8   |
| Scotland                         | 113.8         | 455.0         | 15,471.8  | 15,800.4  |
| Total                            | 4,047.4       | 4,333.0       | 117,003.0 | 118,235.6 |

\* Including Cumberland, Gloucester, Somerset and Kent.

## Cotton

## RAW COTTON delivered to Spinners ('000 bales)

| Variety         | Week ended    |              | Total Deliveries  |              |
|-----------------|---------------|--------------|-------------------|--------------|
|                 | July 28, 1939 | Aug. 4, 1939 | Aug. 1, 1938-1939 | Aug. 1, 1939 |
| American        | 18.5          | 19.1         | 17                | 10           |
| Brazilian       | 10.2          | 9.1          | 3                 | 5            |
| Peruvian, etc.  | 4.0           | 4.3          | 1                 | 3            |
| Egyptian        | 3.6           | 9.0          | 3                 | 1            |
| Sudan Saki      | 4.3           | 3.7          | 5                 | 2            |
| East Indian     | 13.2          | 6.2          | 17                | 3            |
| Other countries | 5.5           | 5.7          | 1                 | 3            |
| Total           | 59.3          | 57.1         | 47                | 29           |

## Metals

## SALES ON LONDON METAL EXCHANGE

|         | Week ended   |              | From Jan. 1 to |              |
|---------|--------------|--------------|----------------|--------------|
|         | Aug. 2, 1939 | Aug. 9, 1939 | Aug. 10, 1938  | Aug. 9, 1939 |
| Copper  | Tons 6,800   | Tons 7,550   | Tons 290,525   | Tons 185,935 |
| Tin     | 1,795        | 1,110        | 53,665         | 43,235       |
| Lead    | 9,550        | 10,800       | 214,250        | 185,050      |
| Spelter | 3,875        | 2,800        | 186,250        | 112,745      |

## U.K. STOCKS

|                                 | Week ended    |              | From Jan. 1 to |              |
|---------------------------------|---------------|--------------|----------------|--------------|
|                                 | July 29, 1939 | Aug. 5, 1939 | Aug. 1, 1938   | Aug. 5, 1939 |
| Copper (Br. official w/houses): | Tons 4,318    | Tons 4,119   | Tons 23,704    | Tons 23,704  |
| Refined                         | 24,056        | 23,704       | 9,971          | 9,901        |
| Rough                           | 9,971         | 9,901        |                |              |
| Tin (London and Liverpool)      |               |              |                |              |

METALS—(cont.)  
TINPLATE INDUSTRY

|                                  | Week ended    |               |               |
|----------------------------------|---------------|---------------|---------------|
|                                  | July 30, 1938 | July 22, 1939 | July 29, 1939 |
| Production—per cent. of capacity | 46.41         | 70.22         | 72.98         |
| Shipments—Tons                   | Aug. 4, 1938  | July 27, 1939 | Aug. 3, 1939  |
| Stocks—warehouse and in vans     | 5,151         | 4,983         | 4,603         |
| Shipments—Tons                   | 1,439         | 4,932         | 5,294         |
| Thirty weeks ended Aug. 4, 1938  | 151,349       | 142,753       |               |

## Foods

## WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

|                                | Week ended    |              | From Aug. 1 to |              |
|--------------------------------|---------------|--------------|----------------|--------------|
|                                | July 29, 1939 | Aug. 5, 1939 | Aug. 6, 1938   | Aug. 5, 1939 |
| From—                          |               |              |                |              |
| N. America .....               | 389           | 490          | 536            | 490          |
| Argentina and Uruguay .....    | 260           | 405          | 140            | 405          |
| Australia .....                | 212           | 110          | 326            | 110          |
| Russia .....                   | ...           | ...          | 348            | ...          |
| Danube and dist. ....          | 279           | 60           | 42             | 60           |
| India .....                    | ...           | ...          | 112            | ...          |
| Other countries ...            | 56            | 61           | ...            | 61           |
| Total .....                    | 1,196         | 1,126        | 1,504          | 1,126        |
| To—                            |               |              |                |              |
| U.K. ....                      | 256           | 326          | 387            | 326          |
| "Orders" .....                 | 212           | 215          | 467            | 215          |
| France .....                   | ...           | 10           | 8              | 10           |
| Belgium .....                  | 26            | 46           | 150            | 46           |
| Holland .....                  | 28            | 84           | 100            | 84           |
| Germany.....                   | 25            | 36           | 65             | 36           |
| Italy.....                     | 259           | 48           | 8              | 48           |
| Spain and Portugal .....       | ...           | ...          | ...            | ...          |
| Greece.....                    | 6             | 16           | 12             | 16           |
| Scandinavia .....              | 13            | 28           | 29             | 28           |
| Other European Countries ..... | 28            | 10           | 2              | 10           |
| Ex-European Countries .....    | 368           | 307          | 280            | 307          |
| Total .....                    | 1,196         | 1,126        | 1,504          | 1,126        |



## BRITISH WHOLESALE PRICES

|                                  | Aug. 2,<br>1939 | Aug. 9,<br>1939 |
|----------------------------------|-----------------|-----------------|
| <b>CEREALS AND MEAT</b>          |                 |                 |
| GRAIN, etc.—                     |                 |                 |
| Wheat—                           |                 |                 |
| No. 2, N. Man. 496 lb.           | 25 0            | 25 0            |
| Eng. Gaz. av., per cwt.          | 4 6             | 4 5             |
| Liv., Oct., per cental           | 3 9½            | 3 9¼            |
| Flour, per 280 lb.—              |                 |                 |
| Straights, d/d London            | 21 0            | 21 0            |
| Manitoba, ex store               | 21 0            | 21 0            |
| Barley, Eng. Gaz., av. per cwt.  | 5 7             | 6 3             |
| Oats                             | 5 10            | 6 1             |
| Maize, La Plata, landed, 480 lb. | 22 6            | 22 6            |
| Rice, No. 2 Burma, per cwt.      | 7 10½           | 7 10½           |

|                          |     |      |
|--------------------------|-----|------|
| MEAT—                    |     |      |
| Beef, per 8 lb.—         |     |      |
| English long sides       | 4 4 | 4 6  |
| Argentine chilled hinds  | 4 3 | 4 6  |
| Mutton, per 8 lb.—       |     |      |
| English wethers          | 4 8 | 4 10 |
| N.Z. frozen wethers      | 5 4 | 5 4  |
| Lamb, per 8 lb.—         |     |      |
| N.Z. frozen              | 4 6 | 4 6  |
| Pork, English, per 8 lb. | 5 8 | 6 0  |

|                   |      |      |
|-------------------|------|------|
| BACON (per cwt.)— |      |      |
| English           | 98 0 | 98 0 |
| Danish            | 98 0 | 98 0 |
| Dutch             | 94 0 | 94 0 |
| Irish             | 99 0 | 99 0 |

|                  |       |      |
|------------------|-------|------|
| HAMS (per cwt.)— |       |      |
| Canadian         | 95 0  | 96 0 |
| United States    | 100 0 | 86 0 |
|                  | 92 0  | 90 0 |

|                    |       |       |
|--------------------|-------|-------|
| <b>OTHER FOODS</b> |       |       |
| BUTTER (per cwt.)— |       |       |
| Australian         | 110 0 | 108 0 |
| New Zealand        | 111 0 | 111 0 |
| Danish             | 120 0 | 118 0 |
|                    | 125 0 | 124 0 |
| CHEESE (per cwt.)— |       |       |
| Canadian           | 73 0  | 72 0  |
| New Zealand        | 76 0  | 75 0  |
| English Cheddars   | 78 0  | 78 0  |
| Dutch              | 84 0  | 84 0  |
|                    | 45 0  | 44 0  |
|                    | 52 0  | 52 0  |

|                   |      |      |
|-------------------|------|------|
| COCOA (per cwt.)— |      |      |
| Accra, g.f.       | 20 9 | 20 0 |
| Trinidad          | 21 3 | 20 6 |
|                   | 42 0 | 42 0 |
| Grenada           | 55 0 | 55 0 |
|                   | 38 0 | 38 0 |

|                            |      |      |
|----------------------------|------|------|
| COFFEE (per cwt.)—         |      |      |
| Santos supr. c. & f.       | 31 0 | 31 0 |
| Costa Rica, medium to good | 60 0 | 60 0 |
| Kenya, medium              | 82 0 | 82 0 |
|                            | 55 0 | 55 0 |
|                            | 70 0 | 70 0 |

|                      |       |      |
|----------------------|-------|------|
| EGGS (per 120)—      |       |      |
| English (15-15½ lb.) | 13 0  | 14 6 |
| Danish (15½ lb.)     | 13 6  | 15 0 |
|                      | 10 11 | 11 3 |
|                      | 11 0  | 11 9 |

|                                  |      |      |
|----------------------------------|------|------|
| FRUIT—                           |      |      |
| Oranges, Brazilian (Peras) boxes | 10 0 | 11 6 |
| " S. African (Navels) boxes      | 15 6 | 16 0 |
| Lemons, Naples boxes             | 8 6  | 8 6  |
| " Sicilian, Verdilli, boxes      | 16 0 | 16 0 |
| " Murcia, I cases                | 27 0 | 27 0 |
| Apples, N. Zealand (var.) boxes  | 9 6  | 8 0  |
| " Australian                     | 13 6 | 16 0 |
| Grapefruit, S. Afrn. (M.S.) bxs. | 7 0  | 5 0  |
| " Brazilian (M.S.) bxs.          | 11 0 | 15 6 |
| Pears, Californian, B. Hardy     | 8 0  | 10 0 |
| No. 1                            | 15 0 | 19 9 |

|                        |      |      |
|------------------------|------|------|
| LARD (per cwt.)—       |      |      |
| Irish, finest bladders | 40 0 | 40 0 |
| U.S.                   | 48 0 | 48 0 |
|                        | 32 9 | 33 0 |
|                        | 34 6 | 34 0 |

|                                 |      |      |
|---------------------------------|------|------|
| PEPPER (per lb.)—               |      |      |
| Black Lampong (in Bond)         | 0 2½ | 0 2½ |
| White Muntok (f.a.q.) (in Bond) | 0 3½ | 0 3½ |
| " (Duty paid)                   | 0 3½ | 0 3½ |

|                                |     |     |
|--------------------------------|-----|-----|
| POTATOES (per cwt.)—           |     |     |
| English, King Edward, Siltland | 5 6 | 5 0 |
| Wisbech                        | ... | ... |

|                                |        |        |
|--------------------------------|--------|--------|
| SUGAR (per cwt.)—              |        |        |
| Centrifugals, 96° prpt. shipm. | 6 10½  | 6 7½   |
| c.f. U.K./Cont.                | 22 4½  | 22 4½  |
| Refined London—                |        |        |
| Yellow Crystals                | 26 10½ | 26 10½ |
| Cubes                          | 27 4½  | 27 4½  |

|                                   | Aug. 2,<br>1939 | Aug. 9,<br>1939 |
|-----------------------------------|-----------------|-----------------|
| <b>SUGAR (per cwt.)—cont.</b>     |                 |                 |
| Crushed                           | 25 1½           | 25 1½           |
| Granulated                        | 23 0            | 23 0            |
| Home Grown                        | 22 10½          | 22 10½          |
| TEA* (Auction Average) (per lb.)— |                 |                 |
| N. India                          | 14 46           | 14 39           |
| S. India                          | 12 85           | 12 78           |
| Ceylon                            | 14 25           | 14 43           |
| Java                              | 12 46           | 12 55           |
| Sumatra                           | 12 59           | 12 89           |
| Africa                            | 11 19           | 11 68           |
| Total                             | 13 94           | 13 82           |

|                            |      |      |
|----------------------------|------|------|
| TOBACCO (per lb.)—         |      |      |
| Virginia, stemmed and un-  |      |      |
| stemmed, common to fine    | 0 8  | 0 8  |
| Rhodesian, stemmed and un- | 0 6  | 0 6  |
| stemmed                    | 0 9  | 0 9  |
| Nyasaland, stemmed and un- | 0 7  | 0 7  |
| stemmed                    | 0 4  | 0 4  |
| East Indian                | 0 3½ | 0 3½ |
| Unstemmed                  | 1 0  | 1 0  |

|                                  |                      |       |
|----------------------------------|----------------------|-------|
| <b>TEXTILES</b>                  |                      |       |
| COTTON (per lb.)                 |                      |       |
| Raw, Mid-American                | 5 30                 | 5 20  |
| " Giza, F.G.F.                   | 6 57                 | 6 48  |
| Yarns, 32's Twist                | 9 9                  | 9 9   |
| " 40's Twist (Egyptian)          | 9 7                  | 9 7   |
| " 60's Twist (Egyptian)          | 16 14                | 16 14 |
| Cloth, 32 in. Printers, 116 yds. | 16 x 16, 32's & 50's | 23 4  |
| " 36 in. Shirts, 75 yds.         | 19 x 19, 32's & 40's | 23 4  |
| " 38 in. ditto, 38 yds.          | 18 x 16, 10 lb.      | 9 10  |
| " 39 in. ditto, 37½ yds.         | 16 x 15, 8½ lb.      | 8 11  |

|                          |        |        |
|--------------------------|--------|--------|
| FLAX (per ton)—          |        |        |
| Livonian ZK              | £ 83 0 | £ 83 0 |
| Pernau HD                | 84 0   | 84 0   |
| Slanetz Medium, 1st sort | 85 0   | 90 0   |

|                          |       |       |
|--------------------------|-------|-------|
| HEMP (per ton)—          |       |       |
| Italian PC               | 71 0  | 71 0  |
| Manilla, July-Sept. "J2" | 17 10 | 17 10 |

|                                 |        |        |
|---------------------------------|--------|--------|
| JUTE (per ton)—                 |        |        |
| Native 1st mks, c.i.f. H.A.R.B. | 20/0/0 | 20/0/0 |
| Aug.-Sept.                      | 20/0/0 | 20/0/0 |
| Daisee 2/3, c.i.f. Dundee,      | 19/5/0 | 19/7/6 |
| Oct.-Nov.                       | 19/5/0 | 19/7/6 |

|                         |        |        |
|-------------------------|--------|--------|
| SISAL (per ton)—        |        |        |
| African, July-Sept.     | 13/5/0 | 13/5/0 |
| SILK (per lb.)—         |        |        |
| Canton                  | 10 6   | 10 6   |
| Japan                   | 12 0   | 11 9   |
| Italian, raw, fr. Milan | 12 9   | 12 6   |

|                               |     |     |
|-------------------------------|-----|-----|
| WOOL (per lb.)—               |     |     |
| English, Southdown, greasy    | 12½ | 12½ |
| " Lincoln hog, washed         | 12  | 12  |
| Queensland, scd. super combg. | 21½ | 21½ |
| N.S.W. greasy, super combg.   | 13  | 13  |
| N.Z. greasy, half-bred 50-55  | 12½ | 12½ |
| " Crossbred 40-44             | 11½ | 11½ |
| Tops                          |     |     |
| Merinos 70's average          | 27  | 27  |
| " 64's                        | 25½ | 25½ |
| Crossbred 48's                | 18  | 18  |
| " 46's                        | 17½ | 17½ |

|                                |      |      |
|--------------------------------|------|------|
| COAL (per ton)—                |      |      |
| Welsh, best Admiralty          | 22 6 | 22 6 |
| Durham, best gas, f.o.b. Tyne  | 19 6 | 19 6 |
| Sheffield, best house, at pits | 22 0 | 22 0 |

|                           |       |       |
|---------------------------|-------|-------|
| IRON AND STEEL (per ton)— |       |       |
| Pig, Cleveland No. 3, d/d | 99 0  | 99 0  |
| Bars, Middlesbrough       | 245 0 | 245 0 |
| Steel rails, heavy        | 190 0 | 190 0 |
| Tinplates                 | 20 3  | 20 3  |

|                               |          |          |
|-------------------------------|----------|----------|
| NON-FERROUS METALS (per ton)— |          |          |
| Copper—                       |          |          |
| Standard cash                 | 44/0/0   | 44/12/6  |
| Three months                  | 44/1/3   | 44/13/9  |
| Tin—                          |          |          |
| Standard cash                 | 44/6/3   | 44/16/3  |
| Three months                  | 229/17/6 | 229/17/6 |
| Lead, soft foreign—           |          |          |
| Cash                          | 230/0/0  | 230/0/0  |
| English, pig                  | 225/0/0  | 225/15/0 |
| Spelter, G.O.B.—              |          |          |
| Spot                          | 14/10/0  | 14/8/9   |
| Aluminium, ingots and bars    | 14/11/3  | 14/10/0  |
| " rolling billets             | 94/0/0   | 94/0/0   |
| Nickel, home and export       | 102/0/0  | 102/0/0  |
| Antimony, Chinese             | 180/0/0  | 180/0/0  |
| Wolfam, Chinese               | 55/0/0   | 55/0/0   |
| Platinum, refined             | 50 6     | 48 0     |
| Quicksilver                   | 7/10/0   | 7/10/0   |
|                               | 16/10/0  | 16/10/0  |

|                             | Aug. 2,<br>1939 | Aug. 9,<br>1939 |
|-----------------------------|-----------------|-----------------|
| <b>GOLD, per fine ounce</b> |                 |                 |
| SILVER, (per ounce)—        |                 |                 |
| Cash                        | 1 4½            | 1 4¾            |

|                                                    |      |      |
|----------------------------------------------------|------|------|
| <b>MISCELLANEOUS</b>                               |      |      |
| 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                    | 41 0 | 41 0 |

|                                      |         |         |
|--------------------------------------|---------|---------|
| CHEMICALS—                           |         |         |
| Acid, citric, per lb., less 5%       | 1 0     | 1 0     |
| " Nitric                             | 1 0½    | 1 0½    |
| " Oxalic, net                        | 0 2½    | 0 2½    |
| " Tartaric, English, less 5%         | 0 5¼    | 0 5¼    |
| Alcohol, Plain Ethyl, per proof gal. | 1 1     | 1 1     |
| Ammonia, carb. per ton               | 20/0/0  | 20/0/0  |
| " Sulphate                           | 21/0/0  | 21/0/0  |
| Borax, gran. per cwt.                | 7/14/0  | 7/3/6   |
| " powder                             | 13 6    | 13 6    |
| Nitrate of soda per ton              | 15 0    | 15 0    |
| Potash, Chlorate, net per ton        | 8/5/0   | 8/5/0   |
| " Sulphate per ton                   | 37/0/0  | 37/0/0  |
| Soda Bicarb. per ton                 | 10/0/0  | 10/0/0  |
| Crystals per ton                     | 10/15/0 | 10/15/0 |
| Sulphate of copper per ton           | 11/0/0  | 11/0/0  |
| " per ton                            | 5/5/0   | 5/5/0   |
| " per ton                            | 5/10/0  | 5/10/0  |
| " per ton                            | 18/10/0 | 18/10/0 |

|                      |        |         |
|----------------------|--------|---------|
| COPRA (per ton)—     |        |         |
| S.D. Straits, c.i.f. | 10/7/6 | 10/12/6 |

|                           |      |      |
|---------------------------|------|------|
| HIDES (per lb.)—          |      |      |
| Wet salted, Australian    | 0 4½ | 0 4½ |
| West Indian               | 0 3  | 0 3  |
| Cape                      | 0 3¼ | 0 3¼ |
| Dry and Drysalted Cape    | 0 4½ | 0 4½ |
| Market Hides, Manchester— |      |      |
| Best heavy ox and heifer  | 0 6  | 0 6  |
| Best cow                  | 0 5½ | 0 5½ |
| Best calf                 | 0 5½ | 0 5½ |
|                           | 0 8  | 0 8  |

|                              |     |     |
|------------------------------|-----|-----|
| INDIGO (per lb.)—            |     |     |
| Bengal, gd. red-vio. to fine | 5 0 | 5 0 |

|                                   |      |      |
|-----------------------------------|------|------|
| LEATHER (per lb.)—                |      |      |
| Sole Bends, 8/12 lb.              | 1 2  | 1 2  |
| Bark-Tanned Sole                  | 2 2  | 2 2  |
| Shoulders from DS Hides           | 2 4  | 2 4  |
| " Eng. or WS do.                  | 3 4  | 3 4  |
| Bellies from DS do.               | 0 8  | 0 8  |
| " Eng. or WS do.                  | 0 10 | 0 10 |
| Dressing Hides                    | 0 11 | 0 11 |
| Ro. Eng. Calf, 20/35 lb. per doz. | 1 5  | 1 5  |
|                                   | 0 6½ | 0 6½ |
|                                   | 0 8  | 0 8  |
|                                   | 0 10 | 0 10 |
|                                   | 0 11 | 0 11 |
|                                   | 0 12 | 0 12 |

|                                   |      |      |
|-----------------------------------|------|------|
| PETROLEUM PRODUCTS (per gall.)—   |      |      |
| Motor Spirit No. 1, London        | 1 6  | 1 6  |
| Petroleum, Amer. rfd. brl. Lond.  | 0 10 | 0 10 |
| Fuel oil, in bulk, for contracts, |      |      |
| ex. instal. Thames—               |      |      |
| Furnace                           | 0 3½ | 0 3½ |
| Diesel                            | 0 4½ | 0 4½ |

|                  |        |         |
|------------------|--------|---------|
| ROSIN (per ton)— |        |         |
| American         | 16/0/0 | 15/10/0 |

|                         |      |      |
|-------------------------|------|------|
| RUBBER (per lb.)—       |      |      |
| St. ribbed smoked sheet | 0 8½ | 0 8½ |
| Fine hard Para          | 0 7½ | 0 7½ |

|                     |      |      |
|---------------------|------|------|
| SHELLAC (per cwt.)— |      |      |
| TN Orange           | 34 0 | 34 0 |
| Tallow (per cwt.)—  |      |      |
| London town         | 37 0 | 37 0 |

|                                |         |         |
|--------------------------------|---------|---------|
| TIMBER—                        |         |         |
| Swedish u/s 3 x 8 ... per std. | 21/15/0 | 21/15/0 |
| " 2½ x 7                       | 21/5/0  | 21/5/0  |
| " 2 x 4                        | 20/5/0  | 20/5/0  |
| Canadian Spruce, Dis.          | 26/0/0  | 26/0/0  |
| Pitchpine ... per load         | 13/10/0 | 13/10/0 |
| Rio Deals ... per std.         | 35/0/0  | 35/0/0  |
| Teak ... per load              | 24/0/0  | 24/0/0  |
| Honduras Mahogany logs c. ft.  | 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                | 24/0/0  | 24/7/6  |
| Rape, refined                 | 32/5/0  | 32/5/0  |
| Cotton-seed, crude            | 16/15/0 | 15/10/0 |
| Coconut, crude                | 16/0/0  | 15/15/0 |
| Palm                          | 12/0/0  | 12/0/0  |
| Oil Cakes, Linseed, Eng.      | 8/0/0   | 8/10/0  |
| Oil Seeds, Linseed—           |         |         |
| La Plata                      | 11/1/3  | 11/2/6  |
| Calcutta                      | 12/14/3 | 12/12/6 |
| Turpentine                    | 33 0    | 32 9    |

## THE ECONOMIST

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## INVESTMENT—cont.

apart from the bad weather which made last week's exercises scarcely the fairest of tests, the greater part of the failures in interception and marksmanship were due to lack of skill. This was most noticeable among the searchlight units. Some of these were reported to be excellent—which is evidence that the faults of the others lie not in material but in training, and that, in turn, means that they can be corrected. Guns and fighters are of little use at night unless the searchlights can pick out the raiders. It is clear that there should be a period of the most intensive concentration on the training of searchlight crews.

The other great gap discovered last week was of a different order. The black-out was deliberately timed to cause the least possible disturbance and inconvenience to private citizens and business concerns. Indeed, held as it was between 12 and 4 o'clock on Friday morning, when most people would normally be in bed and asleep, it was hardly a test of preparedness at all. Yet, even so, the great city of London and its environs were given away to the raiding bombers by a host of instances of sheer carelessness. It is true that the railway companies whose lights blazed throughout the black-out had so far contracted out of the exercise as to ensure the maintenance of their essential services—though even here much more care might have been taken. But there was no excuse at all for the wilful indifference to the importance of the black-out demonstrated in shops and factories, in advertisement signs and street-lighting and by motorists and householders.

If the progress of civil defence among the population at large—that is, apart from the two millions who have enrolled for active work—can be taken as a test of democratic ways, the conclusions to be drawn so far are disturbing. It is true that the Government has contributed very largely (many would say decisively) to civilian apathy and uncertainty during the past two years or so by its own procrastination and indecisiveness in A.R.P. But this excuse holds little water when applied to the specific case of last week's black-out. The occasion had been well publicised by pamphlet and radio, and the steps to be taken were simple and inexpensive. The fact is that, while the individual citizen must himself be a vital factor in any effective system of civil defence, too many citizens look to the activities of other people to protect them.

The seriousness of this state of affairs cannot be glossed over merely by reference to the Government's own undoubted shortcomings. *The Economist* has never hidden its view that the chief gap in civil defence has been the Government's failure to give a clear lead. But public apathy is none the less a fact, and the black-out was only one case in point. The rush of some two million men and women to enrol in the various civil defence services cannot conceal the fact that many millions more are just not interested. There is a disturbingly large number who have shown no activity at all in anti-fire and anti-gas precautions, in the preparation of shelters and in food storage. True, guidance has often been lacking, but there has not been enough inclination to seek or follow what guidance there was. When actual hostilities begin, the great bulk of the population will, no doubt, willingly rally round. That is what the average man is waiting for. But, in the conditions of modern warfare, last-minute patriotism of this kind might come too late; and, in any case, the whole point of our present defence efforts is to make ourselves so ready that war will not come.

The time has clearly come when every householder must be told, in precise terms, what is the minimum duty he owes to the common safety. He must be given a date by which his preparations must be ready and when they will be inspected. For the vast majority of people such a schedule would be all that would be needed to stir them into doing what they fully intend to do—sometime. And for the small recalcitrant minority there should be compulsion, since it can no longer be pretended that the

negligent few endanger only themselves. For the use of compulsion there is now excellent precedent, since the recent Civil Defence Act places upon the owners and occupiers of industrial and commercial buildings the most stringent requirements for protecting their property and their workers. When these further steps have been taken—or even before—there must be renewed black-outs, at hours when people are awake, and extended to cover every sort of activity, including the railways. Inconvenience will, of course, be caused. But only so will the reality of war be reproduced and the weak spots of the organisation detected.

As it is, education in defence is especially the job of the A.R.P. wardens, and nowhere are the dragging effects of private apathy—as well as of public maladroitness—more apparent than in the wardens' attempts to rally their neighbours. The principle of the service is for one warden to be on hand to advise, assist and instruct about a hundred neighbours, as well as to report local damage in actual raids and so bring into action the anti-fire, anti-gas, first-aid and rescue services. There are many faults inside the service, as the August bulletin of the Air Raid Defence League shows. There are serious local shortages of wardens in some dangerous areas like the East London boroughs. Equipment, good instructors and clerical staff are widely lacking. Full-time local chiefs of the service are too often done without. The necessarily local basis of recruitment and organisation for A.R.P. too frequently blots out the urgent need for regional co-ordination, mobility of personnel and common standards of instruction. These needs are becoming known and are being slowly met. But the wardens are *par excellence* the link between A.R.P. and the public, and it is here that they are least successful.

This failure is in general no fault of theirs. Some wardens are admittedly negligent, for none is under any compulsion either to receive instruction or to give it. But for the most part the wardens can do no more by way of education and advice than the public will permit them to do. They have no status or authority, and they can put no pressure upon their neighbours. The wardens will gain fresh strength when their own service is more efficiently ordered than it is now; their words will have more weight when a much greater proportion of the shelters now planned have been actually erected and when the enduring dilemma of evacuation from London has been finally resolved. But they will need more than this if they are to convince the general public that civil defence is indeed their business. They need, in short, to be vested with the authority to do their job. It is true that, except for a small part of their number, they are amateurs and not professionals. They cannot easily be given the powers that, say, policemen have. But the case for reinforcing their advice and persuasion by the imposition of minimum legal duties upon all citizens is clearly very strong indeed.

This is no new doctrine. As long ago as a year or more, many voices, among them that of *The Economist*, were raised to demand the drafting of a code of essential defence duties to be pressed upon all institutions and individuals. We have now the Civil Defence Act; it is hard to escape the view that we need a new Defence of the Realm Act as well. It is always an uneven picture which voluntary methods in an individualist and competitive community produce. In civil defence, millions have flocked eagerly to defend their country at home or abroad. Millions more have done nothing. A few have been obstructive. Ever since preparedness began in earnest the voluntary system has done magnificently wherever it has been called upon. But, in all branches of national service, the voluntary method needs some degree of aid by compulsion in order to level out the minimum standard of performance between one citizen and another; and it is in the sphere of civil defence that further rules and sanctions are most urgently required. Here more than anywhere else the strength of the chain is that of its weakest link.

## The Danger in the South-East

DURING the last seven days the apprehension in which we live has been screwed tighter by several degrees. Over the week-end Europe awaited the outcome of the meeting at Salzburg between the German and Italian Foreign Ministers; and the dull fact that the dictators were once more announced to be in complete agreement was then quickened by the news that Herr Burckhardt, the League High Commissioner in Danzig, had been to Berchtesgaden at Herr Hitler's invitation the day before Count Ciano. Here were two meetings of obviously first-class importance. While nothing is known for certain of what transpired at Salzburg, it would seem that weighty decisions were taken, modified perhaps by Italian caution, at least sufficient to cover German action during the next few weeks of diplomatic and military mobilisation. The most important of those decisions must clearly be with regard to Poland: whether or not a supreme effort is to be made to destroy her independence of action; if so, how that effort is to be concerted; and if not, what alternative course is to be followed.

There is no final evidence yet to show what the decision was. But there is some evidence that the dictators are not finding the "war of nerves" wholly to their taste. Indeed, Herren Hitler and von Ribbentrop appear to be getting alarmed at the total absence of any sign of "mediation" from London. The signs of that are manifold. An American Congressman, arriving at Oslo in Herr von Ribbentrop's aeroplane and fresh from entertainment by that gentleman, sends up a balloon for a new Four-Power (i.e. Munich) Conference. A whole crop of rumours may be harvested in any European capital, not only of four-Power conferences, but of partition plans and "realistic" solutions; these rumours do not originate in London or Paris but in Berlin and Rome. Dr Goebbels's propaganda in England and France has been doubled and re-doubled in recent weeks. Professor Burckhardt's visit is open to a similar interpretation. The Fuehrer gave him no peace plan; but he is regarded in Berlin as the natural successor to Lord Runciman, and his invitation to Berchtesgaden was an effort to "prime the pump" of appeasement. The fact that all these plain invitations have been accompanied by a Press chorus of "No Compromise" and by blood-curdling private threats of war before the week-end is probably only part of the game. A desperate effort is being made to frighten us. So far there is not the smallest sign of fright in London, Paris or Warsaw. The fact that the French and British Governments are still composed of the men of Munich naturally leads to their every action being most suspiciously scrutinised. So far, however, the white rat of appeasement has not stuck even so much as a whisker out of his hole. If there is a deadlock, it is of Berlin's making and Berlin must resolve it.

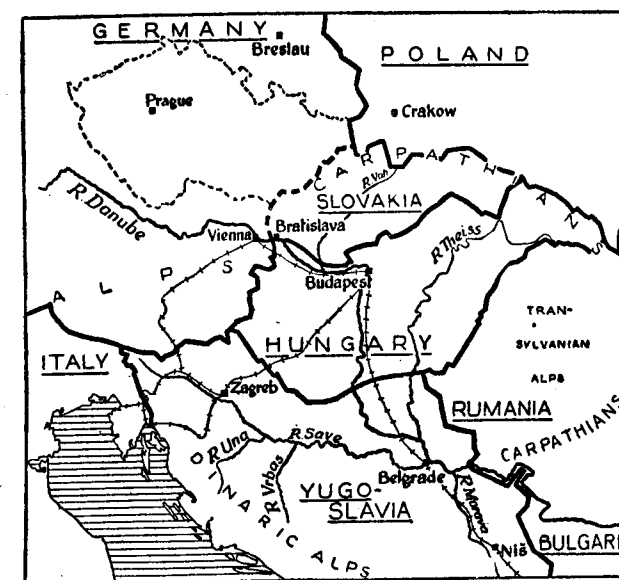
The situation in Danzig remains meanwhile one of nervous uncertainty. Local talks taking place between the Senate President and the Polish High Commissioner can have no real significance, for the matter has gone far beyond local issues. But while defence of the *status quo* of

Danzig, and thus of Poland, must continue to be the focal point of all our efforts, this week has brought other reports which further emphasise that if Germany decides to defer for the time being a military stroke against Poland, there is still a wide field of "peaceful" activity for her army and its auxiliaries. It is of the utmost importance to consider what that activity might be, since in the next few weeks we are going to have either war starting at Danzig or an outbreak of German activity elsewhere.

On September 2nd the Nazi Party opens its rally at Nuremberg, to be called the "congress of peace." Perhaps in preparation for this, perhaps as part of a strategy made ready months ago, the pressure is now being applied to points of leverage in the south-east. In effect the "republic" of Slovakia is already in German hands, for the Reichswehr has occupied a wide belt of territory running up the valley of the river Vah and eastwards along the northern frontier. When it was learnt that Count Csaky, the Hungarian Foreign Minister, had also been in consultation with Herr von Ribbentrop at Salzburg last week (a meeting since repeated) there was immediate fear that the long-awaited drive for control in Budapest had begun. There were rumours of an ultimatum and some outward signs to lend plausibility to the rumours. It was clear that Germany would gain much from a control of Hungary, and that there was nobody outside Hungary (and dangerously few inside the country) who could and

would fight to prevent its assumption. With free passage assured for his armies Herr Hitler would then have strengthened his strategic grip on Poland by command of the Ruthenian hills (from the northern spurs of which the Austrian armies held off the Russian south-westward push for many months in the early part of the last war); he would have advanced to the borders of Roumania; and he would have encircled the fertile lands of northern Yugoslavia, with their German and Hungarian minorities.

After Czecho-Slovakia the process of gaining control in Budapest would seem to be a fairly simple matter. In this year's elections the Hungarian Nazis, fed as always by German money and profiting by the exclusion of Jews from the poll, increased their representation in the Hungarian Chamber from six seats to forty-eight. Divided among themselves though they may be, and perhaps because of that, they provide an effective vehicle for the spreading of German influence; if they took over the government it would not be the first time that a Nazi majority had climbed to power on the back of hypothetical public support. And at one remove the Hungarian position will stand as representative of the domestic play of forces in the Balkans when set in movement by Nazi activity. By extending their control of Hungary's foreign trade (until in 1938 they took 50 per cent. of Hungary's exports and supplied 48 per cent. of her imports), and appealing to the peasant and the landowner with apparently high prices, the Germans have won for themselves much public sympathy as well as a commanding political





position. In Hungary, too, the Nazis have played the revisionist tune skilfully, and in the countryside they have worked on the peasants' hopes of land reform. The nation is well divided against itself. Only one factor prevents it from falling. The Government remains in the hands of the aristocracy, ruling through the Upper House, delegating power to men like Counts Teleki and Csaky, who can be relied upon to place the dignity of Hungary before purely personal aims. The struggle for control in Hungary, as elsewhere in south-eastern Europe, is no longer only national: it is also dynastic.

If Hungary cannot hold out, what may be expected of the Balkan peoples, more at peace between themselves today than ever before? In answering this question, the essential problem (assuming always that the Peace Front suffers no defection) lies in Belgrade. For in a very true sense, Yugoslavia is the keystone of the Balkan defensive arch. Remove it and you destroy all hope of Balkan neutrality. If the Germans removed it there would be no material reason why their armies should not reach the Black Sea without firing a shot.

But it is fruitless to talk of "Jugoslavs." There are few of them and they do not make up one nation. The actors in this drama are called Serb, Croat and Slovene; and it is the Serb, as it was in 1914, who will decide whether or not the next war shall begin in the Balkans. If Prince Paul declares for the continuance of a policy of honest neutrality and a refusal to join the Axis, he must consider whether the Germans and Italians (having agreed to parcel out the country) will not then work to detach Slovenia, Croatia and the wheat plains between the Save and the Danube. With Hungary under German control, with the support of German and Hungarian minorities in the Banat and in Slovenia, helped, too, by Croat separatism translated into extremist terms by the Zagreb Frankovci group, they might well not work in vain. The Yugoslav idea is a fine one, but it is not yet profound. Even if peaceful detachment of northern Yugoslavia proved impossible, or too slow a process, the Axis Powers might be tempted to threaten invasion. The Yugoslav army, commanded as it is almost completely by Serbian generals, would then have to reckon whether it were better to fight in order to keep recalcitrant Croats within the frontiers of a mutilated Yugoslavia or to retire from the strategically weak northern frontier to the spurs of the Dinaric Alps, even as far south as the Vrbas River, and then to stand for a Greater Serbia within the quadrilateral of the Bosnian Highlands, the Save, the mountains of the south and the Adriatic coast.

Commanding Slovakia, Hungary and Yugoslavia north

of the Save, the Axis Powers would in that case be confronted by a reincarnated, but still neutral or hostile, Serbia. They would have done much. They would have shattered Balkan peace, begun the encirclement of Roumania, stretched out a warning finger to Bulgaria. But to obtain their ends they would not have done enough. It is not Croatia or Slovenia but Serbia itself that is required to link up a friendly Bulgaria with the Axis and to turn the flanks of the immensely strong Roumanian defensive position in the Carpathians. If the Axis invaded Serbia proper, 1914 would repeat itself, with the Serbians meeting the first shock and waiting desperately for Anglo-French help through Salonica. But, unlike 1914, they would have behind their backs a friendly Balkan alignment formed by Turkey, Roumania and Greece, which would neutralise Bulgaria and open the way for assistance. Without the neutralisation of Poland such a war would be hazardous indeed to those who undertook it. If they wish to be sure of the Balkans it is cardinal that the Axis Powers should first force the compliance of Prince Paul, at least to the passage of their troops down the Danube and over the Belgrade-Nish-Sofia main line. Everything is then in their favour. With the Reichswehr on their frontiers, the Bulgarians would have little option but to take their orders from Berchtesgaden, for the revisionist argument, proved good in Hungary, could scarcely be resisted in the much more inflammable atmosphere of Bulgaria. There would remain the Roumanian dynasty to overturn, menaced then from the west and south, and Germany would have completed her "peaceful" occupation of south-eastern Europe.

This is not a fanciful picture. Nor is it conceived with the intention of painting the Germans in colours of black destruction. On the contrary, it is a picture of extreme realism. Those who direct our policy, and play so decisive a part in deciding the endurance powers of the Peace Front, should realise that they have only to make one or two small slips and the whole edifice of south-eastern defence will be laid bare. Yugoslavia is not an essential member of the Peace Front. But it is essential to the Peace Front that she remain neutral. We may have every sympathy for Prince Paul, doing his best to remain neutral in the most difficult of circumstances. We may commend him, as he should be commended, in that effort. But we must understand that we shall help him best by leaving him uncompromised, and by standing rock-firm on our decision to resist all attempts to weaken the defensive encirclement which our declarations have brought into being, meeting if necessary force by force.

## The Paradox of Prices

**S**TIMULATED by the rapid increase in defence expenditure, British industrial production has not only recovered from the recession of 1937-38 within little more than six months, but it has already surpassed all previous records. But while the recession of 1937-38 brought with it a downward movement in wholesale prices and in the cost of living, the vigorous expansion in industrial activity this year has found little correspondence in the movement of prices. This is illustrated by the first of the diagrams at the foot of the next page, which shows the course of the Board of Trade's price indices of food and tobacco, of basic raw materials and of manufactured goods. The absence of a major rise in prices is unquestionably one of the most remarkable features of the present boom in industry, and, in view of its far-reaching consequences, deserves explanation.

Broadly, a country's price level is determined, on the one hand, by the prices of industrial raw materials and

crude foodstuffs, and, on the other, by the cost of converting these materials into finished products. Britain is in the rather exceptional position of importing virtually all her raw materials (with the notable exception of coal), something like one-half of her requirements of foodstuffs and a not inconsiderable quantity of manufactured articles. In 1935, the last year in which a census of production was taken, the value (including shipping charges, etc.) of Britain's net imports was £701 millions, while the value of the industrial output of firms employing more than ten persons on the average was £1,576 millions (net) and that of agriculture £206 millions (gross). The size of Britain's purchases abroad is such that a significant change in import prices causes marked shifts in the ratio between individual prices as well as in their absolute level. If wage rates remain unchanged, for example, in face of a major decline in the price of food, part of the income of British wage-earners is released for the purchase of other goods often

of a capital character, such as houses, or semi-luxuries such as motor cars. This new source of demand for goods which are predominantly made in Great Britain may even, as in 1932, give rise to a movement of industrial recovery.

Since the third quarter of 1937 average import prices have shown a marked downward trend, which has continued to the first quarter of this year. During this period they fell by no less than 12.8 per cent. A simple calculation shows what this means. In the first half of the current year retained imports amounted to £420 millions; but if import prices during this period had been the same as in the third quarter of 1937, the cost of these purchases would have been £481 millions, i.e. £61 millions more. This represents a saving at the rate of no less than £122 millions per annum. As the second diagram shows, the fall in the average import prices of raw materials since 1937 has been very substantial. The average price of exports (which, however, consist mainly of manufactured goods) has also declined, but as domestic conversion costs (i.e. mainly wages) are comparatively inelastic, the extent of the fall has been much smaller. As a result, the quantity of imports obtained in exchange for a given volume of exports has tended to increase.

It is more difficult to measure changes in conversion costs, but such evidence as is available suggests that, on the whole, they have shown little, if any, decline between 1937 and 1938, and that the tendency in recent months has been slightly upwards. Wages, which form a large proportion of conversion costs, have certainly shown no decline during last year's recession. The official index of weekly wage rates (1924 = 100) actually rose from 102½ in the third quarter of 1937 (the peak of the previous boom) to 106 in the second quarter of 1938, and has remained at that level until the first quarter of 1939.

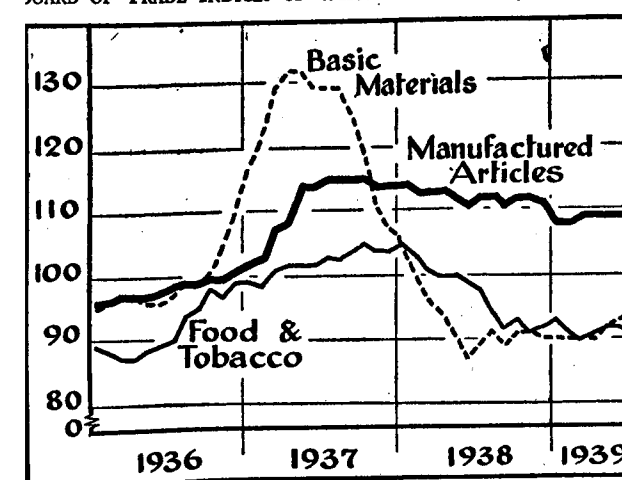
If this diagnosis is correct, the fall in the prices of imported raw materials and foodstuffs largely explain why the domestic price level has as yet shown scarcely any rise and why it is still lower than in 1937. It has also been one of the factors (the increase in defence expenditure is the other) responsible for the growth of purchasing power, especially in the lower income categories, reflected in the expansion in the consumption goods trades this year.

But how is it that the prices of imported raw material and foodstuffs have shown practically no response to the increased volume of overseas purchases, which, in the second quarter of this year, was actually higher than in the corresponding periods in 1929 and 1937? And why have domestic conversion costs so far shown only an insignificant rise?

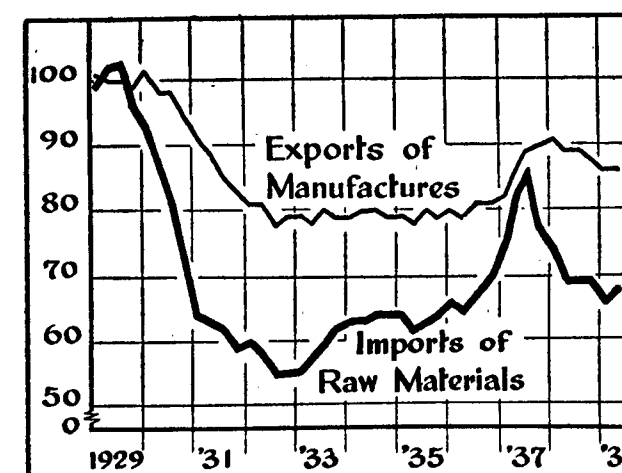
The third diagram, which puts *The Economist's* index of the prices of primary products alongside an index calculated by the League of Nations to show variations in the accumulated stocks throughout the world of 24 industrial raw materials and crude foodstuffs, provides a broad answer to the first question. Clearly, the supplies of primary products as a group have since 1937 again tended to exceed the demand for them, and prices have consequently shown a sharp fall. Early in 1939 the movement in stocks was reversed, but though the reversal has caused a slight improvement in prices, it has not yet gone very far. The diagram also reveals the enormous amplitude of fluctuations in commodity stocks and shows how close is the inverse correlation between changes in stocks and in prices. The indices, however, are averages, and consequently they conceal marked divergences in the behaviour of the stocks and prices of individual commodities.

In contrast to the cost of converting raw material into finished goods, which is comparatively inelastic and

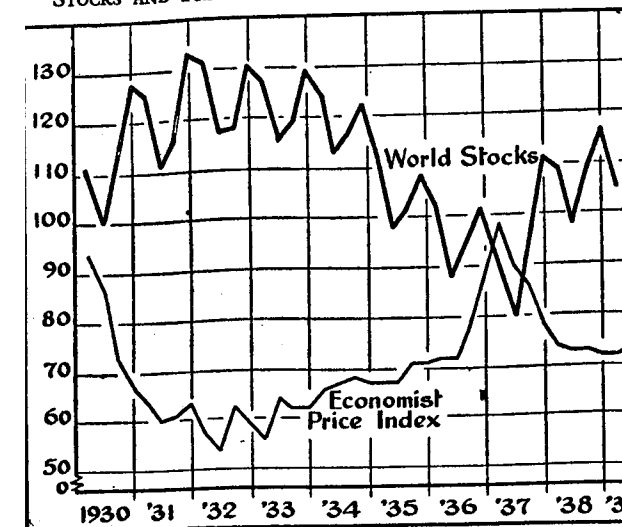
BOARD OF TRADE INDICES OF WHOLESALE PRICES (1930 = 100)



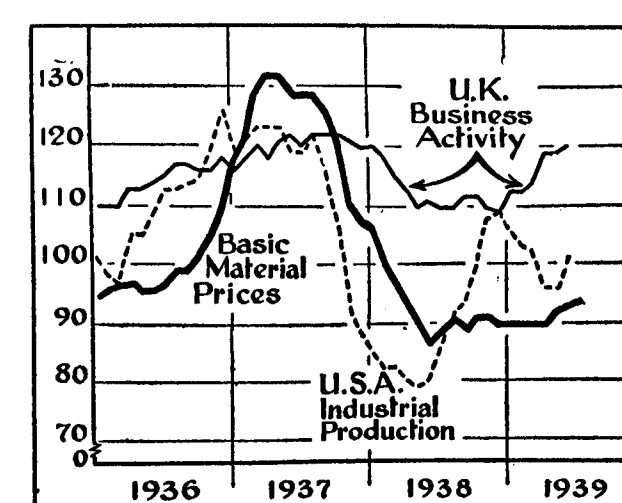
AVERAGE IMPORT AND EXPORT PRICES (1929 = 100)



STOCKS AND PRICES OF PRIMARY PRODUCTS (1929 = 100)



BUSINESS ACTIVITY AND RAW MATERIAL PRICES (1930 = 100)



explains the stability of the prices of manufactures in face of violent changes in those of raw materials and foodstuffs shown in the first diagram, the prices of primary products have always been subject to wide fluctuations owing to the difficulty of adjusting market supplies rapidly to changes in demand. It may be worth while to examine briefly some of the peculiarities in the conditions of supply and demand for primary products.

So far as conditions of supply are concerned it is useful to distinguish between materials which are produced continuously, such as metals, and annual crops. While the output of the former can be adjusted at comparatively short notice, the output of crops depends not only on decisions made from six months to a year previous to the actual harvest but also on weather conditions. Some plants take several years to mature, and the potential output of tea, coffee and rubber in any one year, for example, depends on the area put under cultivation years before the crops are harvested. But as the rubber tree and the tea bush, once matured, yield an annual crop for a number of years, the actual output can be varied by more or less intensive "tapping" or "plucking." Consequently these crops may perhaps be grouped best under the first heading.

The yield of crops, such as cereals, on the other hand, cannot be as readily adjusted to changes in demand as the output of materials produced continuously. If then, the conditions of supply were all that mattered, annually cropped commodities would have much wider swings in stocks and prices than continuously produced commodities. Actually, this does not happen: differences in the conditions of demand to some extent restore the balance. It so happens that most continuously produced commodities are industrial raw materials, the demand for which fluctuates very widely, while most annual crops are foodstuffs, for which the demand is much more stable. Thus very broadly and subject to exceptions like cotton (which is an industrial crop), it can be said that foodstuffs have capricious supply but a steady demand, while for industrial raw materials the supply is more susceptible to control but the demand is unpredictable. The net effect is that both categories of prices fluctuate violently, but sometimes for quite different reasons.

The third diagram also shows that the movements of both stocks and prices are usually most marked at the beginning and towards the end of a cycle. The explanation is not far to seek. Towards the end of a boom, when primary producers are operating at or near capacity and when supplies cannot be increased further at short notice, consumers, afraid of a shortage, increase the ratio of their stocks to consumption and thus drive up prices. Conversely, at the beginning of recession, consumers are anxious to reduce their stocks, and by keeping new purchases below consumption, which is itself falling, they cause violent collapses in prices. These phenomena are not of course peculiar to primary products, for in industry, similarly, prices are frequently pushed up by competitive bidding when the reserves of labour and plant are nearing exhaustion.

The main reason why the stocks of industrial raw materials have tended to rise and prices to fall since 1937 is the fall in world demand. But since the United States and the United Kingdom are the two biggest consumers of primary products, movements of stocks and prices are conditioned, in a large measure, by the course of business activity in these two countries, as is demonstrated in the fourth diagram. Until the beginning of 1937 business activity tended to expand both in Britain and in the United States and prices consequently moved sharply upwards during this period. But as soon as recession set in across the Atlantic prices began to decline and the fall was accentuated after the summer when business activity in Britain also took a downward turn. When industrial production began to increase again in the United States in the spring of 1938

prices also moved upwards, but only slightly, because business activity in this country was then marking time. During the early part of this year the course of business in Britain and the United States showed divergent trends, and prices remained neutral. Early this summer, however, when American business showed signs of improvement and recovery in Britain was in full swing, prices took an upward turn. If, later this year, there is substantial recovery in America, so that business is moving upwards on both sides of the Atlantic, precedent would indicate a sharp rise of prices, caused in the first instance by a sudden movement by industrial consumers to replenish their private stocks. This is the more likely in view of the fact that the stocks of many primary products have been prevented from reaching excessive levels by the operation of restriction schemes, and the rise could, of course, be moderated by a relaxation of these restrictions. There may, of course, be exceptions to the general trend, due to peculiarities on the supply side. For example, a series of heavy yields has led to excessive supplies of wheat and, in the absence of a control over exports, some time may elapse before wheat prices rise above depression levels. The same is true of some other foodstuffs where demand is unlikely to overtake supply. Again the recent break in crude oil prices in the United States was caused by the lack of effective control of raw supplies.

While the trend of the prices of primary products (and especially that of industrial raw materials) during the next few months depends largely on the course of business activity in the United States, the movement of domestic conversion costs will depend mainly on the rate of increase in defence expenditure. There has so far been little increase in wages, partly because they were not reduced during last year's recession and consequently now possess a higher purchasing power, but chiefly because the present recovery only got under way early this year. Pressure for higher wages usually increases when profits begin to rise. Hitherto, published profits have been falling on the average. *The Economist* quarterly index of company profits, for example, has recorded four consecutive falls. But the results so far published in the third quarter (admittedly a very small sample) show a fall, compared with the previous year, of only 0.5 per cent. and the turning point is clearly not far distant. But although some of the recent demands have already been granted, by the engineering industry for example, there is usually a considerable time-lag between the application for, and the grant of, higher wages, especially if there is still a reserve of labour. But there can now be no doubt that many industries will reach the limit of their capacity in coming months. And unless the Government takes drastic steps to relieve shortages where possible by encouraging imports through reductions in duties (this has already been done in France) and, where necessary, to curtail civil consumption either by increased taxation or by the exercise of priority, or both, competitive bidding for plant and labour may well set in.

The results of this analysis can be briefly recapitulated. The three main elements in what is broadly meant by "the level of prices" are the prices of industrial raw materials, the prices of raw foodstuffs and the cost of converting materials into finished products (including, of course, distribution costs). A rise in the first of the three, industrial raw materials, seems, in view of the level of British demand, to be waiting only upon a resumption of recovery in the United States. The prices of certain foodstuffs are depressed by heavy crops, but they too are not entirely insusceptible to demand. Conversion costs depend mainly on wages, which will tend to go up when profits show a decisive rise, which will probably happen in a few months' time. If, this autumn and winter, a wage-raising movement in British industry coincides with American recovery, we are likely to witness quite a sudden spurt in prices, similar to that which happened just three years earlier.

## NOTES OF THE WEEK

**The Chinese Prisoners.**—It was made known in London on Friday of last week that, on advice from the Law Officers of the Crown, the Government had decided to hand over the four Chinese who are now in asylum in the British Concession at Tientsin to be tried, according to the Japanese demand, in a local Chinese court. It is stated in London that the present decision has been reached "on the judicial merits of the case," and that the surrender of the four Chinese suppliants at the altar of British justice will therefore be unconditional. Though the present Japanese military blockade of the British Concession at Tientsin was imposed expressly on the ground of our original refusal to hand these men over, we are not now asking that the blockade shall be raised or even eased as a condition of their extradition. Indeed, the first reaction has not been to appease the Japanese but rather to increase their suspicions that we are trying to spin out the negotiations at Tokyo without facing matters. We may concede that the legal situation did change in one respect when on July 30th the Japanese Government at Tokyo at last communicated to the British Ambassador the evidence in the additional case which the military authorities in Northern China had so far refused to communicate to the Consul-General at Tientsin. Since the British authorities at Tientsin, on instructions from London, had refused to hand the men over on the ground that the evidence so far furnished was insufficient to constitute a *prima facie* case against them, it was no doubt logical that the question of extradition should be reconsidered in London in the light of the additional evidence now supplied. In the light of this evidence, the Law Officers have found a true bill: that is presumably to say, they have found the additional evidence to be of the kind on which a grand jury in the United Kingdom would have been likely to commit prisoners for trial on a charge of murder.

In this case, however, it is common knowledge that the prisoners are being handed over, not for a *bona fide* trial, but for a virtually pre-determined condemnation to death by a court which will be only nominally Chinese and only nominally judicial, while in fact it will be a mere agency for furthering the military and political aims of the Japanese. This is a capital point which the British Government seem to have surrendered at the outset by making the question of extradition turn solely upon that of the adequacy or inadequacy of the *prima facie* evidence. The justification for the British Government's action is that we are simply acting on treaty obligations towards China which provide for the delivery, "on due requisition by Chinese authorities addressed to the British consul," of Chinese offenders who have sought asylum in Chinese territory under British administration. In a note of protest to the British Government, the Chinese Government contests the implication that the puppet governments of Japan in China are to be regarded as "Chinese authorities" within the meaning of the treaty. In this China is surely in the right. In fact, there is every indication that the Foreign Office's interpretation of expediency had as much to do with the decision as the Law Officers' interpretation of the law. And whether or not it is good law, the decision looks like very questionable politics, since it has angered the Chinese, and lowered our prestige in the Far East. The assets are not apparent, since if the aim was to buy time in Tokyo, it has not succeeded. The Japanese military delegates to the conference have departed with some ostentation for Tientsin, the negotiations are at a deadlock on the currency question and the anti-British campaign continues in full swing. Meanwhile, a summons for a writ of *Habeas corpus* on the prisoners, returnable next Tuesday, has been granted in London; this follows a refusal to grant a writ by the British Supreme Court in Shanghai. The affair is not yet closed.

**Japan and the Axis.**—While Japan is, of course anything but a democracy, her political life is not unified, like that of the totalitarian Powers in Europe, by the complete ascendancy of any single political force. In Japan the Army, the Navy and Big Business are each semi-independent powers; and, though the general public may have little or no influence on the play of these mighty forces, it at least has certain opportunities of showing, when there is a trial of strength between its rival masters, where its own hopes and sympathies lie. To-day the Japanese public is evidently in sympathy with the civilian authorities and the Navy against the Army in the momentous issue between the rival policies of looser and closer association with the Berlin-Rome Axis. The Japanese Army believes that, if it can bend British action in Eastern Asia entirely to serve Japanese military purposes, this will give Japan just the added force that she needs for breaking China's resistance. Great Britain, the Japanese soldiers think, can be forced into complete compliance in Eastern Asia if the Axis can be induced to add its pressure on Great Britain in Europe to Japan's own pressure on her at Tientsin and in the Yangtse Valley; and, to secure this timely aid, as they hope, decisive German and Italian aid, the Japanese soldiers are apparently ready to commit Japan very deeply to intervention on the Axis Powers' side in the event of a European war. On the other hand, Big Business and the Navy see very clearly that it would be financially and economically impossible for Japan to keep up her effort to conquer China if she were to lose her present trade with the British Empire and the United States.

In this conflict of rival Japanese policies the Army seems to have met with another check on August 8th when the inner Cabinet debated and rejected a demand from military quarters that the cautious policy of relative aloofness towards Europe, which the Cabinet adopted on June 6th, should be reconsidered. This reading of what happened last week appears to be confirmed by public statement made by the Prime Minister, Baron Hironuma, this last Sunday; and last week's balance of political forces in Japan must have been one of the factors with which Rome and Berlin reckoned in taking the decisions, whatever these may have been, at which the arrived during the week-end. As far as it goes, the policy that now holds the field at Tokyo is not in the Axis.

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owers' favour; but we must recognise that the political balance in Japan is unstable and the present policy therefore precarious. A breakdown of the Anglo-Japanese negotiations or an outbreak of war in Europe might precipitate rapid and important changes of policy in Japan, as well as in Russia and the United States.

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**Problems of Conscription.**—The general principle of conscription is simple, but the universal application of any simple principle nearly always creates hard cases. These might, of course, have been ignored, save for the strong native tradition in favour of doing everything possible to safeguard the position of individuals. The Military Training Act consequently contained a large number of provisions designed to mitigate hardship, and the inevitable minor difficulties arising out of these have recently been coming to light on several sides. The local tribunals to whom conscientious objectors must take their case have not made very rapid progress, but seem to have been able to decide whether the applicants' convictions were honestly held or not. One unexpected problem arose at Bristol when a case had to be adjourned because the Ministry of Labour official said that the provisions about reinstatement did not apply to conscientious objectors; if this reading of the Act is really correct, then an amendment is needed to give effect to Parliament's clear intention of giving them equal protection. A more serious difficulty, and one which clearly had to be expected, has emerged through the summoning of a firm of shoe factors by a clerk who claimed that he had been dismissed on account of his liability to be conscripted. It is to be hoped that such cases will not often come before the courts, for it must frequently be quite impossible to prove whether or not the liability to conscription contributed to the reasons for an employee's dismissal. Only general goodwill can make this section of the Act workable; it would be absurd to deprive employers of all effective power to dismiss an unsatisfactory worker, who was approaching the dangerous age, and it would not be in the interests of the man himself if they were compelled to brand him publicly as incompetent. Another problem has arisen out of the Government's ban on payments by local authorities to members of their staff who are serving in the militia. An outright ban on a practice which has been adopted by many private employers is perhaps too great a violation of local independence, but there is much to be said for the view that the treatment of the militia has been not ungenerous, and that public money should only be used to improve their lot in exceptional cases. The first umpire's decision permitting an unemployed youth to register for training lightly before reaching the age of 20, because otherwise he would find it difficult to secure a job, shows a sensible determination to make minor adjustments in special cases.

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**Property War Risks Plan.**—The Government has lately been moved to appoint a conference of five, under the chairmanship of Lord Weir, to consider the practicality of a scheme for the insurance of war risks on property. That conference should feel some gratitude to the Association of British Chambers of Commerce, which has published an outline scheme as a basis of discussion. This scheme observes the basis of all insurance—mutuality—and imports the necessary principle of compulsory cover, with certain reservations, for all freehold and leasehold buildings, fixed machinery, and landlord's fixtures. It proposes that a pool should be opened at once, with an initial contribution of 2s. per cent., and an annual premium, on the outbreak of war, of one per cent., which is estimated to yield £100 millions annually. Payment for the replacement of property would be met by a levy on all property covered, and claims would be paid, in the first instance, by means of provisional indemnity certificates, carrying interest at ½ per cent. These would later be replaced (on the closing of the scheme) by Government guaranteed bonds. For an

amount equal to the claim, less the appropriate rate of levy on all the property covered, which would also carry interest and would be repaid by means of the levy. The latter would be a prior legal charge on the property covered, and payment would be extended over a short period of years. In outline, this scheme seems essentially reasonable. But it does not escape the difficulty that property owners would receive no final compensation until the end of hostilities. Nor is the risk itself actuarially coverable, in the absence of actual experience of war damage. If the latter proved to be light, the scheme might be self-financing, without Government support. And this fact, as Sir George Schuster has pointed out, might weaken the resolution of the Government to insist upon reparation by the whole of the community. Finally, personal property, including household goods, might not suffer monetary damage on the same scale as real property; but the risks to which it would be exposed in time of war invite protection under the suggested separate scheme.

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**The Presidential Campaign Opens.**—The adjournment of Congress has been the signal for the first shots in the campaign for the American Presidential election which is to take place in November next year. The first public avowal of candidacy has now come from Mr Robert Taft, Senator from Ohio, a son of that President Taft who succeeded the first President Roosevelt, and as convinced a conservative as his father. Mr Taft is not, of course, the only Republican aspirant. Senator Vandenberg, of Michigan, has been in the race from the start. His record in Federal politics is far longer than Mr Taft's and not undistinguished, but neither of the two Senators makes a very colourful personal appeal. Mr Dewey, the crusading District Attorney of New York City, on the other hand, combines a popular personality with a total absence, so far as is known, of opinions on any subjects other than the suppression of crime. These three, with the enigmatic figure of Mr Hoover in the background, are the leading contenders for the moment and though the emergence of some other figure is always possible, the Republican party looks like suffering, as it has done ever since 1932, from a lack of leaders of stature approaching Mr Roosevelt's.

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On the Democratic side the picture is both simpler and more confused. It is simpler in that the struggle in next summer's convention will clearly be between a Conservative and a New Dealer, and that the Conservative will almost certainly be Vice-President Garner. But the identity of the New Dealer is still unknown. Mr Roosevelt has replied to his repeated defeats at the hands of Congress by a series of statements in which he has nailed his colours to the mast of his declared policy and by a threat that he will not support the Democratic Party next year unless it nominates a candidate of liberal views. The odds are still that he will feel forced to seek the nomination for himself, for lack of any other winning candidate in the ranks of the New Deal. But if he should decide not to, there is a subsidiary competition among the New Dealers for the role of understudy, in which Mr McNutt of Indiana, the newly-appointed Social Security Administrator, and Mr Murphy of Michigan, the Attorney-General, seem to be the current favourites. And there is always the possibility of a compromise between the two wings of the party, resulting in the nomination of somebody such as Secretary Hull or Governor Stark of Missouri. In short, the American political outlook, as is usual a year before the election, is confused and uncertain, and during a crucial twelve months the actions of the most powerful country in the world will be governed by the manoeuvres of a group of prima donnas rather than by considerations of policy.

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**General Franco's Staff.**—As was to be expected from the constitutional decrees, the Spanish Cabinet that was sworn in last week is a coalition of the army and the

Falange. The twelve members, presided over by General Franco with wide autocratic powers, include one colonel, four generals, and seven civilian Falangists. Señor Suñer, who is generally regarded as being of wholly Fascist sympathies, remains at the Ministry of the Interior, though he is also, of course, president of the powerful political junta of the Falangist Party. An unexpected appointment is that of Colonel Beigbeder to the Ministry of Foreign Affairs. He replaces the moderate and widely trusted General Jordana, a close counsellor of General Franco; and in some degree he may be expected to adhere to a Spanish rather than to a Fascist point of view. Dictators are notoriously jealous of their Foreign Ministers, and General Franco may have been moved to appoint the High Commissioner of Spanish Morocco as his Foreign Minister for the same reason that he appointed General Muñoz Grande, another colleague of his African days, to the influential secretaryship of the Falangist Party. The three defence Ministries are in command of Generals Varela, Moreno, and Yaguë, respectively, for the Army, Marine, and Air, and in passing it may be noted that independent or moderate-minded soldiers like Generals de Llano and Aranda have received no political appointments. Civilians have command of the Ministries of justice, finance, industry, agriculture and labour, and education, and there is also a Minister to represent the Falangist Party. General Franco's task was to unite behind him the various and disunited groups of his followers, while retaining for himself supreme and unchallengeable power. In these matters perfection is not to be expected, and it is no criticism of General Franco's manoeuvring that there will remain almost as many sore hearts as hale ones. The maintenance of his Cabinet will depend on his success in keeping his own position as arbiter untouched, and on the tact with which he manages the undercurrents that are bound to flow.

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**The Mandates Commission on Palestine.**—The report of the Permanent Mandates Commission of the League of Nations on the British Government's latest proposals for the government of Palestine cannot be disguised as anything but a severe rebuke to Great Britain. The Commission unanimously finds that the new proposals cannot be reconciled with the interpretation that has hitherto been set upon the Mandate both by the League and by the British Government. Four of the members—the Dutch, Swiss, Norwegian and Belgian members—hold that the plan cannot be squared with any interpretation of the Mandate, while the remaining three members—the British, French and Portuguese representatives—are willing to believe that the Council might be justified in re-defining the meaning of the Mandate. The two points that have mainly influenced the majority are the proposals to make the Jewish immigration quota, after five years, dependent on Arab agreement and the wider project which clearly looks forward to an Arab-dominated Government of Palestine. The Commission remark that they have not felt entitled to take political considerations into account. The British Government, in a statement published with the report, take issue with the Commission on this point, and "political considerations" (i.e. the mess we have allowed Palestine to get into) will doubtless weigh heavily with the Council next month. But to have their plans condemned so roundly by the representatives of the unprejudiced neutral States is not a pleasant draught for the British Government to swallow—or a pleasant spectacle for the British citizen to contemplate.

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**Mexican Oil and the "Good Neighbour."**—The story of the Mexican expropriations was carried a chapter forward this week with the report that negotiations are now broken off between the oil companies and the Mexican Government. Resumption in the near future seems doubtful, although efforts to this end will certainly be made. To many observers a breakdown seemed inevitable from the moment that Mr Richberg, in his visit to Mexico City some months ago, failed to reach terms which

might promise a settlement. The chief stumbling block is not, as might be supposed, the question of ownership and compensation, but of management of the oil properties. The companies have continued (and will continue) to claim that the only terms which are commercially acceptable are that the Mexican Government should hand over full responsibility for domestic management of the oil wells, receiving in return an agreed scale of royalties. President Cardenas, in his turn, continues to sit fast upon his principle of Mexican management. He is willing—he would be very foolish if he were not—that the companies should become responsible for the technical management of the wells, but he will not concede them full business management. In view of the fact that oil production has fallen steeply since expropriation, this would be an ideal solution from the Mexican point of view: equally, the companies will not agree to suffer that degree of Mexican interference, and no one can blame them for this.

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Those are the two points of view. So far they have proved irreconcilable, and the State Department in Washington, increasingly anxious for its "good neighbour" policy, sits uncomfortably between them. The dilemma is an unusually difficult one. If the oil companies are officially castigated for the sake of good relations with Mexico, then the example to other Latin-American nations whose natural resources are under foreign exploitation will scarcely be to the United States' (or to Britain's) advantage. The oil companies, too, would not be content to sit tongue-tied while this doubtful manoeuvre was being carried through. If, taking the contrary view, the State Department came out booted-and-spurred for the companies against the Mexican Government, the result would be no more enviable. The "good neighbour" policy would be assailed by memories of American marines in Nicaragua, and there would be talk of *Yanqui Imperialismo* once again. Even worse, the extensive American mineral interests in Mexico might suffer the same fate as the oil interests, legality or no legality. The State Department, in the form of Mr Sumner Welles, is therefore steering a very careful course, though Mr Welles has said publicly that failure to settle the dispute (implying that the responsibility was the Mexican Government's) would erect a "material barrier" between the two countries. It may prefer to temporise until next year's elections show whether General Camacho, who is likely to be Mexico's next President, is more inclined towards a settlement than President Cardenas.

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**The Indian Congress Fights on Two Fronts.**—The Working Committee of the Indian National Congress has resolved upon a boycott of the Simla session of the Legislative Assembly, as a protest against the decision to send Indian troops abroad, in relief and reinforcement of Far



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Eastern garrisons, without first seeking the approval of the Legislature. In the existing state of Indian public opinion, the episode does not seem to have been handled with great imagination by the Government of India. The wise course would surely have been to consult the Legislature on a matter so close to nationalist susceptibilities, and thus to have thrown on the elected representatives the responsibility for opposing, if they thought fit, a policy so obviously inimical to the totalitarian Powers. The decision might at least have been announced in India first, and with some show of respect for Indian parliamentary opinion. The result will only be to lower still further the value and prestige of a Legislature which is already somewhat discredited in these days of responsible self-government in the provinces and suspended transition at the centre. The Congress move is supposed by some observers to be a competitive bid against Mr Subhas Bose, who is the Sir Stafford Cripps of Indian politics. Mr Bose, the leader of a "Forward Bloc," organised opposition to resolutions of the Congress higher command, and for his insubordination has been barred by the Working Committee from membership of any Congress committee for three years. As Mr Bose is president of the Bengal committee of the Congress, this is indeed a pitched battle. We may be witnessing the birth of a new Left-wing party in India, which would upset the virtual monopoly of popular Hindu support at present enjoyed by the Congress.

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**Marketing for the Colonies.**—It will be agreed that the better way of helping the economically depressed areas of the colonial empire is not to give them doles but to help them to find paying markets for their produce and thus to bring their own finances into order; further, that the better road to paying markets is not preference and protection but improved methods of production and nationalised marketing at home and abroad. Therefore the institution of the Colonial Empire Marketing Board nearly two years ago was a sound and far-sighted piece of imperial policy. Yet a study of the first report of the Board, issued this week, leaves an impression of trivial accomplishment in comparison with an immense task. The Board investigated, during the period October, 1937, to March, 1939, marketing conditions for 31 listed commodities, from agar-agar (a preparation of dried seaweed) to wool: the impression of small achievement derives from the aridity of the notes on the action taken, from the absence from the list of such vital and controversial products of the colonies as sugar, vegetable oils and cocoa, and from the apparently exclusive attention paid to the United Kingdom market. The colonies need world markets, and it is part of the specified duties of the Board to assist in finding them. If necessary, the Board might usefully bring influence to bear on official trade policy in order to widen the international channels of trade for colonial products. The meagre performance of the Board in comparison with expectations is illustrated by the fact that in 18 months its total expenses were only £9,094, whereas it was expected to spend twice that sum in 18 weeks when it had entered into full operation.

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**Broken Bones.**—Though medicine to-day is becoming more and more specialised, hospital services are not being properly adapted to put the more specialised

knowledge into general use. Thus, the Committee on the Rehabilitation of Persons Injured by Accidents finds that the prevailing system of treating fractures in general surgical wards under the general surgical routine is gravely defective. It is deplorable that the big advance made in orthopaedic surgery should be confined in its application to a few hospitals only; even if fractures constituted only a small part of the nation's annual sick bill, such a state of affairs would call for immediate remedy. Actually the total number of injuries by accidents treated yearly in our hospitals is about one and a quarter millions, and the cost under the Workmen's Compensation Acts alone averages about £11 millions per annum. Of all injuries by accidents, fractures and allied injuries are much the most important group, so that the Committee felt justified in concentrating on these. Treatment of fractures now goes through three stages—reduction, immobilisation and functional re-education. It is this third stage, involving the early active movement of the injured joints and muscles, which is most stressed in modern treatment, for if it is neglected prolonged disability generally follows. But it is this stage also which under the prevailing hospital system has the least chance of success. The Committee therefore recommends the immediate establishment, in all hospitals of a certain size, of fracture clinics where the first stages would be undertaken by specialised surgeons and nurses but where, too, remedial treatment and after-care would be thoroughly supervised. It is now more than two years since the Committee presented its interim report outlining its scheme; yet, although the scheme has the approval of orthopaedic surgeons, virtually nothing has been done to put it into force. For this delay the question of expense is probably responsible. Where a voluntary hospital has not the means, it is proposed that the local authority should either subsidise it or set up a clinic in its own hospital. But experience has shown that to invite local authorities to contribute towards the expenditure of a scheme of this sort is the least likely method of ensuring its adoption.

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**Industrial Damage.**—A legal code to cover the whole subject of damage to land values and amenities in the neighbourhood of factories, mines and quarries is an immediate necessity. The recently published report of the Kennet Committee on the restoration of land affected by iron ore working provides, in addition to a careful examination of this particular question, one more argument for general regulation. The purpose of the Committee was to investigate possible measures for dealing with the hideous nuisance of ridge and furrow formations in the wake of surface working for iron ore in Northamptonshire and the neighbouring counties. Owing to the fact that complete restoration of the land surface is not an economic proposition when ores are worked at a greater depth than 15 feet, the agricultural and amenity value of some 200 acres a year is at present being destroyed, and altogether 80,000 acres are menaced with this type of avoidable ruin. The Committee had to reach its own conclusions on a whole multitude of important issues of public policy not exclusively connected with the particular question with which it was dealing. It finally recommended the setting up of an entirely new authority to take the necessary measures (afforestation was principally recommended) to recover the land in question, the finance for this activity being provided by contributions from landowners, mining companies and local authorities. The report, in fact, represents an attempt to provide a solution for a difficulty which should have been prevented from arising by general legal regulation. Such a *tour de force* will presumably have to be made over and over again until all the possible questions of smoke abatement, water pollution, damage from burning slag heaps, and destruction of amenities by derelict factories and workings have become a sufficient nuisance to call for Parliamentary attention and piecemeal solution. The case for general prevention as the alternative to a succession of difficult and expensive cures is plain.

## THE WORLD OVERSEAS

### New Trade Conditions in China

(From Our Shanghai Correspondent)

THE China trade of the second half of this year is bound to suffer a further substantial reduction. All over China, the conditions confronting foreign trade fundamentally changed in July, 1939. In the north, the centre and the south of the country imports and exports were made subject, during that month, to additional limitations, while former trade facilities were largely withdrawn.

China's National Government, as from July 1st, completely banned imports of foreign goods now classified as "luxuries." Imports of other goods are only theoretically free. In actual practice, these imports since July 1st depend completely on allotments of foreign exchange by the Chinese Government banks. No exchange and only minor amounts of Chinese currency may be exported from the areas in question without special permits. The purpose of this regime is to promote the import of goods which increase China's capacity for resistance, but to discourage other imports.

All exports from Free China are subject, since the beginning of July, to strict exchange control. Exporters are required to give up the foreign exchange proceeds of export transactions to the Chinese State Banks, which have to approve all export contracts prior to execution. Exchange must be sold at pre-war rates, but exporters are entitled to varying payments of compensation on account of differences between those rates and the open market quotations.

This new trade regime applies only to territories still under the Chungking Government's control. In North China, the Japanese-sponsored "Provisional Government" in Peiping introduced an outwardly similar regime on July 16th. As from that date, the partial export exchange control, enforced on March 11, 1939, for only 12 products, was extended to all exports from North China. All these exports have been made subject to a licensing system, and export licences are granted only to the extent that the foreign exchange obtained for exports is sold to the Japanese Yokohama Specie Bank, acting as foreign exchange agent of the Peiping "Federal Reserve Bank." The Yokohama Specie Bank is effecting payment for exchange only at its official rate of 1s. 2d. on London, and unlike the Chinese Government banks is not paying compensation in respect of the difference between the official parity of the Peiping dollar and its open market rate, which is as low as 4d.

The Yokohama Bank suggests that exporters secure such compensation by linking their transactions with the business of importers, who also secure exchange from the bank at the 1s. 2d. parity, and that exporters and importers split between themselves the exchange advantage derived from that latter rate if granted on imports. Importers, of course, will have to come to terms with exporters, since otherwise they would have little or no prospects of obtaining exchange. With the Yokohama Bank seizing all export exchange, and the Chinese Government having discontinued exchange sales in North China, North China importers are also completely at the mercy of the Yokohama Bank's exchange permits. Exchange is being allotted to importers primarily upon the basis of a newly promulgated list of the so-called "preferred imports," including chiefly all sorts of metals, machinery, oils, a series of chemicals, as well as rubber, raw jute and wood-pulp. Other imports are not explicitly banned, but will have to wait for exchange until after the "preferred" imports will have been satisfied.

On the surface, the new trade regime in North China appears to be not very different from that enforced in South China. There is, however, a fundamental difference in the application of the two regimes. In North China the new trade restrictions and controls are being exercised on behalf of a pseudo-Chinese puppet regime by the Japanese themselves, and with an avowedly discriminatory view to promoting trade between North China and Japan at the expense of other countries. In Free China, on the other hand, exchange and trade control are being exercised by the Chinese National Government without any discrimination for or against any other country or group of countries.

Moreover, Free China is making available for payment for imports large amounts of foreign exchange from sources other than exports, while in North China the Yokohama Bank announced its intention of devoting only part of the exchange collected from exports to the financing of imports.

No recent changes have occurred in the trade regime of Shanghai and the remainder of Central China, but the new arrangements in the North and South are greatly impairing Shanghai's position as an intermediary between the two. North China, in particular, is now dealing with the other parts of the country as with foreign territories, and insists upon British currency in payment for shipments to Shanghai. Free China, on the other hand, is treating the Japanese-occupied areas as enemy country, and bans Shanghai products in the manufacture of which the Japanese may have taken a hand.

The heaviest blow to Shanghai's trade, however, was delivered by the discontinuation of exchange allotments out of Chinese currency reserves, and by the consequent further drop of exchange rates for Chinese national currency since the third week of July. Shanghai imported during the first half of this year £21,000,000 worth of foreign goods, against exports valued at only £6,300,000, and had to rely for cover of the difference upon the Hongkong Anglo-Chinese Stabilisation Fund. No cover from that quarter can be expected in the future, and upon the present basis of a 4d. dollar most foreign goods are too expensive.

July 26th.

## German Price Control

[FROM OUR BERLIN CORRESPONDENT]

IN October, 1936, Germany introduced a "price-stop" law as a supplement to the Four Year Plan, and a gigantic organisation has been built up to enforce it. The object of the law was to prevent unwanted increases in prices and wages at a time of rising currency circulation, rising investment in unproductive goods and falling supplies of consumables. Despite rigorous inspection, however, the shortage of labour, materials and goods has led to considerable evasion. To check this, the Government's price-commissioner has issued a new decree, but this has been somewhat astonishingly suppressed immediately after publication.

The decree aims at establishing a system of "economically justified prices." Prices, wages and salaries must henceforward conform to the principles of a regimented or conscript economy. Price calculations may only be based on the official wage scales; if these do not exist, the Labour trustee will fix a rate. Only the compulsory social insurance contributions may be included in costs, any voluntary provision by the employer being disregarded. Similarly, for fuel, material and transport, only the standard charges may be included, with no allowance for additional costs due to over-employment or shortage of materials. Cartelised and monopoly prices are declared to be unjustified. Any business which is carried on uneconomically (as judged by the new principles) may be reorganised, subsidised, closed or liquidated.

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The new decree gives the price-commissioner dictatorial powers. It completes the supersession of the principle of allowing prices to be fixed by supply and demand.

The ban on the inclusion of more than the standard rate of wages is designed, not so much to secure price reductions, as to prevent the offering of such wages to entice workmen from one firm to another—a practice which has become widespread as a result of the labour shortage. The exclusion of voluntary contributions to welfare funds is contrary to the National Socialist social programme; industry ought at least to be left in a position where it can provide its long-suffering workers with adequate security for their old age. The importance of this point may be seen from the example that Siemens last year paid 24 million marks in compulsory social contributions and 23.2 millions voluntarily.

The decree may well have its origin in the financial difficulties of the Treasury. The Government has promised that there will be no more tax increases, and industry has declared that these would be intolerable. If revenue cannot be increased and the programme is nevertheless to be completed, then a forcible reduction of prices is the obvious expedient to try next.

The decree also provides a new method of controlling consumption by price manipulation, which seems all the more necessary as the long sustained shortage of foodstuffs and many other consumers' goods has led would-be purchasers to offer prices in excess of the official maxima, either directly or by also buying uncontrolled goods. The shortage of goods is reflected in the inflationary rise in the monetary circulation. Excluding the new tax certificates, which are really a form of currency, the July figure of 11,209 million marks is double that of 1936 and 2,504 millions higher than last year.

The provision which permits the forcible rationalisation or liquidation of "uneconomic" enterprises is especially noteworthy. The system of price control makes it possible to render any branch of industry unprofitable at will, and so to place it under State control or in State ownership. In this sense the decree represents a further step towards State Socialism; one must not forget that the Hermann Goering enterprise was undertaken by the State because the steel industry declared that the high level of costs in relation to prices made the use of domestic ore uneconomic.

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**German Shipping Difficulties.**—As an appendix to last week's letter on this subject, it is worth noting that the President of the Hamburg-America Line has made a speech emphasising the scarcity of modern vessels in the German mercantile fleet. Only 11 per cent. of the ships are under three years old, and only 27 per cent. under ten years old. Between 1931 and 1938 only 825,000 gross tons of new shipping was acquired, whereas normal replacement would have called for 1,800,000 tons. The explanation is largely to be found in the preoccupation of the shipyards with naval and foreign orders; in the last two years these have built 490,000 tons for export and only 396,000 for the German fleet.

August 14th.

## America's Agricultural Problem

[FROM OUR NEW YORK CORRESPONDENT]

THE two outstanding problems of our economy are the Farm Problem and the Unemployment Problem. The former is the older of the two; for a Farm Problem (with capital letters) was politically recognisable in the '20's, when the two-party Farm Bloc in Congress held the balance of power

for years. On the other hand, the Unemployment Problem (also with capital letters) was not politically recognisable until the depression.

In a consideration of the Farm Problem, four basic factors, often overlooked, should be kept in mind:—

(1) The history of agriculture for a hundred years has been one of rapidly changing technique. The first phase was largely mechanical, the second largely chemical, and the second phase is relatively recent.

(2) In the process of occupying the continent, all land not absolutely forbidding (from its mountainous, swampy or arid character) was put under some form of agricultural use, the initial holder acquiring it either as a gift or grant, or on payment of a nominal sum. In this rapid process, good and bad land alike was put under cultivation—and the variations between good and bad land range from the superlatively excellent to the distinctly sub-marginal.

(3) Except in the South, where a plantation system developed, and in those areas long under Spanish rule (where the hacienda or ranching system had taken root) the typical American farm has been remarkably uniform in size. The unit of homesteading was the quarter-section (160 acres); and even in those areas which were never homesteaded, this was roughly the conventional size. With the exceptions noted above, the word "farm" in the United States has always connoted a freehold of 100-200 acres, owned, occupied and worked by a family, with a minimum of hired labour. (In recent years, however, tenant farming has shown a tendency to increase.)

(4) The changes in agricultural technique, combined with the changes in social habit introduced by the motor car, increased the farmer's need of a cash income both for working capital and changes in living habit. Farming changed from an almost self-sufficient way of life to production for a cash market. This both widened the disparity between the marginal and the favoured farm and increased the number of marginal farms, when measured against the new standards.

### Lost Markets

All these factors worked within the limits of our own economy. Of themselves, they would have produced a farm problem. But they were complicated by external factors—that collection of factors loosely grouped as the loss or restriction of the foreign market. In part this was inherent in events. The super-demand of the war and immediate post-war period was by its very character temporary, although it persisted long enough to be written into our agriculture. But the ensuing cult of economic self-sufficiency abroad limited our potential foreign market, while our own relief measures both retarded domestic adjustment to the changing conditions of agriculture and also, by holding supplies off the market, encouraged competitive developments elsewhere. The policies could only be justified by the (false) hypothesis that the difficulty was temporary.

Students of the Farm Problem usually lay great stress on our tariff policy as a factor both in losing our export market and in raising the price of the industrial articles bought by farmers. The fact remains, however, that during most of the post-war period down to the present, our economy has had a large surplus of exports over imports—our exports of industrial goods expanding as our exports of agricultural products fell. This would seem to indicate, firstly, that in one way or another foreign buyers obtained access to dollar exchange above the proceeds of our merchandise imports; and, secondly, that they elected to use that exchange for the purchase of our industrial rather than our agricultural products, whether because the former were relatively cheaper or for other reasons which made non-price factors the determinant of choice. The effects of tariff policy are not clearly marked.

In short, the Farm Problem does not date, as our Employment Problem does, from the collapse of 1929-32. It is conveniently dated from the agricultural war boom; but this was only one of several contributing causes, which in one way or another have affected the marginal farmer. It is probably no more than a truism that the Farm Problem is essentially the problem of the marginal farm; but most of our political farm relief has been directed toward the relief and maintenance of the marginal farm. The Farm Problem is, therefore, a social as well as an economic problem. For almost twenty years it has been a leading political concern, and hardly a session of Congress has passed without some sort of farm legislation. That almost two decades of continuous farm relief have left us still with a farm problem and with a demand for large appropriations and more drastic measures of support is evidence of its complexity.

August 7th.

## Production and the Bourse

[FROM OUR PARIS CORRESPONDENT]

THE index of industrial production, which stood at 83 in October last, rose to 100 in June of this year (1928 = 100). This is its highest point since March, 1931. It is only 10 per cent. lower than the record of 112 in 1930.

This improvement affects all industries:—

|                            | June,<br>1938 | April,<br>1939 | May,<br>1939 | June,<br>1939 |
|----------------------------|---------------|----------------|--------------|---------------|
| <b>General Index</b> ..... | <b>83</b>     | <b>95</b>      | <b>98</b>    | <b>100</b>    |
| Mines .....                | 93            | 98             | 101          | 105           |
| Chemical industries .....  | 100           | 113            | 114          | 109           |
| Paper .....                | 158           | 173            | 175          | 173           |
| Textiles .....             | 87            | 97             | 101          | 105           |
| Leather .....              | 71            | 77             | 77           | 77            |
| Iron and steel .....       | 63            | 82             | 90           | 94            |
| Engineering .....          | 74            | 92             | 96           | 99            |
| Automobile .....           | 89            | 104            | 101          | 102           |
| Building .....             | 61            | 77             | 79           | 81            |
| Gas and electricity .....  | 132           | 141            | 143          | ...           |
| Miscellaneous .....        | 110           | 109            | 110          | 110           |

War industries are naturally the most favoured, but others, as, for instance, export and automobile industries, are also in a much better situation; though it is difficult to measure to what extent the "civil sector" is vivified by the "war sector." In the instance of the building industry, progress in which in the past year has been marked, the transfer from Paris to the country of many factories has had a considerable influence.

This revival of activity is supported by two sets of exceptional circumstances. The first is re-armament, the easy financing of which has three main explanations: (1) the political recovery of M. Daladier; (2) recourse to the money market (instead of the difficult launching of long-term funds); (3) the heaviness of the so-called "strong currencies"—pound, gulden and Swiss franc—due to the new international tension coupled with general war precautions. The second is the fact that, after the successive devaluations of the franc in recent years, French prices have still an advantage over world prices. This amounts to 12 per cent. in the case of wholesale prices, against 15 per cent. a year ago, and 17.5 per cent. for retail prices, against 29 per cent. a year ago. Activity in export industries has increased 30 per cent. since a year ago, and the profits of the tourist industry are considerable.

Production could be still more developed, if private capital would accept the encouragement of a large margin of profit and return to its former activities. No doubt this would provoke difficulties, for, so long as the real average working week does not exceed about 41 hours, there is likely to be a lack of skilled workers. But new capital investment would on that ground be all the more useful as a palliative. The inactivity of the Stock Exchange, however, shows that private initiative continues to be very hesitant. While the index of production increased sharply from 87.8 in December, 1938, to 100.4 in June, 1939, the general index of 300 French stocks advanced only from 227 at the beginning of December to 234 at the end of July.

The issue of debentures, however, is much more encouraging with 2,280 million francs' worth of private issues during the first seven months of 1939, against 250 millions in the corresponding period of 1938—a progress notably aided by the lowering of the rate of interest from 7 per cent. (average 1938) to 5.5 per cent. Experts are nevertheless disquieted by the paralysis of the Stock Exchange, on the ground that if the private capital should abstain any longer from taking the lead in a revival of private economic activity, the State would be led to take a new initiative at the expense of the liberalising efforts of M. Reynaud. This opinion, moreover, is held in precisely those circles which applauded the system of the decree-laws and the prorogation of the 1936 legislature. It is curious that these two liberal institutions, Parliament and the Stock Exchange, which were so often enemies in the past, seem now both sunk in the same lethargy; and it is interesting to speculate whether the next revival of the Stock Exchange, if it is accompanied by a return of economic stability, will in its turn announce a revival of political liberalism.

August 17th.

## Unemployment and Defence Expenditure in Australia

[FROM OUR SYDNEY CORRESPONDENT]

IN the light of past experience it might have been expected that the fall in commodity prices since 1937 would lead to an appreciable decline in the general level of business activity in Australia. This, however, has not been the case. The outstanding factor preventing this decline has been the continued rapid expansion in secondary industry. An indication of this development is the recent placing of large orders for Australian steel by the United Kingdom. The following table shows the position during the last few years:—

| Year          | MANUFACTURING INDUSTRIES        |                       |                                |                        |
|---------------|---------------------------------|-----------------------|--------------------------------|------------------------|
|               | Number of Establishments ('000) | Hands Employed ('000) | Salaries and Wages paid (£A.m) | Value of Output (£A.m) |
| 1931-32 ..... | 21.7                            | 337                   | 55.9                           | 292                    |
| 1932-33 ..... | 22.3                            | 371                   | 59.4                           | 305                    |
| 1933-34 ..... | 23.3                            | 406                   | 64.4                           | 330                    |
| 1934-35 ..... | 24.2                            | 450                   | 72.8                           | 365                    |
| 1935-36 ..... | 24.9                            | 493                   | 82.1                           | 415                    |
| 1936-37 ..... | 25.7                            | 524                   | 90.1                           | 452                    |
| 1937-38 ..... | 26.4                            | 559                   | 102.1                          | 499                    |

The defence drive has concentrated still further attention upon the significance of industrial development. Realisation that war would place Australia in a difficult position, and fear that the enemy might cut off supplies of essential war equipment, has accelerated the development of new industries, chief among which is the manufacture of aircraft. New factory building in the Sydney area showed a marked increase during the quarter ended June, 1939.

In spite of this activity, there has been some increase in the number of workers idle during the past year or eighteen months. There is no satisfactory single unemployment index for Australia. The percentage of trade unionists unemployed stood at 9.8 in February, 1939, compared with 8.0 in February, 1938. In Queensland, however, the figures of the State Insurance scheme show a decided improvement in employment during the same period, the percentage of employable population unemployed being 4.6 in April this year compared with 8.4 in April 1938. Other indices show a trend somewhat similar to the trade union figures.

X

### Government Loans

The State Governments are responsible for the welfare of the unemployed within their own boundaries, and they have been watching the gradual increase in the number of workers unemployed with considerable misgiving. Late in June the Loan Council of Commonwealth and State representatives met to decide the amount of borrowing for the 1939-40 financial year. State Premiers were anxious to increase their public works expenditure from loan moneys to stem the

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increase in unemployment. The Commonwealth Government, on the other hand, wanted to approach the loan market to finance the greatly increased defence expenditure.

In the past the Loan Council has not considered defence borrowing or loans raised by local authorities. At this meeting, however, it was decided that, in view of the exceptional conditions prevailing, and the need to conserve investment resources as much as possible, complete co-ordination of all borrowing programmes was essential. It was finally approved that the total borrowing programme for Commonwealth and States, including local authority loans, should be £A41 millions, out of which £A10 millions is to be spent on defence and £A27 millions for public works and State deficits. This total is about £A10 millions more than for the last financial year.

Experience in the United Kingdom has shown that re-armament cannot be expected to have substantial effects upon industrial output and employment until some time after the programme has been begun, at least during a period of declining business activity. To the extent that there is this lag between the formulation of plans and their reaching fruition, a continuance of public works expenditure will be essential if a further fall in employment is to be prevented. However, Australia is not very far from a state of full employment at present, so that she will soon be faced with the difficult problem of transferring labour and resources from their present spheres to armament industries. It now appears almost inevitable that priorities will have to be determined and resources, particularly skilled labour, diverted to defence needs, if rising prices and dangerous maladjustments are to be avoided.

July 23rd.

## Capital Movements in Egypt

[FROM OUR CORRESPONDENT IN ALEXANDRIA]

THE present proceedings for the transformation of the British and foreign controlled National Bank of Egypt into a Central Bank with an Egyptian majority on the board represent but one aspect of the profound change which capital movements in this country have undergone in recent years. For many decades past Egypt benefited from an almost uninterrupted inflow of foreign funds which played an outstanding part in the rapid economic development of the country. The stability resulting from the close connection established after 1882 with Great Britain, together with the extra-territorial rights enjoyed by foreigners, offered special inducements to the European investor. The total capital of Egyptian joint-stock companies, which amounted to £E14 millions in 1897, had reached £E87 millions by 1917.

Foreign investment was interrupted by the Great War, but the effect was partly compensated by the heavy outlay of the large British forces concentrated in Egypt during the period. The country also profited considerably from the high prices commanded by cotton, and after the war about £E25 millions of Egyptian securities held abroad were purchased by local capitalists (not necessarily Egyptian).

The inflow of foreign capital was resumed after the war. Despite the unsettled political conditions due to the rising tide of nationalism, Egypt continued to be considered by European investors, chiefly French, as offering a safe refuge, especially against devaluation. After the onset of the world economic crisis, however, the stream dwindled considerably. At the end of 1936, it was estimated that about £E100-110 millions of foreign capital were invested in Egypt apart from the £E240 million of Suez Canal shares and debentures. And these figures do not tell the whole story, for they leave out of account the millions owned by foreigners residing permanently in Egypt, and invested in all branches of the Egyptian economy.

The turning point came in 1935. After a long period of sheltered life, Egypt awoke to the possibility of a foreign attack. Italian funds were the first to leave the country on the eve of the Ethiopian war. The first Mediterranean war-scare had no sooner subsided than the Anglo-Egyptian treaty, followed by the Montreux convention, invested the Egyptian State with full legislative and fiscal powers over foreign residents. A second, larger and more comprehensive exodus of capital ensued, which was swelled by the subsequent general repatriation of French funds and recurrent war scares.

While it is the natural ambition of Egyptians to play, in

future, the leading part in the financial life of their country, the reversal of an age-long trend in capital movements is not viewed with equanimity. Owing to the great preponderance of foreign finance capital, and the inadequacy of Egyptian capital, as well as the traditional disinclination of the average Egyptian to invest his funds outside agriculture and real estate, the transfer of the bulk of commercial and industrial undertakings from foreign to Egyptian hands is not considered feasible within a reasonable space of time; and, as a growing amount of public expenditure is being devoted to national defence, the State can no longer carry out large public works. Thoughtful Egyptians are coming to realise that a resort to borrowing abroad may become a necessity in the long run.

August 3rd.

## Marketing and Trade in South Africa

[FROM OUR JOHANNESBURG CORRESPONDENT]

THE first annual report of the National Marketing Council, recently presented to the Union Parliament, outlined an ambitious, but unquestionably necessary, scheme for the more efficient control of the principal agricultural products of South Africa. The Marketing Act of 1937 which brought the Council into existence provides for the formulation of schemes for the control of such products. Once a scheme (after due investigation and acceptance) has been brought into operation it has the force of law, and is administered by a board set up for the purpose. Up to the present eight draft marketing schemes have been published and referred to the Council for investigation. They cover mealies and mealie products, wheat and wheaten products, dried fruit, tobacco, dairy products, chicory, deciduous fruit for export, livestock and meat. Schemes in respect to the first four products are at present in force.

The annual statement relating to trade and shipping of the Union has also been presented to Parliament. This shows that, exclusive of goods in transit, imports into the Union in 1938 totalled £95,881,850, and exports £83,344,702, as compared with £103,382,242 and £125,359,840 respectively, in 1937. The import balance of the Union was £12,537,148 in 1938 as compared with an export balance of £21,977,598 in the previous year. The value of imports of United Kingdom origin decreased from £40,866,219 in 1937 to £37,249,372 in 1938. Imports from foreign countries were valued at £40,095,048 in 1938 and £47,195,822 in 1937. The distribution of exports of South African produce (exclusive of gold) between the United Kingdom, other parts of the British Empire, and foreign countries, is indicated in the following table:—

|                         | 1938              | %            | 1937              | %            |
|-------------------------|-------------------|--------------|-------------------|--------------|
| United Kingdom .....    | 10,795,835        | 40.7         | 15,170,121        | 41.1         |
| Other British .....     | 2,547,733         | 9.6          | 3,451,022         | 9.3          |
| Foreign countries ..... | 13,213,981        | 49.7         | 18,290,656        | 49.6         |
| <b>Total .....</b>      | <b>26,557,549</b> | <b>100.0</b> | <b>36,911,799</b> | <b>100.0</b> |

The United Kingdom maintains her position as the principal market for the Union's exports of foodstuffs, having taken in value 74.4 per cent. and 68.4 per cent., respectively, of the foodstuffs exported during 1938 and 1937. Germany heads the list as the Union's chief foreign purchaser, having taken £4,992,336, as compared with £4,982,050 in 1937. The principal items in these exports to Germany in 1938 were: wool, £3,766,000; manganese, £355,237; maize, £206,256; chrome ore, £118,234; copper bars, £44,492; asbestos, £35,890.

July 27th.

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# THE BUSINESS WORLD

## Insurance Share Prospects

PERHAPS the best epitome of the case for investment in insurance shares is the experience of one living investor who inherited a parcel of shares in the P— Assurance Company, and has never wished or dared to change his holding. For him, the phrase "the investment problem" has no meaning. His fortune has quadrupled during his own lifetime; his investing is done for him by proxy by a corps of highly trained and successful experts; and the fruits of every notable advance in the welfare of the nation reach him automatically. That this investor's experience is broadly representative is suggested by the latest available computation of *The Economist's* Insurance Share Index, which shows that every £1,000 invested in 1913 in the ordinary shares of 24 leading insurance companies was worth £3,982 at June 30th last. Clearly, holders of insurance shares have fared well by contrast, say, with holders of 2½ per cent. Consols, which stand to-day at 66½ compared with an average price of 75½ in 1913. And even the net rise in industrial ordinary share values, since the pre-war year (as measured by the London and Cambridge Index) has been only of the order of 1,000:2,000.

But recent experience has plainly shown that a progressive long-term trend offers no sure guarantee against considerable short-term fluctuation in prices. Buyers of the 24 shares in *The Economist's* index at the average prices prevailing at the end of each of the four quarters of 1936 (not at the top prices of the boom) have suffered a subsequent capital depreciation of 21 per cent. The Actuaries' Index (based on the prices of 10 insurance ordinary shares) showed an identical fall between the end of 1936 and July of this year. During the same period, the price of Consols has fallen by 24 per cent. (the fall from the peak of 1935 is as much as 28 per cent.) and prices of industrial ordinary shares (according to the Actuaries) by 32 per cent. There have been, obviously, three main factors in the recent decline in insurance share values—rising interest rates, a falling equity market, and a tendency to discount the possibility that the extension of the Government's re-armament programme may prove something of a mixed blessing for the insurance companies.

The implications of a "near-war" economy for the insurance shareholder can hardly be understood without some reference to the fact that a composite insurance company, of the type in which most investors are interested, is in one sense a large-scale investment trust which, on the average, meets about four-fifths of the cost of its ordinary share dividends out of interest earnings. The assets from which these interest earnings are derived are composed on the average (the portions vary widely between different offices) as to nearly one-fourth of mortgages—including loans on policies—and as to another fourth of British, dominion and foreign government securities. Debenture stocks account for rather less than one-fifth of the whole, on the average, and preference stocks for rather less than one-tenth. The table given on page 14 of *The Economist* Insurance Supplement of July 15th last, from which these figures are taken, shows that in the four years between 1934 and 1938 there was a definite movement away from home, colonial and foreign government securities, which fell from 30.5 per cent. to 24.1 per cent. of the average portfolio. But the movement was not so much from fixed-interest securities, as such, into equity stocks, as from Government securities into industrial securities—fixed-interest and ordinary. The proportion invested in debenture and preference stocks, together, rose from 25.3 per cent. to 28.3 per cent., while the proportion invested in ordinary stocks increased only from 6.4 per cent. to 9.2 per cent. The change, in short, has identified the offices, in their investment policy, rather more closely than before with the course of British industrial earning power, without adding decisively to their protection against the effect of changing interest rates on the capital value of all fixed-interest securities, Government or industrial. The issue during the next few months of large amounts of new British Government securities (in the successful placing of which the co-operation of the insurance offices will be essential) may tend to reverse the process of the last few years by increasing the percentage of Government securities in insurance company portfolios. Whether it will also involve further depreciation in the market value of existing fixed-interest holdings depends on the extent to which the Treasury succeeds in financing its admittedly heavy requirements without a comparable rise in the general rate of interest. On the whole, insurance offices prefer stable interest rates. A fall, like that of 1932 and after, increases the value of their security holdings but, if long maintained,

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increases the attraction of the terms which can be offered to intending policy-holders. A rising rate of interest reverses the rôle of swings and roundabouts, but still leaves the offices with unwanted adjustments to make. And as far as re-armament finance involves the probability of successive increases in direct taxation, it still threatens the offices with a reduction in *net* interest earnings.

The primary business of an insurance office, however, is to insure its clients against actuarially calculable risks to life and property. Its ideal background is a community steadily increasing in numbers, health, business activity and prosperity. Now, although re-armament may have increased business activity and employment, it owed its inception to international political unsettlement, and its progress has been punctuated by a series of European crises. The 3 per cent. fall in the amount of new sums assured in the life ranches of 38 offices last year (as shown in *The Economist* Supplement), which interrupted a long series of increases over many years, can be explained not merely by lower industrial prosperity in 1938 than in 1937, but also (chronologically) by the effect of increased political tension, during and after the Munich crisis.

In truth, war and insurance are contradictory terms. Yet, if the worst were to happen, the position of the British insurance offices would be indomitably strong. Their internal financial position is granite-like, after decades of austere reserve policy. King's enemy risks have never been an appropriate subject of insurance; but whatever the views of property owners—particularly holders of real property—on the adequacy of the Government's declared arrangements for wartime, the insurance offices themselves will have few fundamental complaints to raise—with one important exception. Life-policy holders called up for service to-day, whether as militiamen, territorials or reservists, are absolved from liability to pay premiums for stipulated period, which may run up to a year and a half or even longer. If such an arrangement were extended to those called up in war-time, and applied to the entire period of their service with the Colours, the offices would have good reason to complain that a vastly increased ability had been conjoined with a serious diminution even of normal premium receipts. For the rest, though a period of monetary inflation, in near-war or war-time, would be unwelcome to the offices, they could face it, within limits, without undue disquietude; for although working costs could rise, their largest single item, commission on new business, would almost certainly be offset by higher rates charged on new policies taken.

On the whole, the conclusion must be that, provided the companies are not required, without help from the State, to shoulder potential liabilities which are alien to the whole conception of insurance business, they can face future un-

certainties with reasonable confidence. The truth is that an insurance share at all times—and doubly so at this time—is essentially a long-term, not a short-term, investment medium. Unless investors postulate a future in which Western civilisation, insurance, and investment itself have no part to play, they must regard an insurance share as a security held against a more settled future order, when a population that may have ceased to grow in numbers will still have reason to look forward to a progressive advance in material prosperity. In proportion to its wealth to-day, Great Britain as a whole is still under-insured. Whenever the process of taking up arrears attains a momentum comparable, say, with that of national electrification in the last decade, the position of insurance shareholders will be enviable. At the moment, A.R.P. charges and war precautions generally may be adding to working costs, but under normal conditions there are still opportunities for reductions in expenses if the results already achieved by some offices since the War can be taken as a general guide. And the trend of future development may well be in the direction of those forms of insurance which involve reduced initial and running expenses.

That investors have not lost sight of the essentially long-term element in insurance shares as a class is suggested by the fact that, even at present prices, the yields on the representative shares shown in the accompanying table vary only between 3.60 per cent. and 4.70 per cent., with an average of 4.15 per cent. Those unit trusts which have

INSURANCE SHARE PRICES AND YIELDS

| Share                         | Denomination   | Prices          |         | Latest year's Dividend | Yield at Present Price % |
|-------------------------------|----------------|-----------------|---------|------------------------|--------------------------|
|                               |                | Highest 1935-39 | Present |                        |                          |
| Alliance Assurance—fully paid | £1             | 318             | 23      | 90                     | 3 18 0                   |
| Commercial Union Ord. stk.    | £1 units       | 12              | 8½      | 40                     | 4 14 0                   |
| General Accident Ord. ...     | £1 (5/- paid)  | 61½             | 87½     | 3½                     | 4 0 0                    |
| Pearl Assurance Ord. ....     | £1             | 26              | 17½     | 55½                    | 3 2 6½                   |
| Phoenix Assurance—fully paid  | £1             | 175½            | 13      | 60                     | 4 12 6                   |
| Prudential "A" .....          | £1             | 40              | 34      | 98½                    | 2 18 0½                  |
| Royal Insurance Ord. ....     | £1 (12/6 paid) | 105½            | 77½     | 6½                     | 4 2 0                    |
| Sun Insurance Office Ord.     | £1 (5/- paid)  | 99½             | 76½     | 2½                     | 3 12 0                   |

† Tax free.

done much to bring the merits of insurance shares home to a wider public may justly claim to have performed, *inter alia*, two valuable services. By making "spread" holdings of shares available virtually "on tap," they have relieved investors of the difficulties of limited marketability. And their emphasis on shareholding for one or more decades has helped to place insurance equities in their due perspective.

## Anglo-American Trade

THE quarterly returns of the geographical distribution of Britain's overseas trade provide the material for review of British trade with the United States during the first six months of the Anglo-American trade agreement. The agreement provided for the reduction or abolition of a considerable number of import duties on either side: the United States reduced her import duties on irons, certain textile products, and other miscellaneous commodities, while Britain abolished her import duties on foreign wheat, ham, and lard and reduced those on certain issues of fruit, canned foods, machinery, clothing and chemicals.

In the first six months of this year, exports of British manufactures (excluding re-exports) to the United States are valued in the British trade returns at £13.6 millions, rise of 55 per cent. compared with the figure for the corresponding months of 1938; British imports from the United States in 1939 were valued at £53.2 millions, a fall of 17.2 per cent. from 1938. But, as the table below shows, if the comparison is made with the first half, not

of 1938, but of 1937, the opposite result is obtained; compared with 1937, British exports to the United States were smaller in 1939 while the value of British imports from that country were larger:—

ANGLO-AMERICAN TRADE

|                            | 1937    | 1938         | 1939    |
|----------------------------|---------|--------------|---------|
| Six Months ending June* :— |         | (£ millions) |         |
| Total U.K. exports         | 251.2   | 233.2        | 236.3   |
| Of which to U.S.A. ....    | 16.5    | 8.8          | 13.6    |
| Total U.K. imports         | 483.4   | 469.6        | 447.9   |
| Of which from U.S.A. ....  | 47.0    | 63.5         | 53.2    |
| Five Months ending May† :— |         | (£ millions) |         |
| Total U.S. exports         | 1,271.2 | 1,358.1      | 1,179.4 |
| Of which to U.K. ....      | 173.7   | 224.7        | 193.1   |
| Total U.S. imports         | 1,397.2 | 815.1        | 915.5   |
| Of which from U.K. ...     | 94.2    | 43.6         | 61.1    |

\* U.K. Trade Returns. † U.S.A. Monthly Summary of Commerce.

These straightforward comparisons of quantities obscure the fact that between 1937 and 1939 the trends in the overseas trade of the two countries were entirely different.

Total British exports, for instance, fell in value between the first six months of 1937 and 1938 and rose in 1939, while the value of American exports followed an exactly opposite course. British imports have declined in value in each of the two later years, while American imports, after falling in 1938, again increased in value in 1939. The rise in American imports from Britain between 1938 and 1939 might therefore be due as much to the general rise in the value of total American imports as to the effect of lower duties; conversely, the fall in total British imports might be partly responsible for the fall in the value of British imports from America. In order to disentangle these two influences, it is necessary to compare for each country the relative proportions which the trade with the other bears to the total. This is shown below:—

|                                                                    | Average 1934-6 % | 1937 % | 1938 % | 1939 % |
|--------------------------------------------------------------------|------------------|--------|--------|--------|
| Six Months ending June :—                                          |                  |        |        |        |
| British exports to U.S.A. as percentage of total British exports   | 5.0              | 6.6    | 3.8    | 5.8    |
| British imports from U.S.A. as percentage of total British imports | 10.7             | 9.7    | 13.5   | 11.9   |
| Five Months ending May :—                                          |                  |        |        |        |
| American exports to U.K. as percentage of total American exports   | 16.6             | 13.7   | 16.5   | 16.4   |
| American imports from U.K. as percentage of total American imports | 7.4              | 6.7    | 5.4    | 6.7    |

On this basis, there was between 1938 and 1939 a relative, as well as an absolute, rise in the value of British exports to America, though the proportion was still lower than in 1937. There was also a relative fall in the proportion of our imports taken from America, although the latter half of the table shows that there was very little change in the last two years in the proportion of total American exports taken by this country. The conclusion therefore remains that, compared with 1938, the course of trade in the first six months of 1939 favoured British exports to America to a greater extent than American exports to Britain. Compared with 1937, the evidence suggests, though less decisively, that the balance of advantage lies with the United States.

But it is possible that these changes are due to shifts in the nature of the trade between the two countries rather than to the trade agreement. The generalisation needs to be amplified by an examination of the trade between the two countries in the most important commodities. Changes in Britain's imports from the United States are shown below:—

U.K. IMPORTS FROM U.S.A.

| January-June                               | Quantity |         |       | Value (£'000) |         |         |
|--------------------------------------------|----------|---------|-------|---------------|---------|---------|
|                                            | 1937     | 1938    | 1939  | 1937          | 1938    | 1939    |
| Wheat (a) (mill. cwt.)                     | —        | 12.0    | 10.9  | —             | 5.4     | 2.7     |
| Hams (b) ... (000 cwt.)                    | 3.6      | 11.2    | 33.5  | 13.9          | 38.7    | 120.2   |
| Fresh fruit and vegetables (c) .....       | —        | —       | —     | 94.9          | 51.4    | 96.4    |
| Tinned peaches and pears (d) (000 cwt.)    | 397.1    | 430.0   | 733.1 | 686.3         | 735.4   | 1,151.1 |
| Lard (b) ... (000 cwt.)                    | 269.0    | 654.5   | 801.4 | 810.7         | 1,449.3 | 1,512.7 |
| Tobacco, unmanufactured (d) (mill. lb.)    | 43.8     | 86.5    | 64.0  | 2,993.4       | 6,135.3 | 4,305.9 |
| Wood and timber (c) .....                  | —        | —       | —     | 2,761.6       | 1,968.4 | 2,016.0 |
| Cotton (000 cents.)                        | 2,921.0  | 3,146.0 | 930.0 | 8,775.6       | 6,705.8 | 2,025.6 |
| Iron ore and scrap .....                   | —        | —       | —     | 923.6         | 2,584.2 | 458.8   |
| Hides and skins .....                      | —        | —       | —     | 1,594.4       | 1,213.1 | 1,124.4 |
| Iron & steel & manufactures (c) (000 tons) | 38.9     | 174.0   | 36.4  | 469.7         | 1,606.7 | 725.4   |
| Copper, unwrought (000 tons)               | 20.2     | 24.3    | 9.6   | 1,302.2       | 1,083.4 | 468.2   |
| Machinery (c) (000 tons)                   | 26.1     | 22.8    | 31.1  | 5,894.1       | 5,198.2 | 6,788.4 |
| Chemicals, etc. (c) ...                    | —        | —       | —     | 1,319.9       | 1,144.6 | 1,599.6 |
| Petrol and refined oils (mill. gals.)      | 163.2    | 256.8   | 199.6 | 3,683.4       | 5,144.6 | 6,417.7 |
| Vehicles .....                             | —        | —       | —     | 2,085.3       | 1,352.9 | 1,449.2 |

(a) Duty of 2s. per quarter abolished. (b) Duty of 10 per cent. *ad valorem* abolished. (c) Various duties reduced. (d) Duty unchanged.

Owing to short harvests elsewhere, we imported from America in the first half of 1938 an abnormally large quantity of wheat, valued at £5.4 millions, compared with nil in 1937 and £2.7 millions in 1939, when wheat prices were very considerably lower. If wheat imports are excluded from the table given above, the proportion of total British imports drawn from the United States was 12.3 per

cent. in the first half of 1938, against 9.7 per cent. in 1937 and 11.3 per cent. in 1939. Secondly, America's policy with regard to the production and disposal of the American cotton crops, of which Britain is a large buyer, has adversely affected the competitive power of the American product as against "outside" growers and there has been a steady fall during the last three years in the amount of American cotton imported by Britain. Thirdly, owing to the large stocks of tobacco accumulated in 1938, British imports of this conventional necessity, drawn largely from America, have been considerably smaller in the current year than in the corresponding period of 1938. Nor must it be forgotten that, apart from these three crops, British imports from America consist largely of industrial raw materials and semi-manufactures, whose prices were abnormally high in the early months of 1937.

The individual circumstances of these three major crops are, therefore, responsible for most of the fall in Britain's imports from the United States this year, irrespective of the provisions of the trade agreement, which affected only one of the three. In the case of some of the less important commodities there has been an expansion in American exports to Britain, particularly in foods and in those commodities, such as machinery, chemicals and petrol, which are increasingly needed for re-armament.

The next table shows Britain's exports to the United States of important commodities:—

U.K. EXPORTS TO U.S.A.

| January-June                         | Quantity |         |         | Value (£'000) |         |         |
|--------------------------------------|----------|---------|---------|---------------|---------|---------|
|                                      | 1937     | 1938    | 1939    | 1937          | 1938    | 1939    |
| Spirits (a) (000 proof gals.)        | 2,067.1  | 1,801.9 | 2,060.1 | 3,076.3       | 2,539.4 | 3,014.8 |
| Raw wool (b) (mill. lb.)             | 13.0     | 1.3     | 7.3     | 753.5         | 64.7    | 286.0   |
| Tin in blocks, etc. (b) (tons)       | 2,300.0  | 67.0    | 5,806.0 | 596.8         | 11.4    | 1,271.1 |
| Machinery ... (tons)                 | 5,197.0  | 2,018.0 | 1,377.0 | 664.0         | 377.4   | 335.7   |
| Piece-goods (c) (mill. sq. yards) :— |          |         |         |               |         |         |
| Cotton .....                         | 7.7      | 4.6     | 6.2     | 416.3         | 235.0   | 329.1   |
| Woolen .....                         | 3.5      | 1.6     | 4.4     | 631.4         | 285.5   | 663.0   |
| Worsted .....                        | 1.0      | 0.6     | 1.0     | 204.1         | 115.2   | 187.5   |
| Linen .....                          | 22.1     | 6.4     | 13.1    | 993.9         | 352.9   | 619.9   |
| Jute .....                           | 44.9     | 15.8    | 36.0    | 417.9         | 168.3   | 335.6   |
| Apparel (c) .....                    | —        | —       | —       | 272.4         | 149.1   | 210.9   |
| Leather and manufactures (c) .....   | —        | —       | —       | 727.8         | 271.8   | 543.9   |
| Chemicals, etc. (c) .....            | —        | —       | —       | 615.5         | 558.2   | 410.2   |

(a) Duties on gin and bitters of all kinds reduced from \$5 to \$2.5 per proof gallon. (b) Free entry maintained. (c) Various reductions.

The marked increase in 1939 in British exports of textile piece-goods to the United States is undoubtedly a reflection of the trade agreement though the expansion has been magnified by the postponement of orders during the negotiation of the agreement. But it will be noted that only for woollen and worsted piece-goods did British exports recover in 1939 to the level of the first half of 1937.

In the first six months of the trade agreement, therefore, the movement in trade bears out the forecast made by *The Economist* of November 26th last year that the agreement would have a larger effect on British exports to the United States than on British imports from that country. But it is clear that six months is far too short a period in which to assess the full effect of the agreement. The volume of trade between the two countries has expanded in the last six months and that in itself may be reckoned a benefit to both.

The customary quarterly tables showing the geographical distribution of the overseas trade of the United Kingdom in the second quarter of the year will be found on page 379 of this week's issue.

# Finance and Banking

**The Mendelssohn Suspension.**—The suspension of payments by the Amsterdam banking house of Mendelssohn and Company which was announced on Friday of last week can already be ranked among the major failures which have punctuated the history of international banking. Its importance derives not only from the magnitude of the sums involved but from the Governmental and international character of most of the operations undertaken by the bank in recent years. The suspension therefore may have reactions on the finances of the Governments for which Mendelssohns acted as external bankers and also on the status of the Dutch capital market which in its recent advances into the realms of international financing had had the house of Mendelssohns as its spearhead. The suspension of payments is now seen to have been the inevitable climax of a prolonged indulgence in methods of fundamentally unsound banking—the familiar sin of borrowing short and lending long. This disregard of the canons of good banking had taken place on two planes. In the first place Mendelssohns had in their recent loans to the French, Belgian and Argentine Governments granted their accommodation firm for periods of one to twenty years, but had made the bonds, as sold in the international markets, subject to renewals at short intervals. Mendelssohns, in other words, took the risk of the renewals on their own shoulders, a risk which in the world of to-day was more than a rash speculation; it was an invitation to disaster. In the second place, the firm had for many months past been borrowers in the international markets against the securities which had been left on its hands in the course of its partially unsuccessful issuing activities. The terms on which it had been borrowing had recently provided increasing evidence of a decidedly difficult position. During the few weeks which preceded the suspension of payments, Mendelssohns had been bidding actively for dollar call loans in London at 2½ per cent., a rate which the additional yield of the dollar swap brought up to about 5 per cent. for the lender in London. This was hoisting an unmistakable danger signal and in London at least that signal was duly heeded.

**Dr Fritz Mannheimer.**—It only needed the death of Dr Fritz Mannheimer to bring down this precariously-poised position. Dr Mannheimer had become so completely identified with the astonishing progress of the house of Mendelssohns that his sudden death on Thursday of last week provided the signal for a considerable cancelling of the call facilities granted to the firm in almost every money market of international importance. Less than twenty-four hours revealed the inability of the bank to meet these calls, and on Friday the partners suspended payments. The list of assets and liabilities lodged with this application showed the latter at 217,854,000 guilders, exceeding assets by 5,680,000 guilders. These figures have since had to be swollen by some 70,000,000 guilders as a result of the liability arising out of the above-mentioned renewals of Government bonds—a contingent liability which is bound to become actual on the first of the renewal dates. The firm thus goes down with total commitments equivalent to at least £33 millions. The magnitude of the failure, however, cannot be gauged until more detailed information is available about the composition of the assets. Of these by far the greater part is made up of foreign bonds and securities which provide the collateral for the credits raised by the bank on the Continent and in the United States. Most of these securities are French and Belgian Government paper, and it is understood that in both cases arrangements have been made with the help of the respective Governments to prevent forced liquidation from endangering the credit of the two countries. This means that the secured creditors should find it possible to extract themselves from their commitments without exces-

sive loss. The provisional balance sheet of the bank, however, also shows debtors in guilders and foreign currencies totalling some 57 million guilders, and these items must give rise to some concern which will persist until further information is divulged as to the identity of the debtors in question. In accordance with Dutch legal practice, the principal list of creditors has already been published. In this list Amsterdam, Paris, Brussels, Switzerland and New York are well represented. On the other hand, it does not contain a single London name for more than £7,000.

**Forward Exchange Commitments.**—The principal direct interest in the suspension held by London banks is in the forward exchange market. Nearly all the bonds financed by Mendelssohns, though expressed in belgas, French francs or guilders, had dollar clauses and were financed by loans expressed in dollars; Mendelssohns accordingly had to cover their exchange risk by forward purchases of dollars. Many of these operations had been placed in the London market. The London banks concerned, who had sold forward dollars to Mendelssohns and, of course, squared their book by buying the same quantity of forward dollars for their own account, have the option of closing the operation immediately, i.e. selling dollars forward for the appropriate date, or of waiting for the maturity of the contract and then selling spot (instead of delivering to Mendelssohns) the dollars which they will have bought forward. In either case the London banks should be adequately covered. No one can reasonably object to being a bull of dollars at the present time. If the positions in question are closed immediately—and that appears to be the course which most banks here intend to pursue—the result should provide some welcome support for the forward sterling rate.

**Premium on Gold.**—The Exchange Equalisation Account is still losing gold on balance and its operations are reflected in the unusually high level at which Public deposits are still running at the Bank of England. During the past week these Government balances have fallen by £4,388,000, but this decline is largely due to the reduced issue of Treasury bills and at £27,456,000 this item is still some £7,000,000 higher than at this time last year. The pressure on sterling has been most evident in the gold market, where the premium of the sterling price over the dollar shipping parity has risen to 2d. at fixing and to 3d. in dealings after fixing. The main demand has come from Continental sources and must be connected with the intensification of political fears. The authorities in London have been extremely diffident sellers of gold, realising that the demand for the metal in London was for hoarding purposes and arguing therefore that support for sterling could more effectively be provided by direct intervention in the foreign exchange market. After fixing, the Exchange Account has refused to deal at all and this explains the exceptional level to which the premium on gold has on certain days risen during the course of the afternoon. The volatility of the premium included in the sterling price of gold is largely due to the disappearance of the substantial stocks of gold which were formerly maintained by dealers in London against their forward sales of the metal. When up to £50 millions of gold was held in this way it was always possible to satisfy any special demand for gold after fixing without going to the authorities and without unduly affecting the premium. The available stock of gold in dealers' hands has to-day virtually disappeared.

**Silver at Import Point.**—The position in the silver market has undergone interesting fluctuations this week. The London price for spot silver, which touched 16½d., its lowest point in the recent depression, on July 10th, had by Tuesday of this week recovered steadily to 17½d., a recovery which had confounded most of the prophets. The reasons for this rise were in the main bear covering and the unusually large offtake from India, where the population will persist in regarding silver as cheap and gold dear at their present respective prices. That the market operator has thought otherwise is evident in the discount on forward silver which this week has ranged at ½d. under spot, a backwardation equivalent to the abnormal rate of 11 per cent. per annum. Whether the Indian ryot's view or that of the silver dealer will prevail will ultimately depend on the policy of the United States administration. But the immediately interesting feature of this rise in the London price of spot silver is that it has proceeded to a point at which it has paid to ship silver to this market from New York—taking the dollar price as the 35 cents paid by the United States Treasury for imported silver. This rise in the sterling price of silver above the import point has not caused the United States Treasury to adjust its price upward. Mr Morgenthau's adjustments to the world price apparently occur only when they involve a reduction in the price which his department pays for the commodity. But the open market price of silver in New York has, of course, had to align itself to this movement in the London quotation. Despite Wednesday's fall in London, which was continued on Thursday and took the price down to 17d., the sterling price remains above the American parity. This means that the whole of the newly-mined silver which in the normal course would be going to New York for sale to the United States Treasury is being diverted to the London market. London can withstand this influx while the bear position remains uncovered. But when this technical feature of the situation has been removed it is only reasonable to

assume that the London price will again resume its dependence on the American Treasury price and will no longer presume to dictate to that arbiter of the silver world.

**Treasury Bills and A.R.P.**—As from this week it will be possible for discount firms to apply for Treasury bills in denominations of £50,000 and £100,000 as well as those of £5,000 and £10,000 which have hitherto been the sole series available to the market. The market has in the past seen bills of larger denominations than £10,000, but these reached it via the tap and not the tender. The increase in denomination is in part to be regarded as a token of the larger issues of bills that are to come. With the promised permanent increase in the volume of Treasury bills outstanding, the negotiation of such bills—already a cumbersome process when a large total amount is involved—should be facilitated by raising the denomination of the individual bills. It is understood that the change was decided upon in connection with the discussions which have taken place on the position of the discount market in case of war. The aim has been to simplify the functioning of the market machinery and to provide every possible precaution against the risk of loss arising from air attack. With this end in view there has been a move recently to inscribe as many bonds as possible and this procedure may even be applied to Treasury bills if the need arises. The market is not likely to use the £100,000 bills to any extent and would probably have welcomed a £25,000 series. Suggestions have also been made that to avoid mistakes in handling and counting bills the various series might be given distinguishing colours. The suggestion could be carried further: the re-armament bills might be given a red, white and blue border, and those issued for the Exchange Account a gilt edge.

## MONEY MARKET NOTES

THE tightness in the money market noted towards the end of last week was intensified on Monday and Tuesday, when, in spite of special bill purchases, even the clearing banks were reluctant lenders, and it was difficult to obtain loans against bonds except, in some cases, at slightly over ½ per cent. By Wednesday, however, as is revealed in the Bank Return, the return of notes from circulation and the special bill purchases had restored bankers' deposits to a more normal level, and more comfortable credit conditions were noted. Discount rates, however, are unchanged at the higher levels to which they rose with the shortage of money. The banks are only buying small amounts of bills, and no decline in rates is expected in the immediate future.

For the first time for many weeks the gold in the Issue Department of the Bank shows a small change, having

been valued at 148s. 7d., which was the market price on Wednesday. The difference arising from the higher valuation has been transferred to the Exchange Account in cash. The note circulation is down by £9.5 millions; and as there has been a reduction of only £2.2 millions in Government securities, which is nearly counterbalanced by a rise of £2 millions in other securities, bankers' deposits show a big recovery from the low level to which they had fallen in the previous week. In addition to the return of notes, there has been a decline of £4.3 millions in public deposits, so that the net increase in bankers' deposits is £13 millions.

The demand for dollars has continued this week, and on Thursday the pressure against sterling was particularly marked. The British control has maintained the spot rate at 4.68½, but more fluctuations have taken place in the for-

ward market. On Monday the premium on the one-month dollar was ½c. and on three-months 2½c., but on the following day the demand for forward dollars fell off and the premiums contracted to ¼c. and 1¼c. respectively. Since then they have again widened, and on Thursday, in spite of official intervention, the premium on one month was quoted at ¾-1½c. and on three months 2¼-3c. Guilders have been under the influence of the Mendelssohn affair. The possibility of having to meet demands for accommodation in Amsterdam has induced Dutch banks to repatriate a large part of their foreign balances; and at one time on Monday the spot guilder appreciated to 8.69fl., although heavy sales by the Dutch authorities brought it back to 8.71½fl. at the close. Since then they have been able to maintain the spot rate at 8.72fl., but the forward guilder continues to be in demand and the premium for three months has widened to 2½c. The Chinese dollar is still weak at about 3½d.

## MONEY MARKET RATES

|                                | Aug. 18, 1938 | Aug. 10, 1939 | Aug. 17, 1939 |
|--------------------------------|---------------|---------------|---------------|
| Bank Rate .....                | 2             | 2             | 2             |
| London Deposit Rate ..         | 12            | 12            | 12            |
| Short Loan Rates:              |               |               |               |
| Clearing Banks .....           | 12-1*         | 12-1*         | 12-1*         |
| Others .....                   | 34            | 34            | 34-78         |
| Discount Rates:                |               |               |               |
| Treasury bills .....           | 12            | 58            | 2582          |
| Three months' bank bills ..... | 1732          | 58            | 2532          |

\* Viz. 12 per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. 34 per cent. for loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

## THE BANK RETURN

|                            | Aug. 17, 1938 | Aug. 2, 1939 | Aug. 9, 1939 | Aug. 16, 1939 |
|----------------------------|---------------|--------------|--------------|---------------|
| Issue Dept.:               |               |              |              |               |
| Gold .....                 | 326.4         | 246.4        | 246.4        | 246.6         |
| Value per oz. fine...      | 85.148        | 61.148       | 61.148       | 7.1           |
| Notes in circulation ..... | 482.6         | 520.6        | 521.9        | 512.4         |
| Banking Dept.:             |               |              |              |               |
| Reserve .....              | 45.0          | 26.5         | 25.2         | 35.0          |
| Public Depts. ....         | 20.1          | 23.3         | 31.8         | 27.5          |
| Bankers' Depts. ....       | 105.7         | 89.6         | 81.7         | 94.7          |
| Other Depts. ....          | 34.1          | 36.2         | 35.9         | 35.7          |
| Govt. Secs. ....           | 104.6         | 112.6        | 114.8        | 111.6         |
| Discounts & Advances ..... | 6.5           | 6.9          | 6.0          | 5.9           |
| Other Secs. ....           | 22.0          | 21.2         | 21.5         | 23.5          |
| Proportion .....           | 28.1%         | 17.7%        | 16.8%        | 22.1%         |

## THE BULLION MARKET

| Date        | Gold               |                    |               | Silver |           |
|-------------|--------------------|--------------------|---------------|--------|-----------|
|             | Price per fine oz. | Prem. or Dis-count | Amt. dealt in | Cash   | Two Mths. |
| Aug. 1939   | s. d.              | d.                 | £'000         | d.     | d.        |
| Aug. 11 ... | 148 6½             | 1 pm               | 297           | 17½    | 165       |
| " 12 ...    | 148 6½             | 2 pm               | 212           | 17½    | 165       |
| " 14 ...    | 148 7½             | 2 pm               | 493           | 17½    | 165       |
| " 15 ...    | 148 7              | 1½pm               | 481           | 17½    | 17        |
| " 16 ...    | 148 7              | 1½pm               | 350           | 17½    | 165       |
| " 17 ...    | 148 7              | 1½pm               | 374           | 17     | 161½      |

\* Above or below American shipping parity.



# Investment

**Danzig League Loan Service.**—The League Loans Committee has announced this week that sterling service moneys which had been received by the London paying agents up to July 4th—the date on which suspension of transfers of service of Danzig's external loans was first reported—will be applied to paying the September 1st coupon on the Danzig 5 per cent. (originally 7 per cent.) Mortgage Loan of 1925 and the October 1st coupon of the 4½ per cent. (originally 6½ per cent.) Tobacco Monopoly Loan of 1927. Sinking fund purchases have been suspended; hence the sterling sums in hand, less amounts already used for sinking fund purchases, will be applied in payment of the next coupons at the reduced rates agreed in 1937. Any remaining balances will be retained for the time being by the paying agents. The Committee remain "in contact" with the Danzig Government, but it is already clear that the generous accommodation which was accorded to Danzig only two years ago has been singularly ill repaid. Attention has been drawn in Danzig to the point that suspension of sterling transfers would restore full rights to Danzig's creditors under the original bonds. Thus, in the present extreme circumstances, the Committee has reserved the full rights of bondholders, and has also safeguarded the latter from the consequences of interest default on at least one coupon. It will be hoped that the ensuing six months will provide an opportunity for two-sided negotiation, to replace the indefensible consequences of unilateral default.

**Watney Combe Reid and Guinness.**—Difficulties which will affect most brewers, the incidence of which falls upon the current financial year rather than the past year, were reviewed by Colonel Serocold in his address to Watney Combe Reid shareholders last week. And reference was made to the same rising cost factors at the Arthur Guinness meeting. Under a House of Lords decision last year, the basis of assessment of licensed houses has been changed, and although the effect of the alteration is not yet fully known, it is presumed that higher assessments will be the rule. This factor, of course, will not affect Guinness directly. Again, for a period of seven years, beginning with this year's harvest, the price of hops has been raised from £9 to £9 10s. per cwt., while a scheme for stabilising the price of barley, which had hitherto been a free market, is also under discussion. Under a stop-gap plan to operate for the 1939 crop only, a cash levy on brewers is being made to subsidise barley growers. Such factors apply to all brewers, but their effect upon the results of the past financial year was uneven. The fall in the profits of Watney Combe Reid was small, and was due to the non-recurrence of profit from whisky sales from bonded stocks, for sales of beer increased. The rather sharper decline in the Arthur Guinness profits was ascribed by Lord Iveagh to increased taxation and to the higher cost of materials. The chairman, however, did not review in detail the causes of the persistent fall in profits since 1935-36, though he declared that increased taxation and rising costs amounted to nearly £400,000, compared with that year. Guinness stockholders will doubtless be glad to have the assurance that the Park Royal brewery has fulfilled expectations, both of the quality of its product and of economies of its working. Lord Iveagh denied categorically that the company intended to leave Eire, though he mentioned

that "adjustments" in Dublin were gradually proceeding which "in time" would save money. Brewery shareholders, at present, are faced with the calculation whether rising costs will outstrip rising consumption, and the ever-present risk of increased sumptuary taxation cannot be dismissed.

**Stewarts and Lloyds-Stanton Merger.**—The provisional proposals (discussed on page 175 of *The Economist* of July 22nd) for the acquisition by Stewarts and Lloyds of Stanton Ironworks have been followed by circulars from both companies, whose effect is broadly to confirm the satisfactory impression (particularly for Stanton stockholders) left by the original announcement. As first announced, the offer consisted of £1 Stewarts and Lloyds 6 per cent. cumulative first preference for £1 of the similar Stanton stock, and £1 Stewarts and Lloyds deferred, plus 12s. 6d., to be satisfied partly in cash and partly in 5 per cent. third preference stock taken at 22s., for each £1 Stanton ordinary stock unit. The exact division of this 12s. 6d. premium is to consist of 6s. 8d. nominal (or 7s. 4d. if taken at 22s.) of Stewarts and Lloyds 5 per cent. cumulative third preference stock, plus 5s. 2d. in cash. When the offer was first published, Stanton Ironworks ordinary stock responded promptly to the favourable terms, so that this week's circular from the company urging acceptance of the offer covers well-prepared ground. It is pointed out that Stanton preference stockholders will have the advantage of a better cover and also of certain participating rights on winding-up, while the ordinary stockholders have the prospect of a further 2½ per cent. dividend as well as the 12s. 6d. bonus. More general arguments are put before Stewarts and Lloyds stockholders, whose attention is called in the circular to the advantages of technical and other co-operation and to the improved position in the export market. The directors declare, moreover, that under normal conditions they confidently expect to be able to maintain the 12½ per cent. dividend on the increased deferred capital. Stanton stockholders have everything to gain by acceptance of so favourable an offer, but the general merits of the amalgamation will doubtless commend the scheme to Stewarts and Lloyds members as well.

**Eagle Oil and Shipping Finance.**—Large public issues are a distinct rarity during the holiday season. But the offer for sale this week of £3,000,000 Eagle Oil and Shipping 4½ per cent. guaranteed debenture stock at 97½ by Lazard Brothers and Company, together with the private placing of £1,500,000 5½ per cent. redeemable guaranteed preference shares, claims distinction for other reasons. The company, which markets petroleum products in this country through Shell-Mex and B.P., and is controlled by Canadian Eagle Oil, formerly relied largely on Mexican production, but since the Mexican Eagle properties were expropriated in March last year, it has been compelled to find alternative supplies. The proceeds of the two issues, after repayment of a bank loan, will be applied, through Canadian Eagle Oil, to finance a programme of developing and operating oil-fields, in conjunction with the Royal Dutch-Shell group, in Venezuela, Colombia, Ecuador, and Cuba. Arrangements are also being made to provide Canadian Eagle with "immediate and continuing" supplies of crude oil from Venezuela at an eventual minimum rate of 600,000 tons per annum, for a period of not less than 30 years. The fact that the Foreign Transactions Advisory Committee has raised no objection to the issue may be read as an official acknowledgment of the desirability of maintaining adequate oil supplies to this country in time of emergency, for more than half of the Eagle Oil and Shipping sales,

by value, in 1938 (which totalled 3,073,000 tons in volume) were made to this country. The parent company's guarantee of its subsidiary's obligations is welcome for two reasons. In the first place, Eagle Oil and Shipping is completely controlled by Canadian Eagle. Secondly, the direct benefits of the profits and assets arising from the new developments in South America will accrue to the parent company. Although the terms on which the latter will interest itself in these developments are not disclosed in the prospectus, there can be little doubt that the ensuring of adequate alternative supplies of oil will benefit the company, and will also contribute to the national advantage. The redemption yield on the new stock, to final date, is £4 14s. per cent., which may be regarded as a reasonably satisfactory return.

**Calico Printers' Further Setback.**—In the earlier part of the 1938-39 financial year there was nothing in the cotton textile outlook to encourage hopes of recovery for Calico Printers apart from the uncertain—and in any case delayed—benefits of the Enabling Bill. The subsequent moderate recovery in Lancashire (based partly on defence orders) has evidently by-passed the group, for the preliminary statement of profits for the year to June 30th last, while it contains no fresh shock, must be regarded as a depressing document. Working profit (apparently after directors' fees) may be calculated at £334,982, against £401,686 for 1937-38 and £616,602 for 1936-37. This profit is more than absorbed by a charge of £356,762 (against £367,228) for depreciation, repairs, etc., so that debenture interest, which absorbs £128,000, is wholly unearned. The Association's net loss of £149,780, against £93,542, is the worst recorded since 1930-31, and the balance carried forward is approximately maintained at £40,028 only by a draft of £150,000 on the general reserve. In the absence of any further transactions which may be disclosed only in the full report, general reserve would stand at £450,000 after this transfer. No preference dividend is being paid, and arrears now amount to £527,818 gross, dating from the end of 1935. A reasoned survey of the outlook must await the full report and the annual meeting, but there are no obvious grounds for expecting even a partial solution of the Association's difficulties in the near future. Certainly, by quoting 4s. 1½d. for the ordinary stock and 6s. 6d. for the preference stock, the market expects no such development.

**Triplex Safety Glass Profit.**—Although the Triplex Safety Glass Company is distributing 20 per cent. against 25 per cent., on its ordinary capital for the year to June 30th, the new rate is payable on an increased capital resulting from the acquisition of the capital of Lancegaye Safety Glass (1934) in June last. The preliminary profits statement shows that earnings, before taxation and employees' share of profits, amounted to £163,489, and thus showed a slight reduction on the 1937-38 total of £166,511. Such results are not unsatisfactory for a difficult year in the motor trade, which was heightened by the emergence of keen competition between the Lancegaye and Triplex companies. The circumstances of the acquisition of Lancegaye by the Triplex company were discussed in *The Economist* of June 10th. Assuming that all Lancegaye shareholders have accepted Triplex exchange offer, the 20 per cent. dividend would absorb approximately £94,870 net, compared with £90,625 net for the 25 per cent. dividend a year ago. The statement does not disclose to what extent, if any, the latest year's profits have benefited from the Lancegaye acquisition, but on the basis of previously reported profits, the amount could hardly be substantial in any event. The full fruits of the merger would clearly require time, but meanwhile the Triplex company has the advantage, in addition to its motor glass business (for which both prices and demand are presumably improving), of supplying scientific glass and also certain aircraft material.

**Are Rubber Share Yields Adequate?**—Until recently rubber shares formed the most stagnant section of the stock market, but the improvement in the commodity has resulted in a revival of interest during the present account, although buying has not been sustained this week. Low yields, at levels incapable of attracting buyers, have long been a feature of the rubber share market, and it is pertinent to ask whether the new levels appear justified, particularly in relation to the general upward adjustment of yields during the past few months in other sections of the market. To provide the data for an examination of the adequacy of current yields, we have estimated the probable earnings of a sample of six leading companies for 1939. Output has been calculated at 55 per cent. of standard assessments for 1939, and though it cannot be taken as certain that actual crops will be restricted to export allowances in individual cases, the production figures in the following table should be reliable in the absence of an alteration to current quotas, as the financial periods correspond in all instances to the calendar year. The average selling price of rubber for the year has been taken at 8½d. :—

| Company            | 1939         |            | 1938 All-in costs | Est. 1939 Profit | On Ord. Cap. |             |                  |
|--------------------|--------------|------------|-------------------|------------------|--------------|-------------|------------------|
|                    | Std. assess. | 55% prodn. |                   |                  | Paid 1938    | Earned 1938 | Est. earned 1939 |
|                    | '000 lbs.    | '000 lbs.  | d. per lb.        | d. per lb.       | £'000        | %           | %                |
| Batu Tiga .....    | 2,913a       | 1,602      | 5.6               | 2.9              | 19.7         | 5           | 5.5              |
| Bikam .....        | 5,700a       | 3,135      | 5.7               | 2.8              | 36.9         | 5           | 6.0              |
| Cheviot .....      | 4,134        | 2,275      | 5.4               | 3.1              | 29.9         | 10          | 11.6             |
| Gd. Central .....  | 4,401        | 2,401      | 5.0c              | 3.5              | 63.9         | 3           | 3.4d             |
| Lat. Asiatic ..... | 13700a       | 7,535      | 4.4c              | 4.1              | 128.2        | 10          | 13.1f            |
| Pataing .....      | 5,183        | 2,850      | 5.9               | 2.6              | 31.1         | 7½          | 9.5              |

(a) Approximate; estimated on 1938 standard. (b) On old capital. (c) Excluding £18,097 for coupons purchased. (d) After charging coupons purchased. (e) Before investment depreciation. (f) After investment depreciation.

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|------------------------------------|-------------------------------------|
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(Continued from page 367)

| Year to date          | Including Conversions | Excluding Conversions |
|-----------------------|-----------------------|-----------------------|
| 1939 (New Basis)..... | 106,999,007           | 84,473,065            |
| 1938 (New Basis)..... | 233,824,523           | 213,933,560           |
| 1939 (Old Basis)..... | 72,981,941            | 51,551,862            |
| 1938 (Old Basis)..... | 171,230,985           | 152,290,117           |

## Destination

(Excluding Conversions)

| Year to date          | U.K.        | Brit Emp. ex U.K. Countries | Foreign    |
|-----------------------|-------------|-----------------------------|------------|
| 1939 (New Basis)..... | 57,422,913  | 24,865,148                  | 2,181,004  |
| 1938 (New Basis)..... | 137,050,732 | 14,407,126                  | 62,475,702 |
| 1939 (Old Basis)..... | 36,858,921  | 4,688,459                   | 10,004,482 |
| 1938 (Old Basis)..... | 129,724,256 | 20,166,737                  | 2,399,124  |

## Nature of New Borrowing

(Excluding Conversions)

| Year to date          | Deb.        | Pref.      | Ord.       |
|-----------------------|-------------|------------|------------|
| 1939 (New Basis)..... | 45,975,545  | 6,509,943  | 31,987,577 |
| 1938 (New Basis)..... | 137,050,732 | 14,407,126 | 62,475,702 |
| 1939 (Old Basis)..... | 36,858,921  | 4,688,459  | 10,004,482 |
| 1938 (Old Basis)..... | 129,724,256 | 20,166,737 | 2,399,124  |

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

**Eagle Oil and Shipping Company.**—Offer for sale by Lazard Bros. of £3,000,000 4½ per cent. guaranteed debenture stock, at 97½ per cent. Principal, sinking fund and interest unconditionally guaranteed by Canadian Eagle Oil Company. Redeemable at par by annual drawings or by purchases at or below par by sinking fund commencing year ending January 15, 1941; final redemption, January 15, 1960. Secured by floating charge; no prior or *pari passu* charges to be created. Proceeds to repay bank loan and to finance oil development in South America and Cuba. Net assets December 31, 1938, £9,656,698. Profits (after depreciation, before interest and taxation): 1936, £1,075,501; 1937, £1,147,895; 1938, £1,001,814. 1,500,000 5½ per cent. cumulative redeemable guaranteed £1 preference shares have been placed privately at par.

## BY STOCK EXCHANGE INTRODUCTION

**Elephant Trading (South Africa) Holdings.**—Particulars of issue of £200,000 5 per cent. registered redeemable notes. Unsecured, but no other charges (except to bankers) without holders' consent. Redeemable at par by September, 1960, from 1940, or on notice 1945-50 at 102 or at 101 thereafter. M. Samuel and Company take issue at 96, or £96 8s. 6d. including expenses.

## BONUS SHARES

**Reynolds Bros.**—Bonus share distribution of one in eight, absorbing £90,625 of general reserve, to be distributed in December, 1939. Directors intend to distribute further bonus shares at rate of one in nine (absorbing £90,625) in December, 1940, if trading conditions permit.

## CONVERSIONS AND REPAYMENTS

**Aktebolaget Separator.**—4½ per cent. debenture loan of 1934, of Kr. 5,000,000, will be repaid at 103 on November 1, 1939.

## 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 |
|--------------------------|----------------|-------|---------|------------|
| <b>BANKS</b>             | %              | %     | %       | %          |
| British Linen Bank....   | 8*             | ...   | Sep. 15 | 8*         |
| <b>TEA &amp; RUBBER</b>  |                |       |         |            |
| Tallier Estates.....     | ...            | 6     | ...     | 3          |
| <b>MINING</b>            |                |       |         |            |
| Broken Hill Prop. ....   | 12½            | ...   | 12½     | 12½        |
| Houghton Main.....       | 4½             | 7(c)  | ...     | 12         |
| <b>INDUSTRIALS</b>       |                |       |         |            |
| Brandram Bros. ....      | 2*             | ...   | Sep. 15 | 2*         |
| Canning (W.).....        | 5*             | ...   | Sep. 12 | 5*         |
| Carter & Co. (Tiles) ..  | ...            | 12½   | ...     | 12½        |
| Chandler's (Sth. Af.) .. | 2½*            | ...   | ...     | 2½*        |
| Clapton Stadium.....     | 10*            | ...   | Aug. 31 | 12½*       |
| Clyde Valley Pur. ....   | 3*             | ...   | ...     | 3*         |
| Compass Inv. Trust....   | 2(a)           | ...   | 2(a)    | ...        |
| Cowans Sheldon.....      | 10             | ...   | 10      | ...        |
| East Asiatic.....        | 12             | ...   | 12      | ...        |
| Eastman Kodak.....       | \$1.50*        | ...   | Oct. 14 | \$1.50*    |
| Equit. Un. Scotland ..   | 3*             | ...   | ...     | 3*         |
| Evans (D. H.).....       | 5*             | ...   | Sep. 22 | 5*         |
| Fenner (J. H.).....      | 7½             | ...   | ...     | 6          |
| Flower & Sons.....       | 5*             | ...   | Sep. 30 | 5*         |
| Folland Aircraft.....    | 5*             | ...   | ...     | Nil        |
| Goodyear Tyre.....       | \$15*          | ...   | ...     | \$10*      |
| Hine Parker.....         | 2½*            | ...   | Aug. 22 | 2½*        |
| H.P. Sauce.....          | 7½*            | ...   | ...     | 7½*        |
| Inter. Investment Tr. .. | 3*             | ...   | ...     | 3*         |
| Illovo Sugar.....        | 2½*            | ...   | ...     | 2½*        |
| Johnston, Mooney & Co.   | 5*             | ...   | Aug. 30 | 5*         |
| Kramat Tin Dredging ..   | 4½(c)          | ...   | Sep. 5  | 46*        |
| Liverpool Gas.....       | 3*             | ...   | ...     | 3*         |
| Lon. & Edin. Shpg. ..    | 7½*            | 15    | ...     | Nil        |
| Marsman Invest. ....     | 2½*            | ...   | Aug. 31 | 2½*        |
| Melbourne Inv. Tr. ....  | 2½*            | ...   | ...     | 2½*        |
| Mooney & Co. (U. G.) ..  | \$12½(c)       | 20    | ...     | 20½        |
| News of the World.....   | 9*             | 15    | ...     | 15         |
| North Cent. Wagon ..     | 2½*            | ...   | Sep. 1  | 2½*        |
| Oakey, John.....         | 17½            | ...   | ...     | 17½        |
| Perfecta Motor.....      | 2½*            | ...   | Oct. 26 | 2½*        |
| Plymouth Breweries ..    | 4*(d)          | ...   | Oct. 31 | 6*(d)      |
| Rangoon Elect. ....      | 5*             | ...   | Aug. 31 | 5*         |
| Sears (J.).....          | 3*             | ...   | Sep. 1  | 3*         |
| Shrewsbury & Wem ..      | 6*             | ...   | Sep. 27 | 6*         |
| Singleton and Cole....   | 6*(g)          | ...   | Aug. 25 | Nil        |
| Sternol.....             | 3*             | ...   | Sep. 15 | 3*         |
| Sth. Met. Elec. Lt. .... | 5*             | ...   | Aug. 26 | 5*         |
| Spratt's Pat. (Amer.) .. | 2½*(c)         | 20(c) | ...     | 25         |
| Triplex.....             | 10*            | ...   | Sep. 29 | 7½*        |
| Trussed Con. Steel....   | 3½*            | ...   | ...     | 10*        |
| Tunnel Port. Cement ..   | 3½*            | ...   | Sep. 1  | 3½*        |
| Un. Fl. Met. Tubing ..   | 4*(c)          | ...   | Sep. 1  | 4*         |
| Waxed-Papers.....        | 1½*            | ...   | ...     | 1½*        |
| West Riding Auto.....    | 15*            | ...   | Aug. 15 | 15*        |
| Winterbottom Bk. Cl. ..  | Pence          | ...   | Aug. 19 | \$3.886    |
| Yardley & Co.....        | \$4.1017       | ...   | Aug. 15 | \$7½       |
| <b>UNIT TRUSTS</b>       |                |       |         |            |
| First Provincial "A" ..  | \$5*           | ...   | ...     | ...        |
| Third British.....       | ...            | ...   | ...     | ...        |

(a) 2 per cent. on August 31, 1939; 2 per cent. on February 1, 1940.

(b) First liquidation dividend.

(c) Paid on larger capital.

(d) Annas per share, free of Burman tax.

\* Free of tax. (e) Less tax at 5s. 2½d. (f) Bringing payments up to June 30, 1934.

**ILLOVO SUGAR ESTATES.**—Dividend of 5 per cent. for year ended March 31, 1939. Same paid in previous two years.

**LIMMER AND TRINIDAD LAKE ASPHALT.**—Interim dividend, 4½ per cent., against 6 per cent., tax free, in 1938.

**CLAPTON STADIUM.**—Interim dividend of 10 per cent. for year ending December 31, 1939, against 12½ per cent. last year.

**HOUGHTON MAIN COLLIERY.**—Final dividend 4½ per cent., making 7 per cent., for the year on capital of £645,021, against 12 per cent., on capital of £430,014.

## SHORTER COMMENTS

**Company Results of the Week.**—Although HENRY BRIGGS, SON & COMPANY have experienced a moderate reduction in net profits, from £105,096 to £97,897, the 10 per cent. dividend is maintained on a larger capital. A substantial rise in total profits, from £66,524 to £101,404, is recorded by BATCHELOR'S PEAS. Timber companies have in general had a better year, and GABRIEL WADE AND ENGLISH net profits are £98,164, against £82,726. After producing a record sugar output, SIR J. L. HULETT AND SONS (whose accounts are presented in an altered form, giving less detail than formerly) have earned £173,304, against £136,170.

A 25 per cent. scrip bonus is proposed, and a 20 per cent. bonus fore-shadowed for 1940. Another company to record a satisfactory improvement is MECCANO, LTD., whose total profits are £250,324, against £216,728. The general experience of newspaper companies has been reversed by "NEWS OF THE WORLD," LTD., who are again paying 20 per cent., tax free, on the privately-held ordinary shares, after earning £370,272, against £333,376.

**News of the World.**—Gross profits for year to June 30th, £465,428 (£417,499). Tax and N.D.C. £95,156 (£84,122). Depreciation £40,000 (same). Ordinary dividend maintained at 20 per cent., tax free, for the year. To reserve £100,000 (same). Carried forward £24,824 (£9,112).

**Henry Briggs, Son and Company.**—Total income for the year to June 30, 1939, £99,703 (£106,701). Ordinary dividend 10 per cent. for year on increased capital, against 10 per cent. last year. To reserve £25,000 (£20,000). Carried forward £38,874 (£36,977).

**Chrysler Corporation.**—Net earnings for June quarter \$13,707,481, or \$3.15 per \$5 common share, against \$3,599,630, or 83c. per share for corresponding quarter in 1938. Dividend of \$1.50 per share declared, same as last quarter, but compares with 25c. this time last year.

**Marsman Investments.**—Net profits for the year to April 30, 1939, £93,434, against a loss of £5,905. Final ordinary dividend 7½ per cent., making 15 per cent. for the year (nil). Carried forward £20,734 (£2,300).

**Anaconda Copper Mining.**—Net earnings for quarter to June 30, 1939, \$3,483,425, or 40c. per share (against \$1,624,847, or 19c. per share). For the first six months of the year, net figure is \$7,170,336, or 83c. per share, against \$4,010,363, or 46c., for first six months of 1938.

**Trepca Mines.**—The company has given notice of its intention to close mine in 15 days from August 15, 1939, due to labour difficulties. Reports that mine has already been abandoned and that engineers have left the country are incorrect. Work ceased at the mines on July 18th.

**Dufay - Chromex, Ltd.**—Satisfactory arrangements have been concluded for the provision of additional finance for the future development of the company's business. The transaction does not entail a new share or debenture issue.

**Royal Bank of Scotland.**—At a special general court on Wednesday, stockholders unanimously approved increase of capital to £4,250,000 by allotment of £469,808. New stock with a cash payment is to be given in exchange for £1,060,000 capital stock of Glyn Mills and Company. No figures relating to the purchase consideration were disclosed.

**Steel Barrel Scammells and Associated Engineers.**—Addressing shareholders at the annual meeting last Wednesday, Mr H. R. Hood Barrs pointed out that in four years the output of the Uxbridge factory had practically doubled. Production, moreover, for the first six months of the current year constituted a record. It had not been thought necessary to pay an interim dividend for the six months of the current year from the subsidiaries, so that the profit which was in hand represented a substantial reserve not appearing in the accounts.

**Broken Hill Proprietary Company.**—Eighty-seventh report for year ended May 31, 1939, states that the demand for the company's steel products has been well sustained and output constitutes a record. Aggregate tonnage was: pig iron, 674,444 tons; steel, 869,904 tons. Tonnage of ore extracted at Broken Hill was 59,478 tons. Underground operations ceased in March. Net profit for year,

(Continued on page 369)

## Industry and Trade

**The Railway Wage Impasse.**—The refusal of the railway companies to concede anything beyond the 45s. per week minimum wage for conciliation grades which they offered at the beginning of the month was given to the representatives of the National Union of Railwaymen and the Railway Clerks' Association on Monday and repeated to the Associated Society of Locomotive Engineers and Firemen on Wednesday. There is therefore no reason to think that the companies' offer, which would entail a cost of little more than £100,000 a year, was merely a provisional move intended to open the bargaining. It is indeed unfortunate that the companies have decided to stop short at so small a concession, particularly in view of the fact that revenues have risen substantially since February, when the Railway Staff National Tribunal expressed the opinion that something should be done for the lower paid grades as soon as revenues made it possible. It is even more regrettable that the Locomotive Engineers are sticking to their original claims for wage increases, longer paid holidays, abolition of the permissive roster of nine hours a day and improvement of Sunday duty rates of pay, and that the N.U.R. has decided to stand out for a fifty shilling per week minimum. These claims involve a cost to the companies which would more than absorb the revenue increase achieved so far in the present year. Obviously both the facts of the case and the national and international circumstances in which it arises remove all excuse for an immediate resort to strike action. But unless both sides take up a less uncompromising attitude serious trouble can hardly fail to ensue. The suggestion of the companies that fresh resort should be had to the machinery of the Railway Staff National Tribunal seems to be the only reasonable way out of the present impasse. The unions cannot claim that this body has shown a lack of sympathy to them in the past. The technical argument that since the machinery was used as recently as February it need not be used now cannot carry much weight with the public, which is equally anxious to avoid a strike at the present time and to see justice done both to the railwaymen and the companies.

**U.S. Oil Difficulties.**—The low level of petrol prices in the United States, to which reference was made in *The Economist* of August 5th, led to a sharp reduction in the

Mid-Continent crude oil price from \$1.02 to \$0.82 per barrel late last week. This first major change in the price since October, 1938 was initiated by the Sinclair Prairie Oil Marketing Co., a subsidiary of the Consolidated Oil Corporation. The latter concern has worked at a considerable loss in the first half of this year and it published its profit and loss statement immediately before the cut in the crude oil buying price. The move of the Sinclair Prairie Oil Marketing Co. was followed immediately by a number of other concerns and by the beginning of this week the cut had become general. The reduction in the crude oil buying price, however, was not accepted without opposition. The Texas Railroad Commission, the oil control authority for Texas, which supplies some two-fifths of the United States' oil, ordered a 15 days' shut-down of all wells in Texas with only minor exceptions. This restriction order is likely to be extended for one month or ever more unless the oil companies revise their new policy. Oklahoma, Arkansas, Kansas, Louisiana and New Mexico have already followed the example of Texas. Together with Texas these States are responsible for nearly three-quarters of the total oil output of the United States. Whatever the ultimate effects of this week's moves may be, the shut-down of wells which has met some opposition in oil-producing circles should lead to a reduction in the level of oil stocks in the United States. The situation of that market is already much better than it was a year ago and a fall in supplies may help to restore more normal prices. But so long as the oil-producing States do not co-operate effectively in a long-term scheme to regulate supplies the industry can hardly expect the stability it desires.

**Industrial Expansion.**—The expansion in industrial activity this year is reflected in the official production index published in this week's *Board of Trade Journal*. In contrast with last year, when the index declined by 7.9 per cent. between the first and second quarters, it showed a rise of 1.8 per cent. in the corresponding period this year. Apart from those relating to mining, leather and boots and shoes, and gas and electricity, which registered a seasonal fall, all the group indices rose in April-June. Compared with the corresponding quarter in 1938, the

## SHORTER COMMENTS

(Continued from page 368)

**Wright's Biscuits.**—Trading profits for year to June 30, 1939, £35,431 (£32,705). Preference shares receive 2 per cent., participating dividend. Ordinary dividend, 25 against 17½ per cent. Carried forward, £6,900 (£3,208).

**Gabriel Wade and English.**—Trading profit for year ended May 31, 1939, £126,353 (£102,913). Taxation, £27,153 (£16,813). Ordinary dividend, 6 plus bonus of 4 per cent. (6 and 2 per cent. bonus). To reserve, £30,000 (same). £50,000 appropriated from general reserve to write off goodwill.

**Tinsley Park Colliery.**—Offer to acquire business of J. and G. Wells, Ltd., by exchange of one £1 Tinsley Park ordinary share for three £1 ordinary shares of J. and G. Wells, and five ordinary shares for four £1 preference shares. Tinsley Park paid 7½ per cent. on £630,000 of capital, and an interim this year of 2½ per cent. J. and G. Wells last paid dividend on £50,000 6 per cent. cumulative preference shares in 1927 and on £250,000 ordinary shares in 1926.

**James Lyne Hancock.**—British Tyre and Rubber (the parent company) offers J. L. Hancock preference shares for J. L. Hancock ordinary shares, at the rate of

two for five. Preference shares are entitled to a non-cumulative dividend of 7½ per cent. No ordinary dividend paid for last eight years. Debit balance on profit and loss account, £17,434.

**Frederick Gorrings.**—Company to pass interim ordinary dividend, for many years maintained at 3½ per cent. Half-yearly payment on 5 per cent., participating cumulative preference shares will be met as usual.

**Odham's Properties.**—Total income, year to March 31, 1939, £170,129 (£152,594). Tax and N.D.C., £11,575 (£10,832); general expenses, £16,091 (£12,325). Net profit, £92,573 (£85,611). Ordinary dividend, 12 per cent. (on £400,000) against 11½ per cent.; to reserve, £18,000 (£19,000); carried forward, £133 (£610). Leases, plant, etc., increased from £855,499 to £1,089,227. Recent issue of £100,000 5 per cent. 1st mortgage debenture stock was heavily oversubscribed.

**Meccano.**—Total income, £250,324 (£216,728); expenses, £148,467 (£135,407); tax and N.D.C., £25,252 (£17,841); depreciation, £10,842 (£11,212). Ordinary dividend maintained at 15 per cent., tax free. Carried forward, £23,577 (£16,735).

**Transvaal Gold Output, July.**—Witwatersrand, 1,052,066 fine ounces; other districts, 28,675 fine ounces; total, 1,080,741 fine ounces. Total, June, 1939, 1,064,284 fine ounces. Native labour at end July, 1939: gold mines, 317,412; coal mines, 17,434; total, 334,846.

**Batchelor's Peas.**—Total profits for the year to June 30, 1939, £101,404 (£66,524). Ordinary dividend, 15 against 10 per cent. To general reserve, £20,000 (nil). Carried forward, £23,373 (£22,607).

**Folland Aircraft.**—Profits for year to June 30, 1939, £19,737 (£22,106). Final dividend, 5 per cent., making 8 per cent.

complete index shows a rise of 9.6 per cent. During this period the index for building and building materials was the only one of the constituent series to show a decline. But the fall in this index probably exaggerates the extent of the decline in activity, for there has been no corresponding movement in the unemployment figures. Lastly, a

BOARD OF TRADE INDEX OF PRODUCTION. (1930=100).

| Group                                           | 1937         | 1938         |              | 1939          |              |
|-------------------------------------------------|--------------|--------------|--------------|---------------|--------------|
|                                                 | June Quarter | June Quarter | Dec. Quarter | March Quarter | June Quarter |
| 1. Mines and quarries .....                     | 100.5        | 89.3         | 96.4         | 100.5         | 94.0         |
| 2. Iron and steel .....                         | 165.6        | 131.6        | 119.8        | 149.1         | 176.5        |
| 3. Non-ferrous metals .....                     | 166.7        | 147.6        | 141.4        | 139.7         | 157.0        |
| 4. Engineering and shipbuilding .....           | 138.2        | 128.8        | 129.5        | 133.2         | 136.7        |
| 5. Building materials and building .....        | 155.9        | 152.5        | 134.8        | 126.7         | 137.6        |
| 6. Textiles .....                               | 135.1        | 106.4        | 114.0        | 120.7         | 126.3        |
| 7. Chemicals, oils, etc. ....                   | 125.9        | 112.9        | 119.5        | 121.7         | 131.2        |
| 8. Leather and boots and shoes ..               | 121.3        | 102.2        | 107.4        | 119.2         | 114.4        |
| 9. Food, drink and tobacco .....                | 124.9        | 123.5        | 123.4        | 119.5         | 129.3        |
| 10. Gas and electricity .....                   | 140.2        | 145.5        | 197.3        | 206.8         | 161.6        |
| Total of manufacturing industries (2-10)* ..... | 139.1        | 126.8        | 130.7        | 135.8         | 139.6        |
| Total of all groups (1-10)* .....               | 133.8        | 121.7        | 126.0        | 131.0         | 133.4        |

\* Includes also various industries not specified above.

comparison of the complete index with that for the second quarter of 1937 shows that industrial activity in April-May was as high as two years earlier. The relative importance of the various industries, however, has undergone a change since then. Thus, activity in the mining, non-ferrous metals, building materials and building, and textile industries was lower in the second quarter of this year than in the corresponding period in 1937, but the remaining trades all recorded an expansion.

\*       \*       \*

**Iron and Steel Production in July.**—Holidays and the need for plant renewals and repairs has naturally caused a temporary reduction in the activity of the iron and steel industry in recent weeks, but owing to the pressure for the delivery of materials production is being maintained at as high a level as possible. The output of pig iron (a continuous process) rose further between June and July, from 715,700 tons to 743,600 tons, and the number of furnaces in blast was increased from 114 at the end of June to 115 at the end of the past month; despite the increase, however, production last month remained below the highest levels reached in 1937. The output of crude steel, on the other hand, showed a decline in the past month. But this was due entirely to the holidays in Scotland, and on a daily

PRODUCTION OF PIG IRON AND CRUDE STEEL

(In thousands of tons)

|                 | 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 | 692.1 | 1,047.3                   | 957.0   | 1,218.1 |
| June .....      | 699.3    | 541.5 | 715.7 | 1,106.4                   | 776.1   | 1,175.6 |
| July .....      | 729.3    | 507.8 | 743.6 | 1,059.2                   | 683.2   | 1,153.1 |
| 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   | ...     |

\*       \*       \*

basis production in England and Wales actually showed a further increase. The volume of exports of iron and steel materials rose from 135,100 tons in July, 1938, to 177,200 tons last month, against 232,200 tons in July, 1937. The expansion in imports, however, was much more marked; they were 202,300 tons in July, 1937, 65,000 tons in 1938 and 220,600 tons in the past month. There was also an appreciable increase in the intake of iron ore and scrap; thus, imports of ore rose from 329,800 tons in July, 1938 to 551,900 tons in the past month, while those of scrap and ships intended for breaking up advanced from 51,000 tons to 103,600 tons and from 6,000 gross tons to 8,200 gross tons respectively. While the output of crude steel in the current month must be expected to show a reduction, operations are likely to be speeded up rapidly in September.

**Fruit from Palestine.**—The latest of the Imperial Economic Committee's annual surveys of British fruit supplies contains, among many other points of interest, an account of the rapid development of fruit exports from Palestine in recent years. Exports of oranges have trebled since 1932-33 and exports of grapefruit have increased eight-fold:—

EXPORTS OF FRUIT FROM PALESTINE

(000 boxes of 70 lb.)

| Season beginning Aug. 1    | 1932-3 | 1936-7 | 1937-8 | 1938-9 |
|----------------------------|--------|--------|--------|--------|
| <b>Oranges—</b>            |        |        |        | (a)    |
| Total exports .....        | 4,225  | 9,167  | 9,513  | 12,811 |
| To U.K. ....               | 3,022  | 6,595  | 6,010  | 7,866  |
| <b>Grapefruit—</b>         |        |        |        |        |
| Total exports .....        | 262    | 1,542  | 1,806  | 2,087  |
| To U.K. ....               | 193    | 1,100  | 1,025  | 1,047  |
| <b>Other citrus fruit—</b> |        |        |        |        |
| Total exports .....        | 20     | 81     | 93     | 186    |
| To U.K. ....               | 8      | 45     | 27     | 77     |

(a) Provisional figures.

As the table shows, the bulk of the Palestine exports finds a market in Great Britain, which took 60 per cent. of the total exports in 1938-39; this proportion has fallen slowly in recent years, with the development of subsidiary markets in Europe and the Near East. The check to Spanish fruit exports caused by the civil war has undoubtedly been of great benefit to the Palestine trade, since Spanish and Palestine supplies both arrive in Britain in the first half of the year; and oranges and grapefruit from South Africa, Brazil and the United States are sent to the British market in the summer and autumn. Between 1928 and 1938 the proportion of the total British imports of oranges derived from Palestine rose from 14.2 to 36.7 per cent. and of grapefruit from nothing to 45.5 per cent.; in 1937 Palestine supplied no less than 57.8 per cent. of Britain's supplies of grapefruit. The season just ended was, however, a poor one for the Palestine trade; production was exceptionally large, and owing to the severe weather at Christmas sales in England were below normal, with the result that during succeeding months an accumulation of stocks weighed on the market. There was also increased competition on the British market from the United States. Proposals have now been made for setting up a Palestine Citrus Fruit Board, which, by enforcing a higher standard of quality for exports and by regulating supplies might be able to improve the financial returns to the Palestine growers.

\*       \*       \*

**Larger British Exports.**—Between June and July there was a fall of nearly £4 millions in the value of imports into this country, but the value of British exports showed a slight increase from £39.9 millions to £40.4 millions. The improvement over the figures for the corresponding month a year earlier was maintained in July, when the value of imports was 5.9 per cent. and that of British exports 7.6 per cent. higher than in July, 1938.

U.K. IMPORTS AND EXPORTS (£'000)

|                                | 1937    | 1938    | 1939    | Change between 1938 and 1939 |          |
|--------------------------------|---------|---------|---------|------------------------------|----------|
| <b>July</b>                    |         |         |         |                              | Percent. |
| Total Imports .....            | 85,504  | 73,898  | 78,280  | + 4,382                      | + 5.9    |
| British Exports .....          | 47,595  | 37,470  | 40,355  | + 2,885                      | + 7.6    |
| Re-exports .....               | 6,803   | 4,555   | 3,725   | - 830                        | - 18.2   |
| Total Exports .....            | 54,398  | 42,025  | 44,080  | + 2,055                      | + 4.9    |
| Excess of Imports over Exports | 31,106  | 31,873  | 34,200  | + 2,327                      | + 7.3    |
| Transshipments under bond ..   | 2,629   | 2,399   | 2,612   | + 213                        | + 8.8    |
| <b>Seven Months ended July</b> |         |         |         |                              |          |
| Total Imports .....            | 569,020 | 543,119 | 525,514 | - 17,605                     | - 3.2    |
| British Exports .....          | 298,925 | 270,628 | 276,619 | + 5,990                      | + 2.2    |
| Re-exports .....               | 47,346  | 37,353  | 31,819  | - 5,534                      | - 14.8   |
| Total Exports .....            | 346,270 | 307,981 | 308,437 | + 456                        | + 0.1    |
| Excess of Imports over Exports | 222,750 | 235,138 | 217,077 | - 18,061                     | - 7.7    |
| Transshipments under bond ..   | 21,585  | 18,175  | 18,630  | + 455                        | + 2.5    |

The fall in the value of re-exports has continued, while the excess of imports over exports, though smaller than in June, was 7.3 per cent. greater than a year ago. The fall between June and July in the total value of imports was due to smaller imports of food and drink, while the intake of industrial raw materials continued to increase; *The Economist* index of the volume of raw material imports rose from 127½ in June to a provisional figure of 130½ in July, which compares with 114 in July, 1938. The improvement in the value of British exports was due very largely to coal and textile piece goods, but the application of the seasonal correction caused *The Economist* index of the volume of British manufactures exported to fall from 107 in June to 101 in July.

## INDUSTRIAL REPORTS

INDUSTRIAL activity is still affected by holiday stoppages, but the prospects of most industries remain good. The demand for coal is well maintained and the reduction in German exports is benefiting the industry in this country. The iron and steel industry is maintaining its activity at as high a level as is possible at this time of the year and orders on hand point to a rapid acceleration in output next month. The building industry also remains busy, largely because of the urgency of Government work. The principal textile trades, too, still have substantial orders on their books. The cotton trade has to deliver 25 million yards of cloth ordered by the Government by the end of November and a further 5 million yards by the end of January.

## Coal

**Sheffield.**—With the ending of the holidays output is back to normal, and generally demand is good. Household requirements have become prominent, due to the expectation that with the beginning of September prices will be advanced by about 1s. 8d. per ton. Industrial fuels are being well taken up. Ample supplies of smalls are on offer. Coking smalls are in good request. There is a movement to raise quotations for blast-furnace coke, which is 21s. 8d. per ton at ovens for inland, to meet increasing production costs. In the export market washed trebles, doubles and singles are in good demand. Inquiry for forward delivery is quiet, but shippers are hopeful of a revival owing to the coal shortage in Germany. Prices all round are unaltered.

\*

**Newcastle-on-Tyne.**—There is little new trade in this coal area, but the considerable amount of contract business booked earlier in the year is maintaining a regular trade at all collieries. Coking coal remains very scarce, whilst gas and bunker grades have a steady outlet. Northumberland steam classes with the exception of smalls are steady, large coals being well booked ahead.

\*

**Glasgow.**—Stringency of supplies is becoming more acute and is also developing much earlier than usual. Primarily it results from the very

high industrial consumption in the "armament" trades and is also accentuated by a desire on the part of consumers to keep stocks at as high a level as possible. The influence of the "clear-out" of colliery stocks before the holidays and the slow resumption thereafter is also still being felt. New foreign inquiry remains quiet, but this is a relief rather than an embarrassment, for already shipping supplies are fully booked, in some cases until October. The public utilities are taking full supplies, and despite the rise in prices house coal is also moving readily, with Irish requirements an important factor in the Ayrshire field.

\*

**Cardiff.**—The most gratifying feature on the Welsh steam coal market during the past week has been the placing of business with local shippers by the Portuguese Railways for about 36,000 tons of through coals for delivery during October-December. Originally these buyers called for offers for the supply of about 220,000 tons of coal for delivery during twelve months, or alternatively for about half that quantity for delivery during six months. They have restricted their purchases, so it is stated, because of the heavy stocks of coal they have on hand. At one time the whole of the Railways' orders were placed in South Wales, but in recent years Germany has made big inroads into the trade and a year ago she secured the whole of the order. So far, at any rate, no part of this year's order has been placed with German shippers.

Apart from this, however, the market presents a very quiet appearance. Supplies of most classes are severely restricted following the stoppages at a number of mines throughout the whole of the Bank Holiday week. Although new demand fails to show any material expansion, business is therefore not so easily negotiated and in the case of some of the more favoured grades, notably duffs and sized descriptions, stems are almost completely filled for some considerable time ahead and prices are consequently high.

acid billets are readily taken up. The call for small steel bars and wire rods does not ease, and deliveries are subject to delay. Forge and foundry pig iron are in only moderate demand, but basic and hematites are being increasingly well booked. There is little change in bar iron.

The plan to build up big reserves of iron ore and pig iron meets with approval here, tending as it would to keep supplies more regular in time of emergency.

Pressure for supplies of steel shows constant increase, and production is approaching capacity. Arrangements are in hand, however, still further to increase output, thus avoiding delivery delays which are at present causing some inconvenience.

\*

**Middlesbrough.**—Although the present week is looked upon as the local holiday week and shipyards and foundries are closed down, the majority of the steelworks are continuing operations through the week owing to the heavy demand for steel. Some interest is being shown locally in the Iron and Steel Federation's proposal to establish a reserve of one million tons of iron ore.

\*

**Glasgow.**—Production at the steel plants is at its highest level and output is being rapidly absorbed by the various consuming industries, shipbuilders and engineers making particularly heavy demands. Sheet mills also are in full production. At present a large proportion of the sheet mills' output is required for the supply of sheets for the Home Office garden shelters, but demand from other quarters is also brisk and bookings include a substantial quantity of highly finished sheets. Local sheet metal workers have within the past week or two obtained some very good orders and they too are operating at capacity. The recently noted improvement in the tube trade is maintained.

\*

**Cardiff.**—The tinplate trade has settled down after the annual holiday week and a steady business is passing in both the home and foreign trades. Practically all the works are well booked with orders and are busy. The heavy demand (for A.R.P. purposes) for galvanised steel sheets is absorbing almost the whole of the output and only a very limited amount of ordinary business can be arranged.

## Iron and Steel

**Sheffield.**—The iron and steel market is getting back into its stride after the holiday, and business generally is on a good scale. Basic steel billets are still in short supply, and

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**News from Abroad.**—Demand on international steel markets has recently improved in some cases, but the general tendency has remained quiet. Inquiries from Scandinavia, in particular, have been quite satisfactory, and the Near East, Portugal and the Baltic also have been in the market for certain quantities. The Far East has shown interest in small tonnages, but the currency difficulties in these countries are delaying the placing of actual orders. The Chinese buyers, for instance, have sustained losses on their engagements in view of the depreciation of the currency and are trying to obtain price concessions or even to cancel orders. In the case of Japan, precautions are necessary to ensure payment before orders are confirmed. The demand from South America, which was very satisfactory until recently, has perceptibly declined. Great Britain has continued to specify semis, but the delay in placing further additional orders has caused some uneasiness on the Continent.

Prices have shown a remarkable resistance considering the adverse influence of the holiday season. Rebates on official prices have been reduced by one-third to one-half in several cases. The reason for this firm tendency is that the potential steel requirements are known to be considerable, and that, consequently, a substantial improvement in demand can be expected next month.

The routine meetings of the Cartel Comptoirs are expected to recommence in the middle of September. In the meantime, a settlement of the Polish quota claims in connection with the territorial changes is being attempted, and new quota regulations, providing for the abandonment of the payment of fines for an excess of quotas, are under discussion.

## Textiles

**Cotton (Manchester).**—There has been an easier tendency in raw cotton prices. Buyers in all quarters have limited their commitments. The crop in the United States is now making good progress, and it is being suggested that the next official estimate will be near 12 million bales. The removal of the cotton export tax in Egypt has resulted in a rise in prices in Alexandria, and a fall in Liverpool.

Business in yarn has been irregular. Coarse American counts have continued in active request for Government cloth contracts. Users are pressing for larger deliveries. As expected the Egyptian type yarn price agreement has been renewed for a further period of twelve months, but prices for carded qualities remain decontrolled.

There have been no important foreign orders for piece-goods. The position with regard to Government contracts for the defence forces can now be summarised. For delivery up to November 30th 25 million yards have recently been purchased. Further contracts are now being arranged amounting to about 5 million yards, and delivery has been extended to the end of January.

**Wool (Bradford).**—The annual holidays have interfered with the wool trade. All mills are compelled by law to stand one full week during the year, and those in Bradford, Halifax and Huddersfield are closed this week.

Other important centres have had their vacation, but by the end of the month all mills will have resumed full time. Owing to the marked revival in the civil demand for woollen and worsted cloths, there is a prospect of mills running full and over-time for a considerable period. Prospects point to current raw wool prices being fully maintained when the new Australian selling season opens in Sydney on August 28th.

## THE COMMODITY MARKETS

THIS has been a comparatively quiet week on the commodity markets and the general trend of prices has been downwards, both in this country and in the United States. Moody's index of the prices of sensitive commodities in the United States (December 31, 1931 = 100) fell from 140.1 to 138.8 during the week ended last Wednesday.

A feature has been the break in American crude oil prices and the drastic steps subsequently taken to curtail output, discussed on page 396. Among non-ferrous metals copper was marked down slightly after the announcement of the increase in the production quotas of the co-operating producers. Lead was also cheaper, but the prices of spelter and tin are virtually unchanged on the week. Wheat, raw sugar and American raw cotton were all marked down in price, but the market in rubber remained firm.

## Metals

**Copper.**—After last week's decision to increase the quotas, the demand for copper contracted this week and the market wore a quieter appearance. Standard cash consequently lost 6s. 3d. to close on Wednesday at £44 6s. 3d. per ton. The undertone, however, remained confident and a rally appears more likely than a further fall. The July statistics were again encouraging; extra-United States stocks fell by nearly 5,000 tons to 173,876 short tons, while U.S.A. stocks declined by 18,500 tons to 316,543 tons. Production both in and outside the United States remained below consumption last month, a position which is likely to be maintained for the time being.

**Tin.**—The turnover in tin was small this week and the cash quotation remained stable at £229 17s. 6d. per ton; the backwardation showed great steadiness after widening from £4 7s. 6d. to £4 12s. 6d. The market is well in the hands of the buffer pool and no major changes are expected in the near future. The I.T.C. will not meet before the second half of September, when an increase in the quotas by 5 per cent. or even 10 per cent. is expected.

**Lead and Spelter.**—Spelter closed unchanged on Wednesday at £14 8s. 9d. per ton, but lead lost 6s. 3d. to close at £15 15s. per ton. The latter reaction was natural after the recent sharp advance. Despite the reaction, however, spot supplies remained fairly short and the contango (the premium of the nearby quotation over the three months' price) noticeable for the first time early

this month was maintained this week. There is a possibility that the Trepca lead-zinc mine in Yugoslavia will close down temporarily as a sequel to the recent strike movement. The zinc market remained very quiet throughout this week and there is still no news about the cartel negotiations.

## Grains

**HARVESTING** in Northern Europe and North America is now in full swing and merchants are disinclined to enter the international markets until the size of the domestic crops is more accurately known. The August estimate of the United States wheat crop, at 731 million bushels, was higher than had been expected, in view of the excessive heat of the past few days. The statement made by Mr Wallace last week indicates that the American Government will not itself enter into the export trade next season but will provide a sufficient subsidy to enable exporters to compete on the international market. Reports on the condition of the American maize crop indicate considerable deterioration and prices on American markets have advanced.

## Other Foods

**Milk.**—The following table is compiled from statistics issued by the Milk Marketing Board:—

|                                      | July, 1938 | May, 1939 | June, 1939 | July 1939 |
|--------------------------------------|------------|-----------|------------|-----------|
| Prices (per gall.)                   | d.         | d.        | d.         | d.        |
| Liquid .....                         | 17.0       | 13.5      | 13.5       | 16.0      |
| Av. manufacturing..                  | 6.655      | 6.366     | 6.13       | 6.333     |
| Av. pool .....                       | 12.61      | 10.34     | 10.19      | 11.86     |
| Contract sales (mill. galls.)        |            |           |            |           |
| Liquid .....                         | 53.1       | 54.9      | 53.4       | 53.6      |
| Manufacturing .....                  | 35.0       | 43.0      | 43.7       | 40.6      |
| Total contract .....                 | 88.1       | 97.9      | 97.1       | 94.2      |
| Used by farmhouse cheesemakers ..... | 3.4        | 2.9       | 3.1        | 3.0       |

**Provisions.**—Flour prices were reduced by 6d. a sack on Monday for all grades. Egg prices continued to rise sharply, the normal seasonal movement having been considerably delayed. Supplies of the new season's cheese are now arriving at London, on a rather slow market; new Canadian is quoted at 63s. per cwt. on the Provision Exchange.

**Colonial Produce.**—With larger supplies available, there has been a further fall in the quotations for spot and near raw sugars; refined prices were marked down by 1½d. per cwt. on Monday and again by 3d. per cwt. on Wednesday to meet a slow demand. Buying of good Indian teas was strong at the recent auctions and brought a firmer tendency in prices.

**Fruit and Vegetables.**—The heavy rains of the past few weeks restricted the lifting of potatoes and supplies to the central markets have been considerably reduced. Prices were very firm at the beginning of the week, but have eased with the arrival of larger quantities. English plums are in excess of demand and only good quality fruit can be sold; English apples are also rather a glut on the markets at present, as the quality has so far not been high.

## COMPANY MEETINGS

### WATNEY COMBE REID AND COMPANY, LIMITED

#### BEER SALES INCREASE

At the annual general meeting of the company, held on the 11th instant, at the Windsor Castle Restaurant, Victoria, S.W.1, the Chairman, in the course of his speech, said:—

At our annual general meeting a year ago I spoke of a case coming before the High Court which was of great importance to owners of licensed property who were improving their houses. In that case the Customs and Excise argued that magistrates had no power to sanction alterations to licensed premises where ground previously unlicensed was taken into an extension, but that in such cases it was necessary for the owners to apply for a new licence. The new licence would then become subject to monopoly, while the value of the old licence would be entirely lost.

The case was taken to the Court of Appeal, where I am glad to say the decision of the High Court was reversed, and the law on the subject, which dates back to 1902, was re-established. The Customs did not take the case further to the House of Lords.

A decision of far-reaching importance with regard to the assessment of licensed houses was come to by the House of Lords last year. They over-ruled the decision arrived at in a previous case which for forty years had provided the basis for such assessments. Formerly the gross annual value of a Public House was estimated by considering what a "free" tenant—a retailer—would give by way of rent for it; now the element of the wholesaler's or brewer's competition is to be regarded in arriving at that rent. I am afraid that this judgment of the House of Lords must result in an increase in assessments, and so of rates and probably of Licence Duties.

The Government's promise to bring in legislation with regard to clubs still stands. Meanwhile the evils attendant on bogus clubs continue, but the Government, while profuse in pledges, persists in failing to honour them.

#### HOPS AND BARLEY

The Agreement between the Brewers' Society and the Hops Marketing Board expired after last year's crop. A new Agreement for a period of 7 years has now been negotiated, and the price has gone up from £9.0.0 to £9.10.0 per cwt.

Having spoken of the controlled price of hops, I will mention another entirely new and important development which has taken place in regard to barley. Barley has hitherto been a free market, and therefore liable to fluctuations. Meetings between the N.F.U. and the brewers have taken place at intervals since 1936 with a view to finding some common ground on which barley prices might be stabilised.

The Board of Agriculture entered the field and asked both the N.F.U. and the brewers for their suggestions, the basic idea being that the brewers should in some form or another pay a subsidy on the barley bought for malting. The brewers at once signified their agreement to that policy, and have been in conference with the Ministry and the farmers for many months past to evolve a working arrangement. A stop-gap scheme, to apply to the 1939 crop only, has been evolved by the Ministry, with the concurrence of the brewers, under which a cash levy will be raised on brewers. This applies to malting barley only. A subsidy to the growers of feed barley will be paid out of Imperial taxation.

This levy for a barley subsidy will be reflected in a higher cost of malt, and neither in the case of dearer malt nor dearer hops can

any part be recovered in any form from the consumer of our finished product—beer.

The company is empowered to redeem outstanding 5½ per cent. Debentures in September, 1940, at £101. At that date they will amount to £1,544,800, and it is the present intention of the Board to redeem the whole amount.

The decrease in trading profit is largely due to the non-recurrence of profit from sales of bonded whisky stocks. Beer sales during the year show an increase over those for the previous year.

The balance of profit carried to the balance-sheet, after deduction of debenture interest and preference dividends, is £1,020,948, against £1,014,635, and with the balance brought from last year, less the interim dividends on the preferred and deferred stocks, leaves £1,080,545 with which to deal.

The Board recommend that £325,000 be carried to property improvement and contingency reserve, and that a final dividend of 9 per cent., making 15 per cent. for the year, and a bonus of 3 per cent. be paid on the deferred ordinary stock.

The report and accounts were adopted.

### STEEL BARREL SCAMMELLS AND ASSOCIATED ENGINEERS, LIMITED

#### PROMISING OUTLOOK

The third annual general meeting of the company was held on the 16th instant in London.

Mr H. R. Hood Barrs (chairman and managing director) said that the combined net income of the company amounted to £28,692, and the total available for distribution was £34,272. He thought it would be agreed that the accounts were highly satisfactory, and the companies, supported by a strong financial position, looked at the future with great confidence.

In four years the output at the Uxbridge factory had been practically doubled, and he saw no reason why it should not again be doubled. The production for the first six months of the current year showed a new record and an increase on the corresponding period of the year under review, which had constituted a record for that period. The record sales for the year under review were a very happy augury for the future. Their companies were equipped with a wealth of experience, expert staffs and ample finances, which, coupled as they were with three fine properties in the form of Carrimore Works on the Great North Road, Scammell Works in Spitalfields and Phoenix Works at Uxbridge, were capable of great expansion. He viewed the future with every confidence and thought that shareholders should be proud of their interest in such a fine and progressive undertaking.

The directors had not thought it necessary to pay an interim dividend in respect of the six months of the current year from the subsidiaries. That profit was in hand and represented a very substantial reserve, which did not appear in the accounts. They had the fullest confidence in the future. Given reasonable conditions, he saw nothing to prevent an even more generous dividend policy being adopted by the Board. The steady expansion of the business was proceeding along sound lines, and that, coupled with their large cash resources, should justify larger dividends when they had passed the present troubled period, during which the directors had adopted a conservative financial policy.

The report and accounts were unanimously adopted, and the proposed final dividend of 6 per cent., less tax, making 12 per cent. for the year, was approved.

## INDUSTRIAL REPORTS—continued from page 372

### Miscellaneous Commodities

**New Timber Quotas.**—At a meeting in Stockholm on August 3rd the European Timber Exporters' Convention decided to increase export quotas for 1939 by 290,000 standards to 3,194,000 standards. Publication of this decision, which is presumably the response to the rise in prices, had been withheld pending its ratification. The countries adhering to the Convention will share as follows in the new quota: Sweden, 721,000 standards; Finland,

884,400 standards; Russia, 836,000 standards; Poland, 275,400 standards; Roumania, 216,500 standards; Yugoslavia, 147,800 standards; and Latvia, 111,800 standards.

**Oils and Oilseeds.**—Shipments of linseed continue at a fair level from the Plate and the exportable surplus now remaining in Argentina is estimated at 269,000 tons, against 317,000 tons on July 29th and 466,000 tons a year ago. The American linseed crop is estimated at 394,000 tons, the highest production since 1930. Demand for linseed is quiet but values are only slightly lower than

a week ago. Linseed oil is firmly held for near delivery but new crop is at a big discount. Trade in Egyptian cotton seed has improved; new crop has been quoted at £5 2s. 6d. per ton for November shipment.

**Rubber.**—There is still a fair demand for spot and nearby rubber, but prices have been very steady in the past week for all positions. The July consumption in the United States is returned at 43,880 tons, a slight but expected fall from the June figure; stocks in hands of dealers and manufacturers showed a further fall to 174,240 tons.

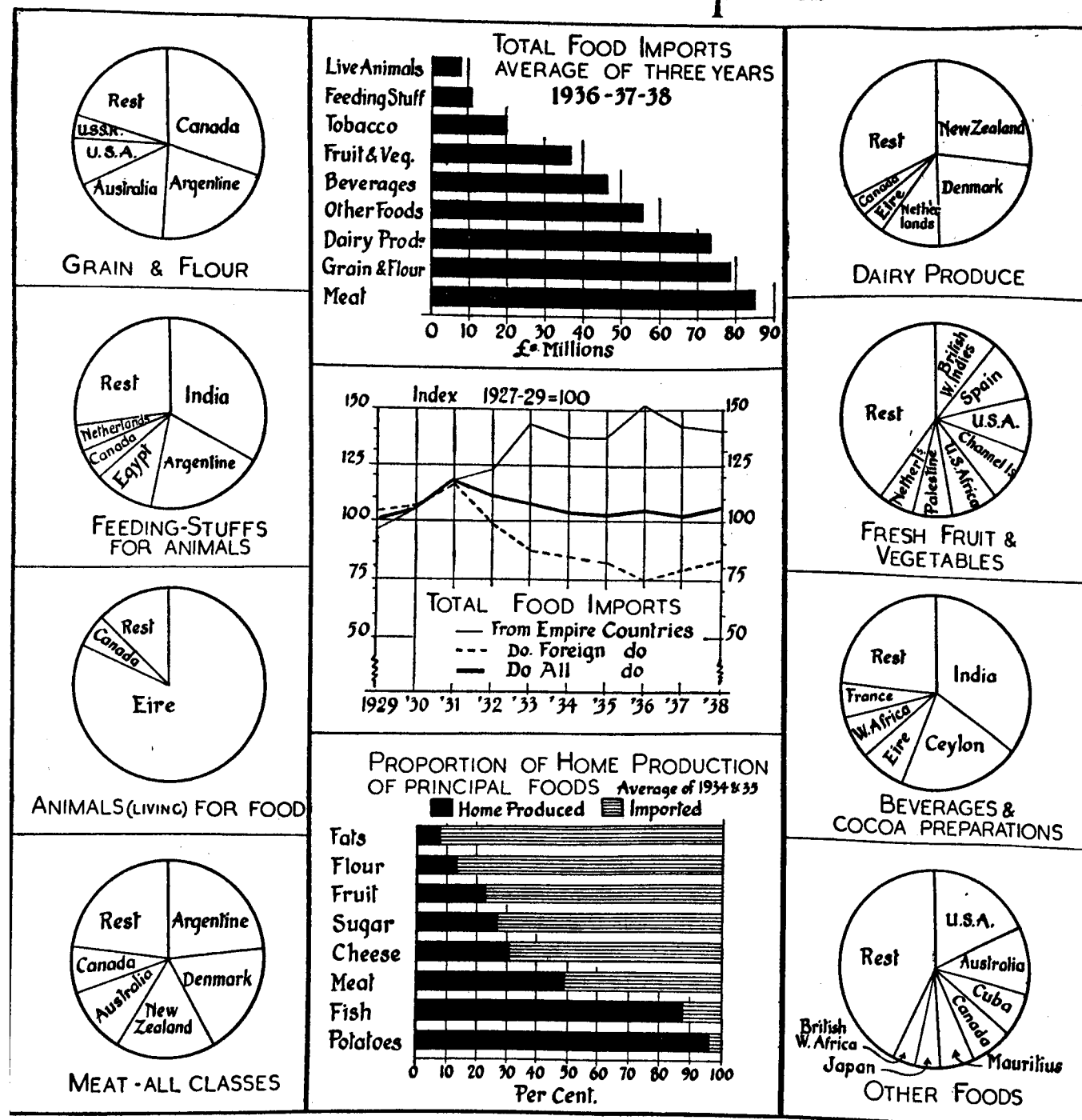
## CURRENT STATISTICS

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

## Britain's Food Imports



Each of the circles in the above diagram represents an average of values of imports for the three years 1936-7-8. Figures were taken from the Trade and Navigation Accounts for December, 1938, and The Agricultural Register, 1938-9, compiled by the Agricultural Economics Research Institute, Oxford.

## Finance

## GOVERNMENT RETURNS

For the week ended August 12, 1939, total ordinary revenue was £12,513,000, against ordinary expenditure of £14,793,000, while £2,500,000 was repaid from the Essential Commodities Reserve Fund, and £245,000 was issued to sinking funds. Thus including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1st last is £147,251,000, against £135,516,000.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                | Receipts into the Exchequer (£ thousands) |                                 |                                 |                          |                          |
|------------------------|-------------------------------------------|---------------------------------|---------------------------------|--------------------------|--------------------------|
|                        | Estimate, 1939-40                         | April 1, 1938, to Aug. 13, 1938 | April 1, 1939, to Aug. 12, 1939 | Week ended Aug. 13, 1938 | Week ended Aug. 12, 1939 |
| ORDINARY REVENUE       |                                           |                                 |                                 |                          |                          |
| Income Tax             | 327,000                                   | 37,917                          | 37,910                          | 3,228                    | 3,456                    |
| Sur-tax                | 70,000                                    | 7,360                           | 8,180                           | 120                      | 170                      |
| Estate, etc., Duties   | 80,000                                    | 29,400                          | 32,670                          | 1,010                    | 1,580                    |
| Stamps                 | 21,000                                    | 6,800                           | 6,410                           | 150                      | 190                      |
| N.D.C.                 | 25,000                                    | 3,950                           | 9,220                           | 370                      | 1,040                    |
| Other Int. Revenue     |                                           |                                 |                                 |                          |                          |
| Duties                 | 1,250                                     | 410                             | 320                             | 30                       | 20                       |
| Total I. Rev.          | 524,250                                   | 85,837                          | 94,710                          | 4,908                    | 6,456                    |
| Customs                | 232,300                                   | 80,986                          | 91,517                          | 4,413                    | 3,800                    |
| Excise                 | 116,430                                   | 37,900                          | 38,491                          | 1,000                    | 903                      |
| Total Cust. and Excise | 348,730                                   | 118,886                         | 130,008                         | 5,413                    | 4,703                    |
| Motor duties           | 43,450                                    | 8,219                           | 8,379                           | 230                      | 261                      |
| P.O. (Net Receipts)    | 7,200                                     | 6,140                           | 6,224                           | 1,150                    | 950                      |
| P.O. Fund              | 1,600                                     |                                 |                                 |                          |                          |
| Crown Lands            | 1,330                                     | 520                             | 530                             |                          |                          |
| Rec. from Sun. Loans   | 5,000                                     | 3,219                           | 2,802                           |                          |                          |
| Misc. Rec.             | 10,750                                    | 2,008                           | 1,869                           | 17                       | 143                      |
| Total Ord. Rev.        | 942,310                                   | 224,829                         | 244,522                         | 11,718                   | 12,513                   |
| SELF-BAL. REVENUE      |                                           |                                 |                                 |                          |                          |
| P.O. and Broadcasting  | 83,449                                    | 25,910                          | 26,676                          | 850                      | 900                      |
| Total ...              | 1,025,759                                 | 250,739                         | 271,198                         | 12,568                   | 13,413                   |

## Issues out of the Exchequer to meet payments (£ thousands)

| Expenditure              | Receipts into the Exchequer (£ thousands) |                                 |                                 |                          |                          |
|--------------------------|-------------------------------------------|---------------------------------|---------------------------------|--------------------------|--------------------------|
|                          | Estimate, 1939-40                         | April 1, 1938, to Aug. 13, 1938 | April 1, 1939, to Aug. 12, 1939 | Week ended Aug. 13, 1938 | Week ended Aug. 12, 1939 |
| ORDINARY EXPEND.         |                                           |                                 |                                 |                          |                          |
| Int. and Man. of Nt. Dt. | 230,000                                   | 96,195                          | 98,158                          | 414                      | 484                      |
| Pays. to N. Ireland      | 10,000                                    | 2,568                           | 2,557                           |                          |                          |
| Other Cons. Fund Ser.    | 7,200                                     | 1,254                           | 3,268                           | 56                       | 59                       |
| Total                    | 247,200                                   | 100,017                         | 103,983                         | 470                      | 543                      |
| Supply Serv.             | 670,371                                   | 257,858                         | 285,253                         | 16,750                   | 14,250                   |
| Ditto, plus loans        | 1,208,141                                 | 257,858                         | 337,753                         | 16,750                   | 14,250                   |
| Total Ord. Expend.       | 1,875,341                                 | 357,875                         | 389,236                         | 17,220                   | 14,793                   |
| Issues from Def. Lns.    | 502,430                                   |                                 | 52,500                          |                          |                          |
| SELF-BAL. EXPEND.        |                                           |                                 |                                 |                          |                          |
| P.O. and Broadcasting    | 83,449                                    | 25,910                          | 26,676                          | 850                      | 900                      |
| Total                    | 1,034,360                                 | 383,785                         | 415,912                         | 18,070                   | 15,693                   |

\* Supply Services, after addition of issues under Defence Loan Acts: (a) after reductions of £290,000 in Finance Act; (b) excluding £502,430,000 to be met from borrowing (£342,500,000 in original estimates plus £159,930,000 from supplementary); (c) that is Budget provision (including margin for supplementaries) of £942,444,000 from revenue, plus supplementaries from revenue of £34,631,000, less £25,000,000 margin for supplementaries and £1,164,000 Ordnance Vote now included with Ministry of Supply.

After raising Exchequer balances by £178,827 to £2,758,480, the other operations for the week (as shown below, excluding issues to sinking funds) raised the gross National Debt by £204,000 to about £8,484 millions.

## WEEK'S CHANGES IN DEBT

| NET INCREASES (£ thousands) |       | NET REPAYMENTS, ETC. (£ thousands) |       |
|-----------------------------|-------|------------------------------------|-------|
| Treasury Bills              | 2,250 | Pub. Dept. Adv.                    | 1,430 |
|                             |       | P.O. and Teleg.                    | 350   |
|                             |       | Nat. Sav. Certs.                   | 150   |
|                             |       | N. At. Shipping                    | 27    |
|                             |       | Ang.-Turk Arms                     | 89    |
|                             | 2,250 |                                    | 2,046 |

## AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to August 12, 1939, are shown below:—

| Ordinary Exp. (£ thousands) |         | Ord. Rev. (£ thousands) |         |
|-----------------------------|---------|-------------------------|---------|
| Issues under Def. Loan Acts | 52,500  | Gross borrs.            | 200,031 |
| Adv. for Essen.             | 2,500   | Sinking fds.            | 2,558   |
| Commods.                    | 259     | Net borrowing           | 197,473 |
| Inc. in balances            | 444,495 | Repaid from Ess.        | 2,500   |
|                             |         | Commod. Fd.             | 2,500   |
|                             | 444,495 |                         | 444,495 |

## FLOATING DEBT (£ millions)

| Date     | Treasury Bills |       | Ways and Means Advances |                 | Total Floating Debt | Floating Assets |
|----------|----------------|-------|-------------------------|-----------------|---------------------|-----------------|
|          | Tender         | Tap   | Public Depts.           | Bank of England |                     |                 |
| 1938     |                |       |                         |                 |                     |                 |
| Aug. 13  | 555.0          | 298.4 | 44.1                    | ...             | 902.5               | 342.5           |
| April 22 | 402.0          | 498.0 | 39.1                    | ...             | 939.1               | 537.1           |
| May 6    | 419.0          | 513.0 | 42.1                    | 4.5             | 978.6               | 549.5           |
| " 13     | 429.0          | 510.2 | 44.6                    | ...             | 983.8               | 555.1           |
| " 20     | 439.0          | 506.2 | 44.7                    | ...             | 989.9               | 550.0           |
| June 3   | 449.0          | 505.6 | 43.8                    | ...             | 1,002.4             | 556.4           |
| " 10     | 464.0          | 539.3 | 43.1                    | ...             | 1,046.4             | 582.4           |
| " 17     | 469.0          | 541.9 | 43.9                    | 0.5             | 1,055.3             | 585.8           |
| " 24     | 479.0          | 540.4 | 45.7                    | ...             | 1,065.1             | 586.1           |
| July 8   | 489.0          | 563.0 | 45.3                    | ...             | 1,097.3             | 608.3           |
| " 15     | 494.0          | 562.8 | 43.1                    | ...             | 1,099.8             | 605.8           |
| " 22     | 499.0          | 558.1 | 43.1                    | ...             | 1,100.2             | 601.2           |
| Aug. 5   | 510.0          | 564.9 | 46.9                    | ...             | 1,121.8             | 615.4           |
| " 12     | 510.0          | 570.7 | 45.5                    | ...             | 1,126.2             | 616.2           |

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

## TREASURY BILLS (£ millions)

| Date of Tender | Amount  |             |          | Average Rate % | Per Cent. Allotted at minimum Rate |
|----------------|---------|-------------|----------|----------------|------------------------------------|
|                | Offered | Applied for | Allotted |                |                                    |
| 1938           |         |             |          |                |                                    |
| Aug. 12        | 30.0    | 76.8        | 30.0     | 10 1.50        | 30                                 |
| April 21       | 30.0    | 66.0        | 30.0     | 26 10.35       | 26                                 |
| May 5          | 30.0    | 63.5        | 30.0     | 24 3.67        | 31                                 |
| " 12           | 30.0    | 60.7        | 30.0     | 15 11.77       | 37                                 |
| " 19           | 30.0    | 58.3        | 30.0     | 13 4.61        | 40                                 |
| " 26           | 30.0    | 60.8        | 30.0     | 13 3.63        | 28                                 |
| June 2         | 45.0    | 58.3        | 40.0     | 13 1.91        | 74                                 |
| " 9            | 45.0    | 66.8        | 45.0     | 12 1.65        | 73                                 |
| " 16           | 50.0    | 64.0        | 50.0     | 14 5.23        | 65                                 |
| " 23           | 50.0    | 60.7        | 50.0     | 16 7.81        | 60                                 |
| " 30           | 50.0    | 66.6        | 47.0     | 17 0.00        | 58                                 |
| July 7         | 40.0    | 63.3        | 37.0     | 16 8.32        | 44                                 |
| " 14           | 35.0    | 64.5        | 35.0     | 15 8.99        | 51                                 |
| " 21           | 35.0    | 68.6        | 35.0     | 14 8.61        | 39                                 |
| " 28           | 40.0    | 73.8        | 36.0     | 14 0.08        | 27                                 |
| Aug. 4         | 35.0    | 67.9        | 30.0     | 13 7.9         | 21                                 |
| " 11           | 30.0    | 58.6        | 30.0     | 14 0.7         | 39                                 |

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 bills are 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 August 11th applications at £99 16s. 5d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 39 per cent. of the amount applied for and applications at higher prices in full. No tenders were accepted for payment on Saturday. £30.0 millions of Treasury bills are being offered on August 18th.

## NATIONAL SAVINGS CERTIFICATES

| Sales in          | Number        |               | Purchase Price |
|-------------------|---------------|---------------|----------------|
|                   | July 30, 1938 | July 29, 1939 |                |
| Thirty weeks to:— |               |               |                |
| July 30, 1938     | 19,576,576    | 14,682,437    |                |
| July 29, 1939     | 18,346,603    | 13,759,916    |                |
| Week to:—         |               |               |                |
| July 30, 1938     | 631,122       | 473,341       |                |
| July 29, 1939     | 559,932       | 419,949       |                |
| July 29, 1939     | 576,747       | 432,561       |                |

## BANK OF ENGLAND RETURNS

AUGUST 16th, 1939

## ISSUE DEPARTMENT

|                          |            |                                                 |             |
|--------------------------|------------|-------------------------------------------------|-------------|
| Notes Issued:            | £          | Govt. Debt...                                   | 11,015,100  |
| In circultn. 512,389,010 |            | Other Govt. Securities...                       | 286,189,375 |
| In Bnkg. Department...   | 34,166,237 | Other Secs.                                     | 2,084,480   |
|                          |            | Silver Coin...                                  | 711,045     |
|                          |            | Amt. of Fid. Issue                              | 300,000,000 |
|                          |            | Gold Coin & Bullion (at 148s. 7d. per oz. fine) | 246,555,247 |
|                          |            |                                                 | 546,555,247 |

## BANKING DEPARTMENT

|                |             |               |             |
|----------------|-------------|---------------|-------------|
| Props. Capital | 14,553,000  | Govt. Secs... | 111,636,164 |
| Rest           | 3,590,823   | Other Secs:   |             |
| Public Depts.  | 27,456,966  | Discs, etc.   | 5,908,860   |
| Other Depts.   |             | Securities    | 23,549,486  |
| Bankers        | 94,728,140  |               | 29,458,346  |
| Other Accs.    | 35,716,655  |               | 34,166,237  |
|                | 130,444,795 |               | 784,837     |
|                |             |               | 176,045,584 |

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

## THE WEEK'S CHANGES (£ thousands)

| Both Departments                                        | Compared with      |                     |
|---------------------------------------------------------|--------------------|---------------------|
|                                                         | Amt. Aug. 16, 1939 | Last Week Last Year |
| COMBINED LIABILITIES                                    |                    |                     |
| Note circulation                                        | 512,389            | + 9,488 + 29,766    |
| Deposits: Public                                        | 27,457             | + 4,389 + 7,350     |
| Bankers                                                 | 94,728             | + 13,074 + 10,995   |
| Others                                                  | 35,717             | + 213 + 1,650       |
| Total outside liabilities                               | 670,291            | + 1,015 + 27,770    |
| Capital and rest                                        | 18,144             | + 28 + 28           |
| COMBINED ASSETS                                         |                    |                     |
| Govt. debt and securities                               | 408,841            | + 5,161 + 104,731   |
| Discounts and advances                                  | 5,909              | + 46 + 553          |
| Other securities                                        | 25,634             | + 3,981 + 3,123     |
| Silver coin in issue dept.                              | 711                | + 1 + 699           |
| Gold coin and bullion                                   | 247,340            | + 237 + 80,257      |
| RESERVES                                                |                    |                     |
| Res. of notes & coin in banking department              | 34,951             | + 9,725 + 10,022    |
| Proportion of reserve to outside liabilities—           |                    |                     |
| (a) Bank, dept. only ("proportion")                     | 22.1%              | + 5.3% + 6.0%       |
| (b) Gold stocks to deposits and notes ("reserve ratio") | 36.9%              | + 0.1% + 14.1%      |

## COMPARATIVE ANALYSIS\* (£ millions)

|                               | 1938    |         |        |        |         |
|-------------------------------|---------|---------|--------|--------|---------|
|                               | Aug. 17 | July 26 | Aug. 2 | Aug. 9 | Aug. 16 |
| Issue Dept.:                  |         |         |        |        |         |
| Notes in circ.                | 482.6   | 510.9   | 520.6  | 521.9  | 512.4   |
| Notes in banking dept.        | 43.8    | 35.5    | 25.8   | 24.5   | 34.2    |
| Govt. debt and securities     | 199.5   | 299.3   | 299.3  | 299.2  | 297.2   |
| Other secs.                   | 0.5     | 0.0     | 0.0    | 0.1    | 2.1     |
| Silver coin                   | 0.0     | 0.7     | 0.7    | 0.7    | 0.7     |
| Gold, valued at s. per f. oz. | 326.4   | 246.4   | 246.4  | 246.4  | 246.6   |
| Deposits:                     |         |         |        |        |         |
| Public                        | 20.1    | 26.0    | 23.3   | 31.8   | 27.5    |
| Bankers                       | 105.7   | 91.4    | 89.6   | 81.7   | 94.7    |
| Others                        | 34.1    | 36.7    | 36.2   | 35.9   | 35.7    |
| Total                         | 159.9   | 154.1   | 149.1  | 149.4  | 157.9   |
| Bkg. Dept. Secs.              |         |         |        |        |         |
| Government                    | 104.6   | 106.5   | 112.6  | 114.8  | 111.6   |
| Discounts, etc.               | 6.5     | 8.0     | 6.9    | 6.0    | 5.9     |
| Other                         | 22.0    | 21.5    | 21.2   | 21.5   | 23.5    |
| Total                         | 133.1   | 136.0   | 140.7  | 142.3  | 141.1   |
| Banking dept. reserve         | 45.0    | 36.1    | 26.5   | 25.2   | 35.0    |
| "Proportion"                  | 28.1    | 23.4    | 17.7   | 16.8   | 22.1    |
| Reserve ratio                 | 51.0    | 37.1    | 36.9   | 36.8   | 36.9    |

\* 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.—The latest returns of the Bank of Lithuania appeared in *The Economist* of July 15th; Egypt, of July 29th; Reichsbank and Turkey of August 5th; Australia, Bulgaria, Danzig, Finland, Hungary, India, International Settlements, New Zealand, Portugal, South Africa, Sweden and Switzerland, of August 12th.

## U.S. FEDERAL RESERVE BANKS

| Million \$'s                                 | Aug. 1938 | July 1939 | Aug. 1939 | Aug. 1939 |
|----------------------------------------------|-----------|-----------|-----------|-----------|
| 12 U.S.F.R. BANKS                            |           |           |           |           |
| RESOURCES                                    |           |           |           |           |
| Gold certifi. on hand                        | 10,632    | 13,651    | 13,914    | 13,968    |
| Total res. from Treas.                       | 11,032    | 14,015    | 14,272    | 14,319    |
| Total cash reserves                          | 391       | 356       | 349       | 342       |
| Total bills discounted                       | 7         | 5         | 5         | 5         |
| Bills bt. in open mkt.                       | 1         | 1         | 1         | 1         |
| Total bills on hand                          | 7         | 5         | 5         | 5         |
| Industrial advances                          | 16        | 13        | 12        | 12        |
| Total U.S. Govt. secs.                       | 2,564     | 2,515     | 2,443     | 2,423     |
| Total bills and secs.                        | 2,587     | 2,533     | 2,460     | 2,439     |
| Total resources                              | 14,328    | 17,370    | 17,430    | 17,596    |
| LIABILITIES                                  |           |           |           |           |
| F.R. notes in circ.                          | 4,150     | 4,509     | 4,551     | 4,564     |
| Aggregate of excess m. bank res. over reqts. | 2,930     | 4,490     | 4,530     | 4,590     |
| Deposits — Member bank reserve account       | 8,085     | 10,412    | 10,509    | 10,633    |
| Govt. deposits                               | 802       | 764       | 844       | 776       |
| Total deposits                               | 9,236     | 11,810    | 11,950    | 11,974    |
| Cap. paid in and surplus                     | 309       | 312       | 312       | 312       |
| Total liabilities                            | 14,328    | 17,370    | 17,430    | 17,596    |
| Reserve to depts. and F.R. notes             | 82.4%     | 85.9%     | 86.5%     | 86.6%     |
| U.S.F.R. BANKS AND TREASURY COMBINED         |           |           |           |           |
| RESOURCES                                    |           |           |           |           |
| Monetary gold stock                          | 13,052    | 16,191    | 16,270    | 16,335    |
| Treasury and Nat. Bk. currency               | 2,724     | 2,890     | 2,897     | 2,900     |
| LIABILITIES                                  |           |           |           |           |
| Money in circulation                         | 6,485     | 7,022     | 7,070     | 7,091     |
| Treasury cash and depts. with F.R. Bks.      | 3,185     | 3,294     | 3,198     | 3,142     |

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

| Aug. 1938                              | July 1939 | Aug. 1939 | Aug. 1939 |
|----------------------------------------|-----------|-----------|-----------|
| 1938                                   | 20        | 10        | 17        |
| Total gold reserves                    | 465.5     | 665.9     | 663.2     |
| Total bills discounted                 | 1.7       | 1.1       | 1.4       |
| Bills bt. in open mkt.                 | 0.2       | 0.2       | 0.2       |
| Total U.S. Govt. secs.                 | 780.1     | 739.7     | 712.5     |
| Total bills and secs.                  | 785.8     | 743.9     | 716.2     |
| Deposits — Member bank reserve account | 384.6     | 5,565.1   | 5,558.1   |
| Reserve to depts. and F.R. notes       | 86.9%     | 90.9%     | 91.2%     |

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

| Aug. 1938              | July 1939 | July 1939 | Aug. 1939 |
|------------------------|-----------|-----------|-----------|
| 1938                   | 5         | 26        | 2         |
| ASSETS                 |           |           |           |
| Loans, total           | 8,165     | 8,142     | 8,166     |
| Investments            | 12,395    | 13,858    | 13,941    |
| Reserve with Federal   | 6,570     | 8,473     | 8,750     |
| Due from domestic bks. | 2,399     | 2,759     | 2,745     |
| LIABILITIES            |           |           |           |
| Deposits: demand       | 14,951    | 17,109    | 17,601    |
| Time                   | 5,193     | 5,229     | 5,237     |
| U.S. Government        | 436       | 555       | 548       |
| Inter-bank             | 6,236     | 7,546     | 7,423     |

## BANK OF FRANCE.—Million francs

| Aug. 1938                                                    | July 1939 | Aug. 1939 | Aug. 1939 |
|--------------------------------------------------------------|-----------|-----------|-----------|
| 1938                                                         | 13        | 3         | 10        |
| ASSETS                                                       |           |           |           |
| Gold                                                         | 55,808    | 92,268    | 97,266    |
| Bills: Commercial                                            | 6,347     | 9,208     | 9,791     |
| Bought abroad                                                | 726       | 692       | 692       |
| Advances on securities                                       | 3,588     | 3,493     | 3,639     |
| Thirty-day advances                                          | 665       | 571       | 1,012     |
| Loans to State without interest: (a) general (b) provisional | 40,134    | 20,577    | 20,577    |
| Negotiable bonds, Sinking Fund Dept.                         | 5,670     | 5,470     | 5,470     |
| Other assets                                                 | 4,280     | 4,371     | 4,361     |
| LIABILITIES                                                  |           |           |           |
| Notes in circulation                                         | 100,224   | 123,324   | 124,451   |
| Deposits: Public                                             | 3,155     | 5,127     | 5,333     |
| Private                                                      | 14,235    | 15,179    | 15,756    |
| Other liabilities                                            | 2,705     | 3,019     | 3,268     |
| Gold to sight liabilities                                    | 47.4%     | 64.2%     | 65.0%     |

## CENTRAL BANK OF ARGENTINA

| Million paper pesos                       | July 1938 | June 1939 | July 1939 | July 1939 |
|-------------------------------------------|-----------|-----------|-----------|-----------|
| 1938                                      | 13        | 15        | 12        | 12        |
| ASSETS                                    |           |           |           |           |
| Gold at home                              | 1,224     | 1,224     | 1,224     | 1,224     |
| Other gold & for. exch.                   | 100       | 84        | 89        | 99        |
| Non-int. Govt. bond                       | 119       | 119       | 119       | 119       |
| Treasury bonds                            | 397       | 396       | 396       | 396       |
| LIABILITIES                               |           |           |           |           |
| Notes in circulation                      | 1,084     | 1,128     | 1,122     | 1,119     |
| Deposits: Government                      | 126       | 143       | 165       | 209       |
| Banks                                     | 320       | 428       | 411       | 379       |
| Certs. of participation in Treasury bonds | 308       | 125       | 130       | 132       |
| Gold and for. exch. note and sight liab.  | 86.4%     | 76.9%     | 77.2%     | 77.4%     |

## NATIONAL BANK OF BELGIUM

| Million belgas         | Aug. 1938 | July 1939 | Aug. 1939 | Aug. 1939 |
|------------------------|-----------|-----------|-----------|-----------|
| 1938                   | 13        | 10        | 10        | 10        |
| ASSETS                 |           |           |           |           |
| Gold                   | 3,046     | 3,304     | 3,458     | 3,520     |
| Silver and other coin  | 44        | 49        | 45        | 43        |
| Foreign exchange, etc. | 917       | 787       | 864       | 864       |
| Bills and securities   | 634       | 647       | 570       | 590       |
| Advances               | 50        | 63        | 53        | 49        |
| LIABILITIES            |           |           |           |           |
| Notes in circulation   | 4,245     | 4,551     | 4,632     | 4,668     |
| Deposits: Govt.        | 18        | 12        | 5         | 7         |
| Other                  | 341       | 196       | 261       | 299       |

## BANK OF CANADA.—Million \$'s

| Aug. 1938                                 | July 1939 | Aug. 1939 | Aug. 1939 |
|-------------------------------------------|-----------|-----------|-----------|
| 1938                                      | 10        | 12        | 9         |
| ASSETS                                    |           |           |           |
| Reserve, of which                         | 205.4     | 239.8     | 250.5     |
| Gold coin and bullion                     | 180.6     | 205.6     | 205.2     |
| Securities                                | 174.4     | 161.9     | 164.8     |
| LIABILITIES                               |           |           |           |
| Note circulation                          | 159.1     | 168.9     | 171.7     |
| Deposits: Dom. Govt.                      | 14.8      | 22.5      | 29.8      |
| Chartered banks                           | 195.4     | 201.1     | 203.5     |
| Reserves to notes and deposit liabilities | 55.4%     | 60.3%     | 61.0%     |

## NATIONAL BANK OF DENMARK

| Million kroner                   | July 1938 | May 1939 | June 1939 | July 1939 |
|----------------------------------|-----------|----------|-----------|-----------|
| 1938                             | 31        | 31       | 30        | 31        |
| ASSETS                           |           |          |           |           |
| Gold coin and bullion            | 117.1     | 117.5    | 117.5     | 117.4     |
| Foreign bills & balances         | 95.2      | 92.9     | 97.6      | 98.8      |
| Home bills, securities and loans | 281.8     | 421.5    | 428.1     | 417.1     |
| Emergency fund                   | 79.7      | 38.6     | 38.5      | 27.5      |
| Advances to Treasury             | 20.7      | 14.5     | 76.0      | 46.4      |
| LIABILITIES                      |           |          |           |           |
| Notes in circulation             | 403.3     | 434.5    | 446.4     | 424.5     |
| Deposits                         | 77.0      | 87.9     | 149.5     | 122.4     |
| Foreign liabilities              | 2.8       | 19.6     | 16.1      | 12.0      |

## BANK OF ESTONIA

| Million Estonian kroones                   | July 1938 | June 1939 | July 1939 | July 1939 |
|--------------------------------------------|-----------|-----------|-----------|-----------|
| 1938                                       | 31        | 30        | 23        | 31        |
| ASSETS                                     |           |           |           |           |
| Gold coin & gold bullion                   | 34.26     | 40.89     | 40.90     | 40.91     |
| Net foreign exchange                       | 16.39     | 8.91      | 7.53      | 9.03      |
| Home bills discounted                      | 9.55      | 12.70     | 11.11     | 11.12     |
| Loans and advances                         | 12.51     | 14.72     | 12.89     | 16.37     |
| LIABILITIES                                |           |           |           |           |
| Notes in circulation                       | 47.90     | 51.12     | 53.79     | 53.09     |
| Sight dep. and current accounts, of which: |           |           |           |           |
| (a) Government                             | 33.86     | 30.62     | 22.50     | 27.33     |
| (b) Banks                                  | 14.77     | 10.27     | 7.98      | 8.12      |
| Reserve to current liabilities             | 62.0%     | 60.9%     | 63.5%     | 62.1%     |

## BANK OF GREECE

| Million drachmae          | July 1938 | June 1939 | July 1939 | July 1939 |
|---------------------------|-----------|-----------|-----------|-----------|
| 1938                      | 23        | 23        | 15        | 23        |
| ASSETS                    |           |           |           |           |
| Gold and for. exchange    | 3,385     | 3,881     | 3,749     | 3,662     |
| State sec. in for. curr.  | 522       | 125       | 128       | 128       |
| Bills discounted          | 652       | 822       | 808       | 801       |
| Advances                  | 6,415     | 9,701     | 9,921     | 9,863     |
| State debt                | 3,763     | 4,132     | 4,079     | 4,079     |
| LIABILITIES               |           |           |           |           |
| Notes in circulation      | 6,501     | 7,922     | 7,953     | 7,977     |
| Dep. and current accts.   | 7,754     | 10,644    | 10,448    | 10,238    |
| Foreign exch. liabilities | 233       | 304       | 288       | 303       |

## BANQUE MELLÉ IRAN

| Million rials         | July 1938 | June 1939 | July 1939 | July 1939 |
|-----------------------|-----------|-----------|-----------|-----------|
| 1938                  | 23        | 23        | 15        | 23        |
| ASSETS                |           |           |           |           |
| Gold                  | 312.5     | 310.7     | 310.7     | 310.7     |
| Silver                | 405.7     | 406.8     | 406.8     | 406.8     |
| Discounts             | 251.6     | 340.1     | 341.0     | 358.8     |
| Public departments    | 682.1     | 696.4     | 795.7     | 784.7     |
| Other debit accounts  | 665.8     | 882.8     | 867.4     | 934.1     |
| LIABILITIES           |           |           |           |           |
| Notes in circulation  | 770.0     | 874.5     | 893.0     | 922.9     |
| Public departments    | 500.2     | 463.0     | 573.5     | 568.1     |
| Other credit accounts | 1038.0    | 1193.9    | 1204.7    | 1260.2    |

## BANK OF JAPAN.—Million yen

| Aug. 1938              | July 1939 | Aug. 1939 | Aug. 1939 |
|------------------------|-----------|-----------|-----------|
| 1938                   | 13        | 15        | 12        |
| ASSETS                 |           |           |           |
| Gold                   | 137.21    | 135.68    | 136.10    |
| Discounts and advances | 72.45     | 70.50     | 74.95     |
| Other investments      | 3.58      | 13.71     | 10.46     |
| Foreign bills          | 54.43     | 58.33     | 60.36     |
| Other assets           | 131.7     | 224.6     | 212.7     |
| LIABILITIES            |           |           |           |
| Notes in circulation   | 188.1     | 234.1     | 219.3     |
| Deposits: Government   | 310.4     | 534.9     | 587.7     |
| Other                  | 92.0      | 238.5     | 99.0      |

## BANK OF JAVA.—Million florins

| Aug. 1938                               | July 1939 | Aug. 1939 | Aug. 1939 |
|-----------------------------------------|-----------|-----------|-----------|
| 1938                                    | 13        | 15        | 12        |
| ASSETS                                  |           |           |           |
| Gold and silver                         | 137.21    | 135.68    | 136.10    |
| Discounts, advances & other investments | 72.45     | 70.50     | 74.95     |
| Foreign bills                           | 54.43     | 58.33     | 60.36     |
| Other assets                            | 131.7     | 224.6     | 212.7     |
| LIABILITIES                             |           |           |           |
| Notes in circulation                    | 188.1     | 234.1     | 219.3     |
| Deposits and bills                      | 61.93     | 61.58     | 66.68     |

## NATIONAL BANK OF JUGOSLAVIA

| Million dinar          | Aug. 1938 | July 1939 | Aug. 1939 | Aug. 1939 |
|------------------------|-----------|-----------|-----------|-----------|
| 1938                   | 8         | 31        | 1939      | 1939      |
| ASSETS                 |           |           |           |           |
| Gold                   | 1,839     | 1,920     | 1,922     | 1,922     |
| Other foreign exchange | 387       | 513       | 503       | 518       |
| Discounts and advances | 1,570     | 1,904     | 1,860     | 1,843     |
| Government advances    | 2,241     | 2,230     | 2,230     | 2,230     |
| LIABILITIES            |           |           |           |           |
| Notes in circulation   | 6,166     | 7,159     | 7,354     | 7,375     |
| Sight liabilities      | 2,268     | 1,803     | 1,712     | 1,694     |

## BANK OF LATVIA

| Million lats              | Aug. 1938 | July 1939 | Aug. 1939 | Aug. 1939 |
|---------------------------|-----------|-----------|-----------|-----------|
| 1938                      | 8         | 31        | 1939      | 1939      |
| ASSETS                    |           |           |           |           |
| Gold coin and bullion     | 77.60     | 92.84     | 97.87     | 97.87     |
| Silver coin               | 14.01     | 12.01     | 11.89     | 11.91     |
| Foreign currency          | 38.08     | 38.92     | 36.14     | 35.49     |
| Treas. notes and change   | 9.42      | 10.90     | 10.09     | 10.54     |
| Short-term bills          | 50.22     | 52.75     | 52.27     | 52.30     |
| Loans against securities  | 77.50     | 91.32     | 90.84     | 90.35     |
| LIABILITIES               |           |           |           |           |
| Notes in circulation      | 59.50     | 80.19     | 81.00     | 78.86     |
| Deposits & current accts. | 146.53    | 132.97    | 138.46    | 137.90    |
| Government accounts       | 52.93     | 73.75     | 65.70     | 66.92     |

## NETHERLANDS BANK

| Million florins                       | Aug. 1938 | July 1939 | Aug. 1939 | Aug. 1939 |
|---------------------------------------|-----------|-----------|-----------|-----------|
| 1938                                  | 15        | 17        | 7         | 14        |
| ASSETS                                |           |           |           |           |
| Gold                                  | 1480.5    | 1129.5    | 1129.4    | 1129.4    |
| Silver                                | 22.0      | 22.6      | 24.2      | 25.8      |
| Home bills, etc.                      | 9.6       | 10.4      | 9.9       | 14.9      |
| Foreign bills                         | 5.0       | 2.3       | 1.8       | 1.8       |
| Loans and advances in current account | 298.0     | 222.0     | 214.8     | 216.3     |
| LIABILITIES                           |           |           |           |           |
| Notes in circulation                  | 911.8     | 1013.9    | 1014.5    | 1011.1    |
| Deposits: (a) Govt. (b) Other         | 191.7     | 39.0      | 27.2      | 29.0      |
|                                       | 730.3     | 355.0     | 359.4     | 369.3     |

## BANK OF NORWAY

| Million kroner                                | Aug. 1938 | July 1939 | July 1939 | Aug. 1939 |
|-----------------------------------------------|-----------|-----------|-----------|-----------|
| 1938                                          | 8         | 31        | 1939      | 1939      |
| ASSETS                                        |           |           |           |           |
| Coin and bullion (gold reserve)               | 134.0     | 120.1     | 120.1     | 120.1     |
| Bal. abroad & for. bills                      | 186.4     | 128.7     | 125.1     | 122.1     |
| Funds provisionally in gold, not in gold res. | 87.7      | 116.4     | 116.4     | 116.4     |
| Norwegian and foreign Govt. securities        | 120.0     | 148.0     | 148.7     | 150.9     |
| Discounts and loans                           | 106.3     | 150.3     | 158.2     | 157.5     |
| LIABILITIES                                   |           |           |           |           |
| Notes in circulation                          | 450.3     | 475.0     | 480.0     | 474.2     |
| Deposits at sight                             | 138.1     | 158.6     | 153.7     | 164.1     |

## BANK OF POLAND

| Million zloty            |                     |                     |                     |                     |
|--------------------------|---------------------|---------------------|---------------------|---------------------|
|                          | July<br>31,<br>1938 | June<br>30,<br>1939 | July<br>20,<br>1939 | July<br>31,<br>1939 |
| ASSETS                   |                     |                     |                     |                     |
| Gold                     | 447.2               | 443.8               | 443.9               | 444.0               |
| For. exch. and balances  | 11.9                | 15.0                | 12.1                | 11.2                |
| Bills discounted         | 68.6                | 529.3               | 531.8               | 537.1               |
| Loans against securities | 32.7                | 140.8               | 133.2               | 191.7               |
| Treas. bills discounted  | 36.7                | 153.6               | 138.7               | 157.3               |
| Other State credits      | 515.0               | 515.0               | 515.0               | 515.0               |
| Securities               | 127.6               | 157.5               | 160.0               | 160.9               |
| LIABILITIES              |                     |                     |                     |                     |
| Notes in circulation     | 1123.5              | 1847.8              | 1796.0              | 1883.0              |
| Sight liabilities: Govt. | 54.2                | 17.6                | 20.6                | 9.0                 |
| Banks, etc.              | 200.3               | 67.3                | 44.7                | 70.3                |

## EXCHANGE RATES—cont.

## NEW YORK

| New York on        | Aug. 10, 1939                       | Aug. 11, 1939                       | Aug. 14, 1939                       | Aug. 15, 1939                       | Aug. 16, 1939                       |
|--------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| London:—           |                                     |                                     |                                     |                                     |                                     |
| 60 days            | 467 <sup>15</sup> / <sub>32</sub>   | 467 <sup>15</sup> / <sub>32</sub>   | 467 <sup>15</sup> / <sub>32</sub>   | 467 <sup>15</sup> / <sub>32</sub>   | 467 <sup>15</sup> / <sub>32</sub>   |
| Cables             | 468 <sup>18</sup> / <sub>32</sub>   | 468 <sup>18</sup> / <sub>32</sub>   | 468 <sup>18</sup> / <sub>32</sub>   | 468 <sup>18</sup> / <sub>32</sub>   | 468 <sup>18</sup> / <sub>32</sub>   |
| Demand             | 468                                 | 468                                 | 468                                 | 468                                 | 468                                 |
| Paris, Fr.         | 2-64 <sup>15</sup> / <sub>16</sub>  | 2-64 <sup>15</sup> / <sub>16</sub>  | 2-64 <sup>15</sup> / <sub>16</sub>  | 2-64 <sup>15</sup> / <sub>16</sub>  | 2-64 <sup>15</sup> / <sub>16</sub>  |
| Brussels, Bel.     | 16-98 <sup>14</sup> / <sub>32</sub> | 16-98 <sup>14</sup> / <sub>32</sub> | 16-98 <sup>14</sup> / <sub>32</sub> | 16-99                               | 16-99                               |
| Switzerland, Fr.   | 22-58                               | 22-57                               | 22-57                               | 22-57 <sup>12</sup> / <sub>32</sub> | 22-59                               |
| Italy, Lira        | 5-26 <sup>14</sup> / <sub>32</sub>  | 5-26 <sup>14</sup> / <sub>32</sub>  | 5-26 <sup>14</sup> / <sub>32</sub>  | 5-26 <sup>14</sup> / <sub>32</sub>  | 5-26 <sup>14</sup> / <sub>32</sub>  |
| Berlin, Mark       | 40-13                               | 40-13 <sup>12</sup> / <sub>32</sub> | 40-13                               | 40-13 <sup>12</sup> / <sub>32</sub> | 40-13                               |
| Amsterdam, Guilder | 53-37 <sup>12</sup> / <sub>32</sub> | 53-56                               | 53-69                               | 53-67                               | 53-65                               |
| Copenhagen, Kr.    | 20-90 <sup>12</sup> / <sub>32</sub> | 20-90 <sup>12</sup> / <sub>32</sub> | 20-90 <sup>12</sup> / <sub>32</sub> | 20-90 <sup>12</sup> / <sub>32</sub> | 20-90                               |
| Oslo, Kr.          | 23-53                               | 23-53                               | 23-53                               | 23-52 <sup>12</sup> / <sub>32</sub> | 23-52 <sup>12</sup> / <sub>32</sub> |
| Stockholm, Kr.     | 24-13 <sup>12</sup> / <sub>32</sub> | 24-13 <sup>12</sup> / <sub>32</sub> | 24-13 <sup>12</sup> / <sub>32</sub> | 24-13 <sup>12</sup> / <sub>32</sub> | 24-13                               |
| Athens, Dr.        | 0-85 <sup>7</sup> / <sub>8</sub>    | 0-85 <sup>7</sup> / <sub>8</sub>    | 0-85 <sup>7</sup> / <sub>8</sub>    | 0-85 <sup>7</sup> / <sub>8</sub>    | 0-85 <sup>7</sup> / <sub>8</sub>    |
| Montreal, Can. \$  | 99-985                              | 99-985                              | 100-015                             | 100-00                              | 100-00                              |
| Yokohama, Yen      | 27-31                               | 27-31                               | 27-31                               | 27-31                               | 27-31                               |
| Shanghai \$        | 7-50                                | 7-50                                | 7-50                                | 7-50                                | 7-50                                |
| B. Aires, Peso     | 29-04                               | 29-04                               | 29-04                               | 29-04                               | 29-04                               |
| Rio, Milreis†      | 5-10                                | 5-10                                | 5-10                                | 5-10                                | 5-10                                |

Usance: T.T.

† Official.

## IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended Aug. 17, 1939

| Imports           |                  |               | Exports       |                   |               |
|-------------------|------------------|---------------|---------------|-------------------|---------------|
| From              | Bullion          | Coin          | To            | Bullion           | Coin          |
| <b>GOLD</b>       |                  |               |               |                   |               |
| South Africa      | 1,734,383        | ...           | Canada        | 8,980,410         | 15,840        |
| S. Rhodesia       | 42,591           | ...           | Sweden        | 119,710           | 88            |
| British E. Africa | 33,389           | ...           | Netherlands   | 4,967             | 19,903        |
| British India     | 312,435          | ...           | Belgium       | 1,591,620         | ...           |
| Sweden            | 14,813           | ...           | France        | 1,196             | 15,272        |
| France            | 241,381          | 424           | United States | 7,176,908         | ...           |
| Peru              | 2,323            | 87            | Switzerland   | 3,106             | 572           |
| <b>Total*</b>     | <b>2,443,500</b> | <b>11,325</b> | <b>Total*</b> | <b>17,879,028</b> | <b>69,164</b> |
| <b>SILVER</b>     |                  |               |               |                   |               |
| British W. Africa | ...              | 3,080         | Eire          | 102,920           | 1,132         |
| South Africa      | 4,750            | ...           | Bombay        | ...               | ...           |
| Hong Kong         | 8,514            | 611           | Sweden        | 2,965             | 30            |
| Belgium           | 25,355           | 233           | Denmark       | 2,709             | ...           |
| France            | 4,989            | 462           | Germany       | 12,190            | 1,100         |
| United States     | 71,688           | ...           | France        | 244               | ...           |
| Mexico            | 13,795           | ...           | Egypt         | 1,885             | ...           |
| <b>Total*</b>     | <b>179,464</b>   | <b>6,224</b>  | <b>Total*</b> | <b>126,683</b>    | <b>2,327</b>  |

\* Including other countries.

## Investment

TRANSPORT RECEIPTS  
BRITISH RAILWAY TRAFFICS

|                | Gross Receipts, week ended Aug. 13 (£'000) |             |             |             | Aggregate Gross Receipts, 32 weeks (£'000) |               |               |               | Total Receipts |
|----------------|--------------------------------------------|-------------|-------------|-------------|--------------------------------------------|---------------|---------------|---------------|----------------|
|                | Passenger                                  | Merchandise | Coal & Coke | Total       | Passenger                                  | Merchandise   | Coal & Coke   | Total         |                |
| L.M. & S.—     |                                            |             |             |             |                                            |               |               |               |                |
| 1938           | 701                                        | 395         | 224         | 619         | 1,320                                      | 16949         | 14456         | 8,006         | 22,462         |
| 1939           | 840                                        | 384         | 170         | 554         | 1,394                                      | 16674         | 14983         | 8,442         | 23,425         |
| L. & N.E.(a)—  |                                            |             |             |             |                                            |               |               |               |                |
| 1938           | 465                                        | 272         | 219         | 491         | 956                                        | 10871         | 10188         | 7,544         | 17,732         |
| 1939           | 541                                        | 263         | 192         | 455         | 996                                        | 10792         | 10259         | 8,000         | 18,259         |
| Great Western— |                                            |             |             |             |                                            |               |               |               |                |
| 1938           | 302                                        | 161         | 97          | 258         | 560                                        | 7,103         | 5,894         | 3,432         | 9,327          |
| 1939           | 365                                        | 136         | 54          | 190         | 555                                        | 7,066         | 6,405         | 3,572         | 9,977          |
| Southern—      |                                            |             |             |             |                                            |               |               |               |                |
| 1938           | 434                                        | 56          | 26          | 82          | 516                                        | 10,593        | 1,920         | 968           | 2,886          |
| 1939           | 517                                        | 52          | 24          | 76          | 593                                        | 10,609        | 1,967         | 1,018         | 2,985          |
| <b>Total—</b>  | <b>1902</b>                                | <b>884</b>  | <b>566</b>  | <b>1450</b> | <b>3,352</b>                               | <b>45,516</b> | <b>32,458</b> | <b>19,949</b> | <b>52,407</b>  |
| 1938           | 2263                                       | 835         | 440         | 1275        | 3,538                                      | 45,141        | 33,614        | 21,032        | 54,646         |
| 1939           | 2263                                       | 835         | 440         | 1275        | 3,538                                      | 45,141        | 33,614        | 21,032        | 54,646         |

(a) Week ended August 12.

CUMULATIVE AND WEEKLY COMPARISONS  
(000's omitted)

|                                                         | L.M.S.  | L.N.E.R. | Great Western | Southern |
|---------------------------------------------------------|---------|----------|---------------|----------|
| <b>Cumulative Figures</b>                               |         |          |               |          |
| Gross decrease, second half 1938, over second half 1937 | - 2,423 | - 1,812  | - 926         | - 54     |
| Gross increase, first half 1939, over first half 1938   | + 110   | + 7      | + 309         | + 57     |
| Gross increase, second half 1939, over second half 1938 | + 578   | + 441    | + 304         | + 58     |
| 6 weeks to Aug. 13, 1939                                | + 578   | + 441    | + 304         | + 58     |
| Weekly Figures                                          |         |          |               |          |
| Av. weekly increase, 2nd half 1939                      | + 96.33 | + 73.50  | + 50.66       | + 9.66   |
| Latest week compared with 1938                          | + 74    | + 40     | + 5           | + 77     |
| Latest week compared with average 1927-30               | - 31    | - 124    | - 65          | + 27     |

## IRISH RAILWAY TRAFFICS

| Company             | Gross Receipts, week ended Aug. 11, 1939 (£'000) |       |       | Aggregate Gross Receipts, 32 weeks (£'000) |         |         |
|---------------------|--------------------------------------------------|-------|-------|--------------------------------------------|---------|---------|
|                     | Pass.                                            | Goods | Total | Pass.                                      | Goods   | Total   |
| Belfast & Co. Down— |                                                  |       |       |                                            |         |         |
| 1938                | 4.7                                              | 0.4   | 5.1   | 82.1                                       | 13.7    | 95.8    |
| 1939                | 4.8                                              | 0.4   | 5.2   | 84.4                                       | 13.9    | 98.3    |
| Great Northern—     |                                                  |       |       |                                            |         |         |
| 1938                | 17.3                                             | 9.3   | 26.6  | 346.8                                      | 281.1   | 627.9   |
| 1939                | 23.1                                             | 8.6   | 31.7  | 355.7                                      | 320.3   | 676.0   |
| Great Southern—     |                                                  |       |       |                                            |         |         |
| 1938                | 55.4                                             | 38.5  | 93.9  | 1,153.4                                    | 1,241.5 | 2,394.9 |
| 1939                | 65.7                                             | 31.2  | 96.9  | 1,149.3                                    | 1,280.2 | 2,429.5 |

## SUEZ CANAL RECEIPTS

(For heading, see Overseas Traffic, next column)

| Transit Receipts | 30 July 1939 | £250,600 | - | 32,000 | 5,333,600 | - | 274,500 |
|------------------|--------------|----------|---|--------|-----------|---|---------|
|                  |              |          |   |        |           |   |         |

† 11 days

OVERSEAS WEEKLY TRAFFIC RECEIPTS  
INDIAN

| Name                | Weeks Ending | Gross Receipts for Week |            | Aggregate Gross Receipts |             |
|---------------------|--------------|-------------------------|------------|--------------------------|-------------|
|                     |              | 1939                    | + or -     | 1939                     | + or -      |
| Bengal & N. Western | 17 July 31   | Rs. 18,64,304           | - 83,679   | Rs. 1,21,81,921          | - 12,47,716 |
| Bombay, Bar. & C.I. | 17 Aug. 10   | 23,96,000               | + 3,17,136 | 3,46,21,037              | + 28,07,548 |
| Madras & S. Mah.    | 17 July 31   | 23,78,000               | - 2,97,000 | 4,14,86,000              | - 8,68,000  |
| S. Indian           | 17 July 20   | 20,42,000               | + 55,476   | 2,73,53,125              | + 12,06,982 |
|                     |              | 14,92,976               | + 8,209    | 1,72,66,983              | + 72,517    |

† 10 days.

† 11 days.

## CANADIAN

| Name              | Weeks Ending | Gross Receipts for Week |           | Aggregate Gross Receipts |             |
|-------------------|--------------|-------------------------|-----------|--------------------------|-------------|
|                   |              | 1939                    | + or -    | 1939                     | + or -      |
| Canadian National | 31 Aug. 7    | \$ 3,405,571            | + 190,563 | \$ 106,650,749           | + 6,499,465 |
| Canadian Pacific  | 31 Aug. 7    | \$ 2,615,000            | + 60,000  | \$ 76,080,000            | + 1,147,000 |

† 7 days.

## SOUTH &amp; CENTRAL AMERICAN

| Name              | Weeks Ending | Gross Receipts for Week |           | Aggregate Gross Receipts |             |
|-------------------|--------------|-------------------------|-----------|--------------------------|-------------|
|                   |              | 1939                    | + or -    | 1939                     | + or -      |
| Antofagasta       | 31 Aug. 6    | \$ 10,730               | + 1,150   | \$ 399,220               | - 83,770    |
| Argentine N.E.    | 6 Aug. 12    | \$ 176,400              | - 6,900   | \$ 1,119,000             | - 72,300    |
| B.A. and Pacific  | 5 Aug. 5     | \$ 1,238,000            | + 428     | \$ 6,970,000             | + 4,486     |
| B.A. Central      | 5 Aug. 29    | \$ 76,799               | + 806     | \$ 395,162               | + 4,342     |
| B.A. Gt. Southern | 6 Aug. 12    | \$ 1,929,000            | - 126,000 | \$ 11,762,000            | - 91,000    |
| B.A. Western      | 6 Aug. 12    | \$ 119,665              | + 7,816   | \$ 729,653               | - 60,856    |
| Central Argentine | 6 Aug. 12    | \$ 676,000              | + 29,000  | \$ 4,211,000             | + 309,000   |
| Central Uruguay   | 6 Aug. 12    | \$ 441,935              | + 1,799   | \$ 261,229               | + 19,171    |
| Leopoldina        | 6 Aug. 12    | \$ 2,118,250            | + 366,400 | \$ 13,224,750            | + 2,610,600 |
| Mexican Railway   | 6 Aug. 12    | \$ 131,405              | + 22,729  | \$ 820,394               | + 161,947   |
| Nitrate           | 6 Aug. 12    | \$ 413,442              | + 29,789  | \$ 852,966               | + 63,523    |
| United of Havana  | 6 Aug. 12    | \$ 12,257               | + 1,514   | \$ 89,786                | + 2,224     |
|                   |              | \$ 23,698               | + 235,000 | \$ 54,651,000            | + 928,000   |
|                   |              | \$ 231,100              | + 786     | \$ 624,937               | + 10,882    |
|                   |              | \$ 7,474                | + 53,400  | \$ 1,476,300             | + 31,600    |
|                   |              | \$ 15,325               | + 875     | \$ 97,518                | + 20,187    |

\* Converted at average official rate 16-12 pesos to £. † Fortnight. (a) Converted at official rate. (d) Receipts in Uruguayan currency. (e) Converted at "controlled free rate."

## LONDON TRANSPORT BOARD

| Company                                               | Months Ending | Receipts    |        | Compared with prev. Year |
|-------------------------------------------------------|---------------|-------------|--------|--------------------------|
|                                                       |               | 1939        | + or - |                          |
| Week ending Aug. 12, 1939, before pooling             |               | £ 569,100   |        | + 42,900                 |
| Total, 6 weeks to date                                |               | £ 3,496,100 |        | + 135,400                |
| L.P.T.B. receipts, 52 weeks to June 24, 1939          |               | 29,736,000  |        | + 347,000                |
| L.P.T.B. receipts, 52 weeks to June 25, 1938          |               | 29,388,200  |        | + 657,100                |
| L.P.T.B. receipts, 52 weeks to June 26, 1937          |               | 28,732,000  |        | + 255,000                |
| L.P.T.B. receipts, year to June, 1938, after pooling  |               | 30,923,828  |        | + 676,450                |
| London Transport Pool receipts, year to June 30, 1938 |               | 42,120,179  |        | + 742,250                |

## MONTHLY TRANSPORT &amp; POWER RETURNS

| Company           | Months Ending | Receipts for Month |          | Aggregate Receipts |           |
|-------------------|---------------|--------------------|----------|--------------------|-----------|
|                   |               | 1939               | + or -   | 1939               | + or -    |
| Mexican Lt. & P.  | 6 June 30     | Gross \$589,101    | - 50,758 | \$3,618,091        | - 702,033 |
| Peruvian Corp.    | 1 July 31     | Gross \$98,894     | - 22,536 | \$81,654           | - 590,808 |
| Rhodesia Rlys.    | 9 June 30     | Gross \$54,406     | - 9,649  | ...                | ...       |
| Singapore Tractn. | 10 July 31    | Gross \$210,000    | - 59,475 | \$3,246,158        | - 497,101 |
| Suez Canal        | 7 July 31     | Gross \$732,800    | - 60,800 | \$5,353,600        | - 274,500 |

\* Decrease in deficit.

## THE WEEK'S COMPANY RESULTS

| Company                                                                | Year<br>Ending | Balance<br>from<br>Last<br>Account | Net Profit<br>After<br>Payment<br>of<br>Deben-<br>ture<br>Interest | Amount<br>Available<br>for<br>Distri-<br>bution | Appropriation     |                    |      |                                                   |                    | Corresponding<br>Period Last<br>Year |               |
|------------------------------------------------------------------------|----------------|------------------------------------|--------------------------------------------------------------------|-------------------------------------------------|-------------------|--------------------|------|---------------------------------------------------|--------------------|--------------------------------------|---------------|
|                                                                        |                |                                    |                                                                    |                                                 | Dividend          |                    |      | Carried to<br>Reserve,<br>Deprecia-<br>tion, etc. | Balance<br>Forward | Net<br>Profit                        | Divi-<br>dend |
|                                                                        |                |                                    |                                                                    |                                                 | Prefce.<br>Amount | Ordinary<br>Amount | Rate |                                                   |                    |                                      |               |
|                                                                        |                | £                                  | £                                                                  | £                                               | £                 | £                  | %    | £                                                 | £                  | £                                    | %             |
| Iron, Coal and Steel<br>Briggs (Henry), Son and Co.<br>Other Companies | June 30        | 36,977                             | 97,897                                                             | 134,874                                         | ...               | 71,000             | 10‡  | 25,000                                            | 38,874             | 105,096                              | 10            |
| Batchelor's Peas                                                       | June 30        | 22,607                             | 83,213                                                             | 105,820                                         | 15,000            | 30,000             | 15   | 37,447                                            | 23,373             | 55,867                               | 10            |
| Belfast Ropework Company                                               | June 30        | 20,703                             | 27,304                                                             | 48,007                                          | 3,625             | 21,750             | 5    | ...                                               | 22,632             | 15,606                               | 4             |
| Carter and Company                                                     | May 31         | 12,709                             | 28,848                                                             | 41,557                                          | 12,470            | 9,425              | 12‡  | 6,500                                             | 13,162             | 28,298                               | 12‡           |
| Gabriel, Wade & English ...                                            | May 31         | 42,874                             | 98,164                                                             | 141,038                                         | 16,250            | 33,100             | 10   | 39,772                                            | 51,916             | 82,726                               | 8             |
| Hulett (Sir J. L.) & Sons ...                                          | Apr. 30        | 55,262                             | 173,304                                                            | 228,566                                         | 16,875            | 70,312             | 7‡a  | 75,000                                            | 66,379             | 136,170                              | 7             |
| Jackson's Stores                                                       | Mar. 31        | 16,675                             | 55,453                                                             | 72,128                                          | 15,225            | 9,787              | 10   | 40,000                                            | 7,116              | 45,829                               | 5             |
| Joseph May & Sons (Leeds)                                              | June 30        | 16,546                             | 14,643                                                             | 31,189                                          | 15,000            | ...                | ...  | ...                                               | 16,189             | 21,002                               | 3             |
| Meccano                                                                | Feb. 28        | 16,735                             | 65,043                                                             | 81,778                                          | 5,163             | 30,000             | 15‡  | 23,038                                            | 23,577             | 51,395                               | 15‡           |
| Merchants' Warehousing ...                                             | June 30        | 14,448                             | 22,963                                                             | 37,411                                          | ...               | 7,600              | 10   | 15,000                                            | 14,811             | 20,495                               | 8             |
| "News of the World"                                                    | June 30        | 9,112                              | 370,272                                                            | 379,384                                         | 126,000           | 80,000             | 20‡  | 148,560                                           | 24,824             | 333,376                              | 20‡           |
| United Motors                                                          | Dec. 31        | 34,092                             | Dr. 4,655                                                          | 29,437                                          | ...               | ...                | Nil  | ...                                               | 29,437             | Dr. 849                              | Nil           |
| Wilson Bros. Bobbin                                                    | July 15        | 3,838                              | 12,864                                                             | 16,702                                          | ...               | 14,250             | 5    | ...                                               | 2,452              | 15,505                               | 5             |
| Total Profits, 1939, in £000's:                                        | No. of Cos.    |                                    |                                                                    |                                                 |                   |                    |      |                                                   |                    |                                      |               |
| To August 12                                                           | 1,676          | 71,376                             | 214,891                                                            | 286,267                                         | 41,571            | 115,041            | ...  | 54,315                                            | 75,339             | 232,923                              | ...           |
| To August 19                                                           | 1,689          | 71,679                             | 215,936                                                            | 287,615                                         | 41,797            | 115,418            | ...  | 54,725                                            | 75,674             | 233,834                              | ...           |



## LONDON ACTIVE SECURITY PRICES AND YIELDS

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

| Prices, Year 1938            |  |                              |  | Prices, Year 1939            |  |                              |  | Prices, Year 1939            |  |                              |  | Prices, Year 1939            |  |                              |  | Prices, Year 1939            |  |                              |  | Prices, Year 1939            |  |         |  |
|------------------------------|--|------------------------------|--|------------------------------|--|------------------------------|--|------------------------------|--|------------------------------|--|------------------------------|--|------------------------------|--|------------------------------|--|------------------------------|--|------------------------------|--|---------|--|
| High-est                     |  | Low-est                      |  | High-est                     |  | Low-est                      |  | High-est                     |  | Low-est                      |  | High-est                     |  | Low-est                      |  | High-est                     |  | Low-est                      |  | High-est                     |  | Low-est |  |
| Jan. 1 to Aug. 16, inclusive |  | Jan. 1 to Aug. 16, inclusive |  | Jan. 1 to Aug. 16, inclusive |  | Jan. 1 to Aug. 16, inclusive |  | Jan. 1 to Aug. 16, inclusive |  | Jan. 1 to Aug. 16, inclusive |  | Jan. 1 to Aug. 16, inclusive |  | Jan. 1 to Aug. 16, inclusive |  | Jan. 1 to Aug. 16, inclusive |  | Jan. 1 to Aug. 16, inclusive |  | Jan. 1 to Aug. 16, inclusive |  |         |  |
| Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  |         |  |
| Price, Aug. 16, 1939         |  | Price, Aug. 16, 1939         |  | Price, Aug. 16, 1939         |  | Price, Aug. 16, 1939         |  | Price, Aug. 16, 1939         |  | Price, Aug. 16, 1939         |  | Price, Aug. 16, 1939         |  | Price, Aug. 16, 1939         |  | Price, Aug. 16, 1939         |  | Price, Aug. 16, 1939         |  | Price, Aug. 16, 1939         |  |         |  |
| Change since Aug. 9, 1939    |  | Change since Aug. 9, 1939    |  | Change since Aug. 9, 1939    |  | Change since Aug. 9, 1939    |  | Change since Aug. 9, 1939    |  | Change since Aug. 9, 1939    |  | Change since Aug. 9, 1939    |  | Change since Aug. 9, 1939    |  | Change since Aug. 9, 1939    |  | Change since Aug. 9, 1939    |  | Change since Aug. 9, 1939    |  |         |  |
| Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  |         |  |
| Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  |         |  |
| (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  |         |  |
| Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  |         |  |
| Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  |         |  |
| Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  |         |  |
| (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  |         |  |
| Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  |         |  |
| Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  |         |  |
| Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  |         |  |
| (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  |         |  |
| Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  |         |  |
| Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  |         |  |
| Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  |         |  |
| (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  |         |  |
| Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  |         |  |
| Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  |         |  |
| Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  |         |  |
| (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  |         |  |
| Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  |         |  |
| Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  |         |  |
| Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  |         |  |
| (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  |         |  |
| Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  |         |  |
| Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  |         |  |
| Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  |         |  |
| (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  |         |  |
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| Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  |         |  |
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| (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  |         |  |
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| Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  |         |  |
| Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  |         |  |
| (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  |         |  |
| Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  | Name of Security             |  |         |  |
| Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  |         |  |
| Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  |         |  |
| (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  |         |  |
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| Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  |         |  |
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| (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  |         |  |
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| Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  |         |  |
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| (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  |         |  |
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| Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  |         |  |
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| Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  |         |  |
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| (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  |         |  |
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| Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  |         |  |
| Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  |         |  |
| (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  |         |  |
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| Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  |         |  |
| Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  |         |  |
| (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  | (a) (b) (c)                  |  |         |  |
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| Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  | Yield, Aug. 16, 1939         |  |         |  |
| Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two Dividends           |  | Last two                     |  |                              |  |                              |  |                              |  |         |  |

## Industry and Trade

## COMMODITY STATISTICS

## Coal

## COAL OUTPUT ('000 tons)

| District                         | Week ended    |              | Jan.-June |           |
|----------------------------------|---------------|--------------|-----------|-----------|
|                                  | July 29, 1939 | Aug. 5, 1939 | 1938      | 1939      |
| Northumberland                   | 226.1         | 287.9        | 6,632.1   | 6,750.0   |
| Durham                           | 663.4         | 625.5        | 16,365.0  | 15,984.7  |
| Yorkshire                        | 810.8         | 760.4        | 21,992.3  | 22,395.5  |
| Lancs, Cheshire and N. Wales     | 311.3         | 332.6        | 8,732.9   | 8,790.6   |
| Derby, Notts & Leicester         | 565.4         | 588.6        | 16,556.1  | 17,371.6  |
| Staffs, Worcs, Salop and Warwick | 404.4         | 388.4        | 9,987.1   | 10,413.1  |
| South Wales & Monmouth           | 772.9         | 693.1        | 18,549.1  | 17,937.9  |
| Other English districts*         | 123.7         | 121.2        | 2,716.6   | 2,791.8   |
| Scotland                         | 455.0         | 557.9        | 13,471.8  | 15,800.4  |
| Total                            | 4,333.0       | 4,355.6      | 117,003.0 | 118,235.6 |

\* Including Cumberland, Gloucester, Somerset and Kent.

## Cotton

## RAW COTTON delivered to Spinners ('000 bales)

| Variety         | Week ended   |               | Total Deliveries  |               |
|-----------------|--------------|---------------|-------------------|---------------|
|                 | Aug. 4, 1939 | Aug. 11, 1939 | Aug. 1, 1938-1939 | Aug. 11, 1939 |
| American        | 19.1         | 13.2          | 35                | 23            |
| Brazilian       | 9.1          | 6.7           | 6                 | 12            |
| Peruvian, etc.  | 4.3          | 3.4           | 3                 | 6             |
| Egyptian        | 9.0          | 3.7           | 11                | 7             |
| Sudan Sakel     | 3.7          | 3.8           | 10                | 6             |
| East Indian     | 6.2          | 8.4           | 31                | 11            |
| Other countries | 5.7          | 4.8           | 4                 | 7             |
| Total           | 57.1         | 43.0          | 100               | 72            |

## Metals

## SALES ON LONDON METAL EXCHANGE

|         | Week ended   |               | From Jan. 1 to |               |
|---------|--------------|---------------|----------------|---------------|
|         | Aug. 9, 1939 | Aug. 16, 1939 | Aug. 17, 1938  | Aug. 16, 1939 |
| Copper  | 7,550        | 4,850         | 300,275        | 190,785       |
| Tin     | 1,110        | 725           | 55,055         | 43,960        |
| Lead    | 10,800       | 6,450         | 220,150        | 191,500       |
| Spelter | 2,800        | 2,200         | 189,775        | 114,945       |

## U.K. STOCKS

|                                 | Aug. 5, 1939 | Aug. 12, 1939 |
|---------------------------------|--------------|---------------|
| Copper (Br. official w/houses): | 4,119        | 5,157         |
| Refined                         | 23,704       | 22,762        |
| Rough                           | 9,901        | 10,028        |
| Tin (London and Liverpool):     |              |               |

METALS—(cont.)  
TINPLATE INDUSTRY

|                                  | Week ended    |               |               |
|----------------------------------|---------------|---------------|---------------|
|                                  | July 30, 1938 | July 22, 1939 | July 29, 1939 |
| Production—per cent. of capacity | 46.41         | 70.22         | 72.98         |
| Shipments—Tons                   | Aug. 4, 1938  | July 27, 1939 | Aug. 3, 1939  |
| Stocks—warehouse and in vans     | 5,151         | 4,983         | 4,603         |
| Shipments—Tons                   | 1,439         | 4,932         | 5,294         |
| Thirty weeks ended Aug. 4, 1938  |               | Aug. 3, 1939  |               |
| Shipments—Tons                   | 151,349       | 142,753       |               |

## Foods

## WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

| From                     | Week ended   |               | From Aug. 1 to |               |
|--------------------------|--------------|---------------|----------------|---------------|
|                          | Aug. 5, 1939 | Aug. 12, 1939 | Aug. 1, 1938   | Aug. 12, 1939 |
| N. America               | 490          | 607           | 1,060          | 1,097         |
| Argentina and Uruguay    | 405          | 443           | 269            | 848           |
| Australia                | 110          | 110           | 589            | 220           |
| Russia                   | 60           | 32            | 787            | 32            |
| Danube and dist.         | 60           | 61            | 129            | 121           |
| India                    | 61           | 43            | 204            | 104           |
| Other countries          | 61           | 43            | 204            | 104           |
| Total                    | 1,126        | 1,296         | 3,038          | 2,422         |
| To—                      |              |               |                |               |
| U.K.                     | 326          | 345           | 755            | 671           |
| France                   | 215          | 179           | 946            | 394           |
| Belgium                  | 10           | 15            | 36             | 25            |
| Holland                  | 46           | 148           | 278            | 194           |
| Germany                  | 84           | 83            | 257            | 167           |
| Italy                    | 36           | 79            | 156            | 115           |
| Spain and Portugal       | 48           | 12            | 8              | 60            |
| Greece                   | 16           | 32            | 50             | 48            |
| Scandinavia              | 28           | 79            | 25             | 107           |
| Other European Countries | 10           | 39            | 9              | 49            |
| Ex-European Countries    | 307          | 285           | 489            | 592           |
| Total                    | 1,126        | 1,296         | 3,038          | 2,422         |

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

| From             | Week ended   |               | From Apr. 1 to |               |
|------------------|--------------|---------------|----------------|---------------|
|                  | Aug. 5, 1939 | Aug. 12, 1939 | Aug. 1, 1938   | Aug. 12, 1939 |
| Argentina        | 451          | 402           | 3,865          | 8,215         |
| Atlantic America | 14           | 10            | 8,638          | 433           |
| Danube Region    | 20           | 21            | 2,012          | 1,019         |
| S. & E. Africa   | 121          | 162           | 289            | 1,055         |
| Indo-China, etc. | 30           | 51            | 610            | 603           |
| Total            | 636          | 646           | 15,414         | 11,325        |

## OTHER FOODS

|                                    | Week ended   |               |
|------------------------------------|--------------|---------------|
|                                    | Aug. 5, 1939 | Aug. 12, 1939 |
| BACON: Arrivals in London (bales): |              |               |
| Danish                             | 15,396       | 15,112        |
| Canadian                           | 4,756        | 4,585         |
| Dutch                              | 3,079        | 2,959         |
| Lithuanian                         | 4,686        | 3,528         |
| Polish                             | 5,360        | 6,059         |
| COCOA: Movement in Lond. (bags):   |              |               |
| Landed                             | 5,388        | 7,108         |
| D/d for home consumption           | 5,071        | 1,999         |
| Exports                            | 263          | 17            |
| Stocks, end of week                | 114,183      | 119,275       |

## OTHER FOODS—(cont.)

|                                                | Week ended   |               |
|------------------------------------------------|--------------|---------------|
|                                                | Aug. 5, 1939 | Aug. 12, 1939 |
| COFFEE: Movements in Lond. (cwt.):             |              |               |
| Brazilian—Landed                               | 226          | 30            |
| " D/d for home consn.                          | 136          | 39            |
| " Exports                                      | 6            |               |
| " Stocks, end of week                          | 5,487        | 5,478         |
| Central and S. American: Landed                | 517          | 196           |
| D/d for home consn.                            | 2,033        | 1,431         |
| Exports                                        | 258          | 139           |
| Stocks, end of week                            | 83,822       | 82,448        |
| Other kinds—Landed                             | 1,070        | 126           |
| " D/d for home consn.                          | 3,356        | 2,974         |
| " Exports                                      | 575          | 232           |
| " Stocks, end of week                          | 141,804      | 138,724       |
| MEAT: Supplies at Smithfield (tons):           |              |               |
| Total                                          | 7,953        | 7,290         |
| Beef and veal                                  | 4,332        | 3,836         |
| Mutton and lamb                                | 2,519        | 2,498         |
| Pork and bacon                                 | 585          | 542           |
| Poultry, etc.                                  | 517          | 414           |
| SUGAR: Movements, London and Liverpool (tons): |              |               |
| Imports                                        | 16,151       | 6,799         |
| Deliveries                                     | 15,544       | 13,623        |
| Stocks, end of week                            | 114,589      | 107,766       |
| TEA: Sales on Garden A/c (pkgs.):              |              |               |
| N. India                                       | 11,090       | ...           |
| S. India                                       | 6,728        | ...           |
| Ceylon                                         | 23,218       | ...           |
| Java                                           | 1,521        | ...           |
| Sumatra                                        | 4,276        | ...           |
| Africa                                         | 48,005       | ...           |
| Total                                          | 104,838      | ...           |

## Miscellaneous Commodities

## MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

|                     | Week ended   |               |
|---------------------|--------------|---------------|
|                     | Aug. 5, 1939 | Aug. 12, 1939 |
| Landed              | 1,213        | 1,134         |
| Delivered           | 2,922        | 2,000         |
| Stocks, end of week | 55,124       | 54,258        |

## WORLD SHIPMENTS OF LINSEED ('000 tons)

|                         | Week ended    |               |
|-------------------------|---------------|---------------|
|                         | July 15, 1939 | July 22, 1939 |
| Argentina to—           |               |               |
| U.K. and Orders         | 1.1           | 0.6           |
| Continent               | 16.0          | 10.8          |
| U.S.A. and Canada       | 6.8           | 1.5           |
| Australia, Brazil, etc. | 0.6           | 0.3           |
| Calcutta to—            |               |               |
| U.K. and Orders         | 2.2           | 3.6           |
| Continent               | ...           | 0.9           |
| Bombay to—              |               |               |
| U.K. and Orders         | 2.8           | 1.5           |
| Continent               | ...           | 3.4           |
| Madras to U.K.          | ...           | ...           |
| India to—               |               |               |
| Australia, etc.         | 0.2           | ...           |
| U.S.A.                  | ...           | 6.1           |
| Sundries                | ...           | 1.2           |
| Total                   | 29.7          | 18.3          |

## AMERICAN WHOLESALE PRICES

|                               | Aug. 9, 1939 | Aug. 16, 1939 |
|-------------------------------|--------------|---------------|
| GRAINS (per bushel)—          |              |               |
| Wheat, Chicago, Sept.         | 63½          | 66            |
| Winnipeg, Oct.                | 52½          | 51½           |
| Maize, Chicago, Sept.         | 42½          | 43½           |
| Oats, Chicago, Sept.          | 27½          | 29            |
| Rye, Chicago, Sept.           | 40½          | 40¼           |
| Barley, Winnipeg, Oct.        | 34½          | 34            |
| METALS (per lb.)—             |              |               |
| Copper, Connecticut           | 10.50        | 10.50         |
| Export c.i.f.                 | 10.70        | 10.60         |
| METALS (per lb.)—cont.        |              |               |
| Tin, N.Y., Straits, spot      | 48.50        | 48.75         |
| Lead, N.Y., spot              | 5.05         | 5.05          |
| Spelter, East St. Louis, spot | 4.75         | 4.75          |
| MISCELLANEOUS (per lb.)—      |              |               |
| Cocoa, N.Y., Accra, Sept.     | 4.25         | 3.97          |
| Coffee, N.Y., cash—           |              |               |
| Rio, No. 7                    | 5¼           | 5¼            |
| Santos, No. 4                 | 7½           | 7½            |
| Cotton N.Y., Am. mid., spot   | 9.53         | 9.24          |

## BRITISH WHOLESALE PRICES

|                                  | Aug. 9, 1939 |       | Aug. 16, 1939 |       |
|----------------------------------|--------------|-------|---------------|-------|
|                                  | s. d.        | s. d. | s. d.         | s. d. |
| CEREALS AND MEAT                 |              |       |               |       |
| GRAIN, etc.—                     |              |       |               |       |
| Wheat—                           |              |       |               |       |
| No. 2, N. Man. 496 lb.           | 25           | 0     | 24            | 3     |
| Eng. Gaz. av., per cwt.          | 4            | 5     | 4             | 6     |
| Liv., Oct., per cental           | 3            | 9¼    | 3             | 8     |
| Flour, per 280 lb.—              |              |       |               |       |
| Straights, d/d London            | 21           | 0     | 20            | 6     |
| Manitoba, ex store               | 21           | 0     | 19            | 6     |
| Barley, Eng. Gaz., av. per cwt.  | 6            | 3     | 6             | 11    |
| Oats                             | 6            | 1     | 5             | 11    |
| Maize, La Plata, landed, 480 lb. | 22           | 6     | 22            | 9     |
| Rice, No. 2 Burma, per cwt.      | 7            | 10½   | 8             | 0     |
| MEAT—                            |              |       |               |       |
| Beef, per 8 lb.—                 |              |       |               |       |
| English long sides               | 4            | 6     | 4             | 4     |
| Argentine chilled hinds          | 4            | 6     | 4             | 6     |
| Mutton, per 8 lb.—               | 4            | 10    | 5             | 0     |
| English wethers                  | 4            | 4     | 4             | 8     |
| N.Z. frozen wethers              | 2            | 4     | 2             | 4     |
| Lamb, per 8 lb.—                 | 4            | 6     | 4             | 4     |
| N.Z. frozen                      | 5            | 6     | 5             | 6     |
| Pork, English, per 8 lb.         | 6            | 0     | 5             | 10    |
| BACON (per cwt.)—                |              |       |               |       |
| English                          | 98           | 0     | 98            | 0     |
| Giza, F.G.F.                     | 98           | 0     | 98            | 0     |
| Dutch                            | 94           | 0     | 95            | 0     |
| Irish                            | 89           | 0     | 89            | 0     |
| HAMS (per cwt.)—                 |              |       |               |       |
| Canadian                         | 96           | 0     | 94            | 0     |
| United States                    | 86           | 0     | 84            | 0     |

## OTHER FOODS

|                                  | Aug. 9, 1939 |       | Aug. 16, 1939 |       |
|----------------------------------|--------------|-------|---------------|-------|
|                                  | s. d.        | s. d. | s. d.         | s. d. |
| BUTTER (per cwt.)—               |              |       |               |       |
| Australian                       | 108          | 0     | 107           | 0     |
| New Zealand                      | 111          | 0     | 117           | 0     |
| Danish                           | 124          | 0     | 124           | 0     |
| CHEESE (per cwt.)—               |              |       |               |       |
| Canadian (new)                   | 72           | 0     | 63            | 0     |
| New Zealand                      | 75           | 0     | 56            | 0     |
| English Cheddars                 | 84           | 0     | 84            | 0     |
| Dutch                            | 52           | 0     | 52            | 0     |
| COCOA (per cwt.)—                |              |       |               |       |
| Accra, g.f.                      | 20           | 0     | 20            | 0     |
| Trinidad                         | 20           | 0     | 20            | 0     |
| Grenada                          | 43           | 0     | 43            | 0     |
| COFFEE (per cwt.)—               |              |       |               |       |
| Santos supr. c. & f.             | 31           | 0     | 31            | 0     |
| Costa Rica, medium to good       | 60           | 0     | 60            | 0     |
| Kenya, medium                    | 70           | 0     | 70            | 0     |
| EGGS (per 120)—                  |              |       |               |       |
| English (15-15½ lb.)             | 14           | 6     | 16            | 6     |
| Danish (15½ lb.)                 | 11           | 9     | 12            | 6     |
| FRUIT—                           |              |       |               |       |
| Oranges, Brazilian (Pera) boxes  | 11           | 6     | 13            | 6     |
| " S. African (Navels) boxes      | 8            | 6     | 9             | 0     |
| Lemons, Naples boxes             | 13           | 0     | 13            | 9     |
| " Sicilian, Verdelli, boxes      | 27           | 0     | 29            | 0     |
| " Murcia, I boxes                | 8            | 0     | 6             | 0     |
| Apples, N. Zealand (var.) boxes  | 5            | 0     | 4             | 0     |
| " Australian                     | 15           | 6     | 18            | 9     |
| Grapefruit, S. Afrn. (M.S.) bxs. | 13           | 9     | 13            | 0     |
| " Brazilian (M.S.) bxs.          | 19           | 9     | 19            | 9     |
| Pears, Bartlett                  | 17           | 3     | 21            | 0     |
| LARD (per cwt.)—                 |              |       |               |       |
| Irish, finest bladders           | 40           | 0     | 40            | 0     |
| U.S.                             | 34           | 0     | 33            | 0     |
| PEPPER (per lb.)—                |              |       |               |       |
| Black Lampong (in Bond)          | 0            | 2½    | 0             | 2½    |
| White Muntok (f.a.q.) (in Bond)  | 0            | 3½    | 0             | 3½    |
| " (Duty paid)                    | 0            | 3½    | 0             | 3½    |
| POTATOES (per cwt.)—             |              |       |               |       |
| English, King Edward, Siltland   | 5            | 0     | 5             | 6     |
| Wisbech Majestic                 | 6            | 0     | 6             | 6     |
| SUGAR (per cwt.)—                |              |       |               |       |
| Centrifugals, 96%, prpt. shipm.  | 6            | 7½    | 6             | 6     |
| Refined London—                  |              |       |               |       |
| Yellow Crystals                  | 22           | 4½    | 22            | 0     |
| Cubes                            | 27           | 4½    | 27            | 0     |

\* Week ended Aug. 3rd.

|                                                       | Aug. 9, 1939 |       | Aug. 16, 1939 |       |
|-------------------------------------------------------|--------------|-------|---------------|-------|
|                                                       | s.           | d.    | s.            | d.    |
| <b>SUGAR (per cwt.)—cont.</b>                         |              |       |               |       |
| Crushed .....                                         | 25           | 1½    | 24            | 9     |
| Granulated .....                                      | 23           | 0     | 22            | 7½    |
| Home Grown .....                                      | 22           | 10½   | 22            | 6     |
|                                                       | 23           | 1½    | 22            | 9     |
| <b>TEA* (Auction Average) (per lb.)—</b>              |              |       |               |       |
|                                                       |              | d.    |               | d.    |
| N. India .....                                        | 14           | 39    | ...           | ...   |
| S. India .....                                        | 12           | 78    | ...           | ...   |
| Ceylon .....                                          | 14           | 43    | ...           | ...   |
| Java .....                                            | 12           | 55    | ...           | ...   |
| Sumatra .....                                         | 12           | 89    | ...           | ...   |
| Africa .....                                          | 11           | 68    | ...           | ...   |
| Total .....                                           | 13           | 82    | ...           | ...   |
| <b>TOBACCO (per lb.)—</b>                             |              |       |               |       |
|                                                       |              | s. d. |               | s. d. |
| Virginia, stemmed and unstemmed, common to fine ..... | 0            | 8     | 0             | 8     |
| Rhodesian, stemmed and unstemmed .....                | 2            | 6     | 2             | 6     |
|                                                       |              |       |               |       |



## Special Statistics

## OVERSEAS TRADE RETURNS

## EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM (Value F.O.B.)

| IMPORTS (Value C.I.F.)                                                   |             |                            |              |              | EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM (Value F.O.B.) |            |                            |             |             |
|--------------------------------------------------------------------------|-------------|----------------------------|--------------|--------------|--------------------------------------------------------------------------|------------|----------------------------|-------------|-------------|
| Month ended July 31                                                      |             | Seven months ended July 31 |              |              | Month ended July 31                                                      |            | Seven months ended July 31 |             |             |
| 1938                                                                     | 1939        | 1938                       | 1939         |              | 1938                                                                     | 1939       | 1938                       | 1939        |             |
| <b>I.—Food, Drink and Tobacco—</b>                                       |             |                            |              |              |                                                                          |            |                            |             |             |
| A. Grain and Flour .....                                                 | £ 6,025,431 | £ 5,653,118                | £ 45,872,784 | £ 35,174,828 | A. Grain and Flour .....                                                 | £ 133,984  | £ 137,478                  | £ 973,444   | £ 872,642   |
| B. Feeding-stuffs for Animals .....                                      | 877,764     | 672,580                    | 6,650,927    | 6,105,850    | B. Feeding-stuffs for Animals .....                                      | 49,590     | 57,321                     | 437,821     | 427,378     |
| C. Animals, Living, for Food .....                                       | 746,789     | 766,344                    | 4,415,918    | 4,966,389    | C. Animals, Living, for Food .....                                       | 225        | 1,025                      | 1,533       | 17,705      |
| D. Meat .....                                                            | 8,528,659   | 7,665,322                  | 54,136,259   | 53,401,936   | D. Meat .....                                                            | 87,777     | 104,600                    | 612,699     | 797,439     |
| E. Dairy Produce .....                                                   | 7,850,788   | 6,305,847                  | 47,662,837   | 44,665,704   | E. Dairy Produce .....                                                   | 115,012    | 101,119                    | 627,447     | 679,362     |
| F. Fresh Fruit and Vegetables .....                                      | 3,167,309   | 2,611,957                  | 24,824,758   | 24,172,274   | F. Fresh Fruit and Vegetables .....                                      | 16,038     | 25,469                     | 113,690     | 132,085     |
| G. Beverages and Cocoa Preparations .....                                | 3,776,581   | 3,001,178                  | 24,159,004   | 22,178,540   | G. Beverages and Cocoa Preparations .....                                | 951,373    | 1,030,384                  | 7,321,279   | 8,155,019   |
| H. Other Food .....                                                      | 4,528,695   | 5,161,111                  | 29,709,335   | 33,778,677   | H. Other Food .....                                                      | 1,115,042  | 1,118,008                  | 6,370,198   | 6,791,412   |
| I. Tobacco .....                                                         | 833,161     | 1,101,465                  | 9,695,388    | 7,763,605    | I. Tobacco .....                                                         | 434,505    | 422,671                    | 2,873,289   | 2,853,739   |
| Total, Class I .....                                                     | 36,335,177  | 32,938,922                 | 247,127,210  | 232,207,803  | Total, Class I .....                                                     | 2,903,546  | 2,998,075                  | 19,331,400  | 20,726,781  |
| <b>II.—Raw Materials and Articles Mainly Unmanufactured—</b>             |             |                            |              |              |                                                                          |            |                            |             |             |
| A. Coal .....                                                            | 703         | 1,025                      | 8,070        | 9,211        | A. Coal .....                                                            | 3,242,742  | 3,751,866                  | 21,518,314  | 22,431,737  |
| B. Other Non-Metalliferous Mining and Quarry Products and the like ..... | 355,096     | 467,987                    | 2,792,427    | 3,128,498    | B. Other Non-Metalliferous Mining and Quarry Products and the like ..... | 84,480     | 92,830                     | 555,310     | 663,994     |
| C. Iron Ore and Scrap .....                                              | 710,346     | 1,126,871                  | 8,575,306    | 5,201,445    | C. Iron Ore and Scrap .....                                              | 30,911     | 21,480                     | 158,754     | 312,447     |
| D. Non-Ferrous Metalliferous Ores and Scrap .....                        | 1,339,639   | 1,283,438                  | 10,111,466   | 9,441,492    | D. Non-Ferrous Metalliferous Ores and Scrap .....                        | 156,362    | 177,970                    | 1,255,437   | 1,207,201   |
| E. Wood and Timber .....                                                 | 4,691,797   | 5,408,651                  | 21,393,206   | 21,386,233   | E. Wood and Timber .....                                                 | 5,865      | 5,111                      | 46,819      | 42,017      |
| F. Raw Cotton and Cotton Waste .....                                     | 2,431,085   | 2,022,245                  | 18,550,790   | 14,944,971   | F. Raw Cotton and Cotton Waste .....                                     | 30,742     | 49,699                     | 278,816     | 311,314     |
| G. Wool, Raw and Waste, and Woollen Rags .....                           | 2,732,237   | 3,494,135                  | 29,743,400   | 31,709,760   | G. Wool, Raw and Waste, and Woollen Rags .....                           | 507,155    | 490,087                    | 3,423,039   | 3,382,292   |
| H. Silk, Raw, Knobs and Nails .....                                      | 90,928      | 143,521                    | 1,334,286    | 1,100,428    | H. Silk, Raw, Knobs and Nails .....                                      | 82,929     | 119,577                    | 271,873     | 799,151     |
| I. Other Textile Materials .....                                         | 530,719     | 840,403                    | 6,884,065    | 8,453,714    | I. Other Textile Materials .....                                         | 14,211     | 13,747                     | 157,399     | 124,502     |
| J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums .....             | 2,342,728   | 2,725,082                  | 19,736,475   | 19,370,713   | J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums .....             | 222,546    | 194,648                    | 1,740,590   | 1,394,095   |
| K. Hides and Skins, Undressed .....                                      | 1,476,440   | 1,408,004                  | 10,923,410   | 10,453,599   | K. Hides and Skins, Undressed .....                                      | 62,156     | 86,497                     | 687,809     | 670,805     |
| L. Paper-making Materials .....                                          | 1,019,263   | 1,134,157                  | 9,453,709    | 8,392,523    | L. Paper-making Materials .....                                          | 88,143     | 111,272                    | 672,295     | 736,437     |
| M. Rubber .....                                                          | 942,565     | 508,256                    | 7,704,974    | 4,753,214    | M. Rubber .....                                                          | 16,899     | 25,338                     | 139,870     | 153,908     |
| N. Miscellaneous Raw Materials and Articles mainly Unmanufactured .....  | 517,138     | 696,215                    | 5,122,214    | 5,060,666    | N. Miscellaneous Raw Materials and Articles mainly Unmanufactured .....  | 153,863    | 120,820                    | 1,493,373   | 1,462,811   |
| Total, Class II .....                                                    | 19,180,684  | 21,259,990                 | 152,333,798  | 143,406,467  | Total, Class II .....                                                    | 4,699,004  | 5,260,942                  | 32,399,698  | 33,686,711  |
| <b>III.—Articles Wholly or Mainly Manufactured—</b>                      |             |                            |              |              |                                                                          |            |                            |             |             |
| A. Coke and Manufactured Fuel .....                                      | 750         | 652                        | 4,021        | 4,307        | A. Coke and Manufactured Fuel .....                                      | 252,296    | 327,469                    | 1,630,579   | 2,136,523   |
| B. Pottery, Glass, Abrasives, etc. ....                                  | 585,257     | 582,501                    | 4,323,956    | 3,876,624    | B. Pottery, Glass, Abrasives, etc. ....                                  | 809,815    | 884,299                    | 5,551,481   | 5,590,261   |
| C. Iron and Steel and Manufactures thereof .....                         | 756,801     | 1,910,683                  | 10,671,175   | 9,132,732    | C. Iron and Steel and Manufactures thereof .....                         | 2,992,609  | 3,490,438                  | 25,199,559  | 21,628,456  |
| D. Non-Ferrous Metals and Manufactures thereof .....                     | 3,237,023   | 4,024,946                  | 24,324,837   | 23,306,621   | D. Non-Ferrous Metals and Manufactures thereof .....                     | 922,461    | 1,275,487                  | 6,971,910   | 8,707,596   |
| E. Cutlery, Hardware, Implements and Instruments .....                   | 549,797     | 567,048                    | 4,124,991    | 3,947,237    | E. Cutlery, Hardware, Implements and Instruments .....                   | 767,566    | 852,266                    | 5,275,452   | 5,448,621   |
| F. Electrical Goods and Apparatus .....                                  | 275,395     | 245,133                    | 1,750,365    | 1,683,372    | F. Electrical Goods and Apparatus .....                                  | 1,081,783  | 1,035,384                  | 7,819,386   | 7,355,586   |
| G. Machinery .....                                                       | 1,822,063   | 2,289,597                  | 13,254,862   | 15,018,215   | G. Machinery .....                                                       | 4,874,323  | 4,434,416                  | 34,027,159  | 32,123,084  |
| H. Manufactures of Wood and Timber .....                                 | 487,604     | 520,001                    | 3,771,223    | 3,429,733    | H. Manufactures of Wood and Timber .....                                 | 87,384     | 90,794                     | 637,221     | 662,594     |
| I. Cotton Yarns and Manufactures .....                                   | 220,990     | 233,250                    | 1,817,305    | 1,679,345    | I. Cotton Yarns and Manufactures .....                                   | 4,023,435  | 4,450,684                  | 29,893,919  | 29,002,847  |
| J. Woollen and Worsted Yarns and Manufactures .....                      | 283,502     | 361,265                    | 2,141,063    | 2,484,555    | J. Woollen and Worsted Yarns and Manufactures .....                      | 2,300,851  | 2,552,573                  | 15,621,955  | 16,421,436  |
| K. Silk Yarns and Manufactures .....                                     | 369,914     | 384,312                    | 2,797,324    | 2,828,637    | K. Silk Yarns and Manufactures .....                                     | 470,939    | 568,112                    | 3,368,264   | 3,374,914   |
| L. Manufactures of other Textile Materials .....                         | 313,304     | 1,032,270                  | 2,631,444    | 4,144,551    | L. Manufactures of other Textile Materials .....                         | 813,358    | 864,076                    | 6,266,858   | 6,759,546   |
| M. Apparel .....                                                         | 565,687     | 517,769                    | 5,037,255    | 4,537,378    | M. Apparel .....                                                         | 652,869    | 637,885                    | 4,717,012   | 4,943,681   |
| N. Footwear .....                                                        | 147,849     | 245,976                    | 1,992,432    | 1,992,432    | N. Footwear .....                                                        | 159,866    | 145,602                    | 1,145,150   | 996,417     |
| O. Chemicals, Drugs, Dyes and Colours .....                              | 1,026,304   | 1,478,974                  | 6,994,233    | 9,577,523    | O. Chemicals, Drugs, Dyes and Colours .....                              | 1,669,804  | 1,975,857                  | 12,676,394  | 13,944,334  |
| P. Oils, Fats and Resins, Manufactured .....                             | 3,619,585   | 4,575,337                  | 27,055,268   | 27,674,566   | P. Oils, Fats and Resins, Manufactured .....                             | 404,937    | 440,395                    | 3,138,091   | 3,042,620   |
| Q. Leather and Manufactures thereof .....                                | 472,211     | 710,903                    | 3,661,892    | 4,570,195    | Q. Leather and Manufactures thereof .....                                | 309,102    | 326,902                    | 2,136,992   | 2,478,437   |
| R. Paper, Cardboard, etc. ....                                           | 1,047,905   | 1,552,280                  | 8,417,473    | 8,890,938    | R. Paper, Cardboard, etc. ....                                           | 526,713    | 619,416                    | 3,988,938   | 4,158,271   |
| S. Vehicles (including Locomotives, Ships and Aircraft) .....            | 245,176     | 312,487                    | 2,799,184    | 2,800,373    | S. Vehicles (including Locomotives, Ships and Aircraft) .....            | 3,245,336  | 3,422,872                  | 5,024,330   | 27,960,614  |
| T. Rubber Manufactures .....                                             | 67,672      | 88,752                     | 471,412      | 562,664      | T. Rubber Manufactures .....                                             | 152,102    | 134,150                    | 984,352     | 886,796     |
| U. Miscellaneous Articles wholly or mainly Manufactured .....            | 1,617,864   | 1,827,127                  | 12,227,693   | 13,223,317   | U. Miscellaneous Articles wholly or mainly Manufactured .....            | 2,445,353  | 2,468,289                  | 16,384,591  | 17,412,217  |
| Total, Class III .....                                                   | 17,712,653  | 23,461,263                 | 139,957,603  | 145,365,315  | Total, Class III .....                                                   | 28,962,902 | 30,997,366                 | 212,459,593 | 215,034,851 |
| IV.—Animals, not for Food .....                                          | 337,312     | 290,609                    | 1,784,576    | 1,840,361    | IV.—Animals, not for Food .....                                          | 53,399     | 54,726                     | 331,680     | 357,366     |
| V.—Parcel Post .....                                                     | 331,725     | 328,889                    | 1,916,158    | 2,693,992    | V.—Parcel Post .....                                                     | 851,118    | 1,043,916                  | 6,105,957   | 6,812,900   |
| Total .....                                                              | 73,897,551  | 78,279,673                 | 543,119,345  | 525,513,938  | Total .....                                                              | 37,469,969 | 40,355,025                 | 270,628,328 | 276,618,611 |

## OIL OUTPUTS

**Attock Oil Company, Ltd.**—Controlled production for July amounted to 61,625 barrels.

**British Burmah Petroleum Company, Ltd.**—Production for the month ended July 31, 1939, was 54,655 barrels.

**British Controlled Oilfields, Ltd.**—Production for the week ended August 5, 1939: Western area, 7,916 barrels; Central area, 11,608 barrels; total, 19,524 barrels.

barrels. Production for July: Western area, 36,217 barrels; Central area, 48,628 barrels; total, 84,845 barrels. Shipments for July: Western area, 41,984 barrels; Central area, 38,258 barrels; total, 80,242 barrels.

**Lobitos Oilfields, Ltd.**—Output of Peruvian company for May, 1939: 28,837 tons. Output of Peruvian company for June, 1939, 29,058 tons. Output of Peruvian company, July, 1939, 29,751 tons.

**Trinidad Leaseholds, Ltd.**—The figures for July, 1939, are: Crude oil production (own fields only), 398,057 barrels; crude oil purchases (including own share of oil from jointly operated fields), 474,065 barrels.

**Venezuelan Oil Concessions, Ltd.**—Production for the week ended August 5, 1939, was: Bolivar district, 1,177,131 barrels; Maracaibo district, 28,311 barrels; total, 1,205,446 barrels.

## THE ECONOMIST

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## Double Cross Roads

THE Russian Bolshevik has always been represented by the world's cartoonists as a bearded figure carrying a smoking bomb. But no revolutionary Bolshevik ever hurled a bomb that exploded with more shattering effect than that which was detonated in Berlin and Moscow on Monday night. In what must surely be the biggest single piece of perfidy in history, Soviet Russia has betrayed all its principles, encouraged the aggressors and double-crossed those who were trying to be her friends in Western Europe. No amount of ideological perfume will avail to remove the smell that will for ever hang about the name of Bolshevik.

Until Monday it was assumed that Soviet Russia had almost taken her place in the Peace Front against aggression. Even so, the diplomatic position was dangerous and precarious. There was every indication of Nazi Germany's resolve, come what might, to commit aggression against Poland, in spite of the clear determination of Britain and France to honour their pledges to support the victim. The reason for Hitler's refusal to be shaken by the apparent strength of the Peace Front became apparent shortly before midnight on Monday, when the German official wireless announced that Germany and Russia had agreed to sign a non-aggression pact. Nothing was then announced of the terms of the pact. But even on the most favourable possible interpretation of Russia's action, it was a very dangerous manoeuvre, since it so greatly inflated the spirits of the German extremists. Nevertheless, there were many in London and Paris on Tuesday and Wednesday

day who were disposed to take the view that the shock to the Peace Front was only moderate. There was much justification for this view. It seemed inconceivable that Stalin should be ready to stake the future of his regime on the Fuehrer's promise. Moreover, there were protestations from Moscow that the negotiations with Germany would take a considerable time and that there was no reason why the conversations with Britain and France should not continue. It was even possible for two days, to enjoy the matchlessly humorous spectacle of Herr von Ribbentrop, the only begueter of the Anti-Comintern pact, hastening to the Kremlin to grasp the hand of Stalin, Secretary of the Communist Party.

Any comfort thus derived was utterly dispelled when it became apparent on Thursday that the terms of the treaty were wholly favourable to the Germans. Russia has promised not to fight Germany or to join in attacking her or to support her enemies or to join any combination directly or indirectly aimed against her. In these circumstances there seems to be no remaining possibility of Russian adherence to the Peace Front, on any terms.

It cannot be disguised that this treaty is a very severe set-back to the diplomacy that Great Britain and France have been pursuing since last March. It encourages the Nazis to go further on their path of aggression and makes it less possible to restrain them if they do. Already, it is reported, Roumania has declared her intention of remaining neutral in a war between Germany and Poland. And the sinister von Papen is on his way to try to shake the

steadfastness of Turkey. Poland, in fact, is isolated, and the only way in which her allies can go to her assistance is by assaulting Germany's western defences.

Yet the announcement of the pact has completely failed in what appears to have been its main immediate aim, to disrupt the Anglo-Franco-Polish alliance and persuade the two Western Powers to back out of their obligations. That was made perfectly clear by the admirably firm *communiqué* issued by the British Cabinet on Tuesday. French opinion is shocked but unshaken, and reports from Warsaw reveal no flaw in Poland's determination.

Nor are the diplomatic effects of the treaty wholly on one side. One immediate effect has been to end, once and for all, the prospect of a military alliance between Germany and Japan. Japanese comment, in fact, is bitter. If the Peace Front is broken so is the Triangle. Japan is now free of commitments, and the utter discrediting of the Army's ideas on foreign policy may powerfully assist in arriving at an accommodation with Britain. In Spain, too, where the crusade against Communism has been taken seriously, the effect has certainly not been to encourage Franco to desert his neutrality. And all over the world, Hitler has lost his most powerful propagandist weapon, his pose as the champion of civilisation against Bolshevik chaos.

Stalin's motives must be left for History to unravel. Fear of being involved in a war that might bring his regime down played some part in them, as also did the desire to be the balancing factor in Europe. These are ambitions that can easily be forgiven. But to advance them by putting his country in pawn to Hitler is dangerous in the extreme. And to choose this method at this time is almost the same thing as provoking a world war with the deliberate object of bleeding European civilisation to death. It is an act of perfidy, infamy and criminal irresponsibility

#### *Agenda for Preparedness—IX*

## Industrial Man Power

THE war-time labour problem, in its broadest terms, is set by the necessity to do more work with fewer men. In Great Britain it is intensified and complicated by the fact that even after a sufficient number of men have been withdrawn from industry to provide for the personnel requirements of the armed forces; and when the necessary adjustments have been made in industry to provide for the vastly augmented war-time needs of those forces and the (perhaps slightly) reduced consumption requirements of the civil population; there still remains the necessity not merely to maintain but to expand production for the export market in order to provide some of the foreign exchange requirements of a country whose dependence on outside resources is enormously increased by the exigencies of war. Numerically the man-power problem is formidable. Military conscription being applied at the outset, it may be possible to absorb into the fighting forces in two years some 6,000,000 men, or half the present gainfully occupied male population. The experience of the last war, when 4,900,000 men entered the forces in 51 months, suggests the feasibility of such a transfer. Thus all the personnel requirements of industry will have to be met with half the number of men now available, reinforced by all women, older men and boys capable of working.

Thus two of the main categories of the problem emerge at once—the allocation of men between the fighting forces and the home front and the reinforcement of the latter from outside sources. The others are the distribution of workers according to the urgency of the work to be done and the maximisation of output by available workers. The

beyond calculation. It provides a tragically clear demonstration that there will be no safeguard for the ordinary decencies of international life so long as any dictatorship, of whatever superficial ideological hue, is allowed to remain.

Meanwhile we are left with the threat of imminent war. In every country preparations go forward, in England not least, and the public lives in hourly expectation of the final blow falling. King Leopold of the Belgians, the Pope, and President Roosevelt have all made last-minute appeals that reason may prevail. But it is not encouraging to reflect that their success depends entirely on the effect they have on a single mind, abnormal at any time and now flushed with success.

If war comes, it will not be fought for Danzig or for Poland. It will be fought for the right to live in peace, to pursue the ends of human welfare untroubled by the constant necessity to divert resources and attention to the sterile purposes of defence. If the conditions under which war is engaged are less satisfactory to Britain and France than they might have been, the change is nevertheless not decisive. The overwhelming naval superiority of the democracies is untouched; their position of potential superiority in the air is little affected; and on land the odds are not heavy enough to secure success for the attackers.

Yet that we should be faced with such a heavy struggle is a shameful burden placed by the bankruptcy of statesmanship on the shoulders of the people. Over and over again we have been given the chance of stopping the rot at infinitely smaller risk. But we have let the League of Nations die, and even its bastard offspring the Peace Front is barely alive. The bravery and endurance of the common people will now have to pay heavily for the utter lack of courage and foresight in those who have held the high offices of state during the past eight years.

work of rapidly expanding the Army, Navy and Air Force will commence with the outbreak of war. The list of reserved occupations already in existence will then become effective, and will presumably be revised at frequent intervals as the actual war needs take shape and are modified. Careful forecasting should at least ensure that skilled men whose value in industry is greater than their effectiveness with the forces will be made available to do certain types of work. But that will not be enough. It will be necessary to see that the particular tasks which they perform are essential. Persuasion will give the ideal and compulsion the least desirable method of effecting the transfer, with the indirect damping down of inessential activities through the control of material supplies as a convenient and effective intermediate device.

Reinforcement of available labour will be necessary at the same time. In the last war the gap left by the men who went into the defence forces was filled in a variety of ways. A total of about 1,300,000 persons came from the natural growth in the population, from immigration, the employment of boys and old men and the absorption of the unemployed. This time the natural growth would not be so great (though there still is a natural growth in men and women of the working ages); but more than offsetting that is the greater volume of unemployment. There is also a larger reserve of women. In the census of 1911 the total number of women in the age group 15-65 was 13.3 millions, of whom about 5.4 millions were occupied. Of the remaining 8 millions about half were married women, and if 3 millions of these are taken to be fully occupied by home duties, there remained a maximum potential reserve avail-

able for whole-time or part-time work of 5 millions. The number of women workers in industry actually increased between 1914 and 1918 by 1,660,000, and there was doubtless a further increase outside industry. The figures of the census of 1931 lead to the conclusion that this reserve is now a million larger. Thus in 1914-18 there were recruits to industry from these two sources of at least 3 millions, and in another war the figure might be well over 4 millions.

The fact that the number available to fill the gap left by those men who enter the forces is rather larger than it was in 1914 does not remove the need for fuller use of available personnel. The necessity for more continuous and more intensive work will remain; the highest degree of mobility of labour compatible with efficiency will have to be aimed at; and all artificial restrictions on output will have to be removed. The last-named point to some extent comprehends the other three. The chief agencies imposing artificial restrictions on output now are the trade unions. This is the service which they properly perform in the interests of organised labour in peace time. But they cannot be carried out as usual in the exceptional circumstances of war. Not only must the unions recognise new principles to fit the new situation, but detailed plans of the war-time machinery must be drawn up with their positive co-operation. In fact, dilution of labour, that bitter pill whose very name produces wry faces among trade unionists, will have to be compounded ready for swallowing.

As defined by Mr Humbert Wolfe in his historic volume on labour problems in the last war, dilution of labour means "to add to the numbers of skilled men large reinforcements of unskilled or lesser skilled persons whose work they would in a sense supervise." When dilution becomes a reality, trade union restrictions and privileges which artificially control the entry of new men into skilled occupations are suspended. The work to be done is so arranged, and processes so subdivided, that all tasks which are in any way capable of being performed by unskilled or semi-skilled men are handed over to them, and only the key points are left in the hands of the skilled. In essence, dilution is a precise scientific process. In practice it has centred around the "suspension of trade union practices." The means have been confused with the end.

The unions are bound to require guarantees that such exceptional arrangements as are made are for the duration of the war only; that the control of labour shall be accompanied by the control of profits and food prices; that permanent wages shall not be adversely affected by war-time changes—in short, that the whole system shall be operated in such a way as to assure to labour adequate safeguards and a due return for the surrender of its privileges. It is plain that complete restoration of pre-war conditions will not be possible. Experience at the end of the last war, when it was claimed that wage scales in certain branches of engineering were stabilised at an effective level below that of 1914, indicated the type of difficulty which is likely to arise. The most that can be safely guaranteed is that similar pay will be granted for similar work—not that the whole structure of industry will be restored to its pre-war outline. There is one pre-eminently desirable way of ensuring that such demands as are reasonable and possible are met. The workers through their trade unions must co-operate freely and at once in the planning of schemes and safeguards.

The detailed matters which must be settled fall within the specific province of trade union experts and negotiators. For example, the modification of the existing provision that only men with definite qualifications may perform certain classes of work requires a review of apprenticeship regulations, of the possibility of enlarging the definition of "approved experience," and of the rules governing admission to skilled unions. In addition there are a multitude of highly technical inter-union questions concerning the particular provinces of specific classes of

skilled men and the adjustment of the dividing lines to conform to the criterion of maximum output per head. The ratio of skilled to unskilled men must be revised, restrictions on hours of work adjusted and closed-shop regulations re-examined.

Naturally, not all the labour problems of the next war will be of a technical and detailed nature. The most highly skilled trade union official is not specifically concerned with forecasts as to how many additional women will be available for industrial work and in what regions they will be found. Nor is he the person best fitted to calculate what degree of transference will be necessitated by air bombing or at what phase of the trade cycle this country will find itself when the war begins. These are contingent facts to be provided for by intelligent anticipation and flexibility of policy rather than by detailed planning.

There would be no necessity to labour the point that the greatest positive contribution can be made by the trade unions if, in fact, there were any sign of present readiness on their part to do the job. But there is no such sign. In the spring of the present year the General Council of the Trades Unions Congress produced a scheme, which was submitted to the Ministry of Labour, for a series of National Industrial Committees which would deal in war time with questions of wages, hours, working conditions and mobility of labour. It was suggested that these committees, which would be representative of both employers and unions, should be consulted when Government contracts were placed or schemes for the enlargement of industrial output were under consideration. The plan dealt in considerable detail with questions of procedure and made it plain that the proposed organisation would be on an industrial basis and involve only a minimum of interference by the T.U.C. in the affairs of the individual unions. It provided for a National Committee on each industry in which joint negotiating machinery at present exists and for further regional committees where these were considered necessary. There were even suggestions for the application of the new provisions to industries and employers outside the present negotiation schemes, and for bringing unorganised trades under control. But of dilution there was no word.

It would be unfair to place on the unions all the blame for what can only be called the failure to prepare for the labour problem of the next war. It is understood that invitations were issued by the Government some months ago to both employers and unions to submit their suggestions. This fact does not absolve the Government and the Ministry of Labour in particular from their portion of the responsibility for the fact that no adequate preparation seems to have been made. Nor can a reply such as that made by the T.U.C. be taken as anything more than the first step towards detailed dilution plans. If these plans are not forthcoming soon the blame will have to be placed not only on the unions and the Government, but also upon the employers' association, who seem to have done less than either of the other two agencies concerned.

Dilution of labour is necessarily a difficult and complicated business requiring both a firm and positive general policy and meticulous attention to a mass of technical detail. The sort of details concerned have been enumerated above, but the application of the categories to each particular industry with due reference to its present structure, its war-time function and its potentialities of expansion has not been attempted. It is a vast task, but if a war comes there will be no way of avoiding it. Yet there is little evidence of preparation of a character calculated to arouse confidence in the avoidance of a repetition of the confusion and cross-purposes which occupied many months of the last war before dilution was accepted in principle. And even after such an acceptance the working out of detailed schemes requires months of intensive study. There is, in fact, a huge gap to be filled on the home front.



# The Panama Canal's Jubilee

ON August 15, 1914, the Panama Canal was formally opened to commerce, an event of sufficient importance to create a stir even in the prevailing atmosphere of war. To the schoolboy of to-day, who takes the canal's existence for granted, it must seem astonishing that so obviously desirable a project has only just celebrated its silver jubilee; this feeling is doubtless shared by the spirit of the Portuguese navigator Antonio Galvao, who published a book in 1550 describing four possible routes for a canal across the isthmus. Yet in point of fact it needed the vigorous determination of the United States Government to get the work finished even 45 years after the completion of its counterpart at Suez.

The difficulties were not primarily technical, though the engineers had some hard problems to solve; they were mainly financial, medical and political. In 1879 Ferdinand de Lesseps secured the formation of a company to construct a sea-level canal at Panama, and at the second attempt the shares were floated on the market in 1880. After two years of survey work plans were drawn up and construction began. Progress was slow, however, largely because of the heavy toll taken by yellow fever; it is said that every yard of the stretch completed by this company cost a human life. The extravagance and corruption of the management also became notorious, and although it was decided to reduce the work by building locks, operations were suspended in 1889 when the company became bankrupt. It had already spent nearly 1,300 million francs, against de Lesseps's original estimate of 658 millions.

Meanwhile the United States Government, not relishing the prospect of a canal controlled by Europeans, had been negotiating for an alternative route through Nicaragua. A treaty was actually concluded in 1884, but failed to secure the two-thirds majority of the Senate necessary for ratification. After the appointment of several commissions, however, and much political and diplomatic manoeuvring, a Bill was introduced into Congress in 1901 to authorise the construction of the Nicaraguan canal. This so alarmed the new company which had taken over the uncompleted works at Panama that they offered to sell all their assets for \$40 millions, and this proposal was accepted by the United States.

The United States were thus left without a rival, but the concession from the Colombian Government was on the point of expiry, and in 1903 the Colombian Senate refused to ratify the agreement which was negotiated for a new one. The scheme might have had to be abandoned had it not been for a very timely revolt by the inhabitants of Panama, whose independence was hastily recognised by the United States. The new Republic then granted its champion full sovereignty over the canal zone for a cash payment of \$10 millions and an annual rental of \$250,000.

President Theodore Roosevelt decided that the canal could best be built by direct labour, and entrusted the control to the Corps of Engineers. Thanks largely to the efforts of Dr Gorgas in fighting the yellow fever, work proceeded steadily and was completed in almost exactly the estimated time. The total cost incurred up to the opening date, including the payment to the French company, was \$366,650,000, and this also conformed closely to the estimates. Since then considerable sums have been spent on improvements, notably widening; after deducting the amounts provided for depreciation and adding \$129 millions for interest during the construction period the book cost to the United States Treasury on June 30, 1938, stood at \$508 millions.

The effectiveness of this outlay as a means of shortening voyages may be seen from the following table, which shows the number of nautical miles saved by using the canal

instead of an all-sea route:—

| To                    | Liverpool | New York | New Orleans |
|-----------------------|-----------|----------|-------------|
| San Francisco .....   | 5,666     | 7,873    | 8,868       |
| Valparaiso .....      | 1,540     | 3,747    | 4,742       |
| Wellington, N.Z. .... | 1,564     | 2,493    | 3,488       |

The saving is naturally greatest for voyages between the East and West coasts of North America, a fact of which the railroads have become painfully aware.

With such advantages to offer, the canal soon attracted a considerable share of the traffic, though at the outset its volume was inevitably curtailed by the war. In the year to June 30, 1924, the net tonnage of its shipping exceeded 26 millions, and, for the first time, was slightly higher than that recorded by the Suez Canal. Since then it has remained remarkably steady, with a peak of 30 millions in the fiscal year 1929-30, and has fallen below 25 millions in only two years. The figures for Suez, on the other hand, have shown a rising tendency and latterly have been mainly between 30 and 35 millions.

A glance at the map shows that rivalry between the two canals is not restricted to the statistical field. For many journeys—e.g. between England and the Far East—each can offer about the same saving in distance, so that they are economic competitors also. The choice between them does not, however, depend simply on which route is the shorter, for there are many other factors to be taken into account, such as the traffic with intermediate ports, the cost of refuelling and the charges made by the canals themselves. Suez generally offers better prospects for trading *en route*, but oil is cheaper at Panama and the dues there are lower.

This last point raises questions of considerable importance, especially in view of the different systems of administration. Comparison is made more difficult by the fact that net tonnages are calculated differently by the two administrations, but any allowance under this head would probably be in favour of Panama; it certainly could not offset the fact that, despite several reductions, the charges at Suez are 5s. 9d. per net ton for laden vessels and 2s. 10½d. for unladen, against 90 cents and 72 cents at Panama. The discrepancy becomes all the more striking in view of the fact that operating expenses at Panama are increased by the existence of locks, and that the capital cost was far greater—the figures for expenditure up to the date of opening were 433 million francs for Suez and 367 million dollars for Panama (about £17 millions and £75 millions).

The direct return to the United States Government from the Panama Canal may have been relatively small, but they have no cause to regret their venture. Their shipping stood to gain most from the canal, not merely because they would make most use of it, but also because the saving in distance would usually be greater. This has strengthened the competitive power of their manufacturers, particularly in the Far Eastern markets.

The United States have in fact consistently made more use of the canal than any other country. In 1937-38 their ships carried nearly 10 million tons of cargo, out of a total of 27.4 millions; the United Kingdom was second with rather over 6 millions. This preponderance has in no way been secured through discrimination in favour of American vessels. As long ago as 1901 the Hay-Pauncefote treaty between the United States and this country provided that the canal should be "free and open to vessels of commerce and of war of all nations observing these rules on terms of entire equality." In days when international agreements are all too often disregarded as soon as they become inconvenient, it is pleasant to record that this one has been strictly observed.

# Political Patchwork in Spain

(By a Correspondent)

AFTER five months of manoeuvring and wire-pulling, of which Press reports have given only the faintest reflection, the new regime in Spain has revealed its political complexion. General Franco, as President, retains autocratic powers. He is a law unto himself in the civilian and military spheres and can, if he chooses, rule by presidential decree. But his authority is to be exerted through no fewer than three delegations. There is in the first place the Cabinet. In despair of ever achieving among the political janissaries the kind of discipline to which he was accustomed by his long experience in Morocco, he has contrived a patchwork affair out of the various contending factions—which is notable only for its exclusion of the old discredited *políticos*. This structure is buttressed by the Political Junta, on the one hand (the link between Party and Government) and, on the other hand, by a Military Defence Directorate immediately subordinate to *El Caudillo* himself.

This is a *solution* only in the chemical sense. Just as, for the prosecution of the war, it was found necessary to fuse the Falangist and Traditionalist elements into a compound substance which was indefinable, so now Army and Falange are thrown into the new political mould and told to sink their differences and get on with it. There was no other way of smoothing over the personal and factional animosities which were fast discrediting the idea of a united Spain. As an attempt at the conciliation of incompatibles it is no small achievement. Of any reconciliation with the millions of Spaniards who maintained their allegiance to the legitimate Government of the Republic there is not the slightest sign. In that respect the new dispensation is scarcely in the true Spanish tradition. The *de facto* domination of the country by the Falange is now translated into legal terms, with Señor Serrano Suñer, *el Cuñadísimo*, Minister of the Interior and President of the Political Junta as the king-pin. At the same time all the evidence goes to show that the original patriotic and idealist core of the Falange, associated with the name of Jose Antonio Primo de Rivera, has been submerged in the maelstrom of camp-followers of the Movement who rallied to the Falange standard simply because it was evidently going to be the dominant force after the war. (There is a kind of Gresham's law in the matter of Party currency which operates in all countries that palter with Fascism). Señor Fernandez Cuesta, for example, one of the original national-syndicalist reformers—who, during the war and until recently, held the key-position of secretary-general of the Party—has now disappeared from view. No doubt he was regarded as not being sufficiently malleable: or else, like General Queipo de Llano, he had achieved a personal popularity which might have dangers for *El Caudillo* himself.

People talk glibly about the Falange as if it were what Stalin would call "monolithic." Actually, it has not—and has never had—the consistency and homogeneity of the Fascist or Nazi parties in Italy and Germany. There are at least four different strata: (1) the original national-syndicalist subsoil, (2) a *couche* of politically ambitious young men taking their cue from the "dynamism" of the new Germany and Italy and aping the Fascist methods and symbols, (3) a perfect alluvium of political waifs and strays and opportunists who streamed into the Party during the war; and (4) the anarcho-syndicalist groups which found refuge in the Party and which earned for Falangists in Conservative quarters the name of *rojos estampillados* (surcharged Reds).

Now it is quite clear that of these categories it is the

second and third which enjoy the sunshine of General Franco's smile—and for the very good reason that they are docile instruments of his Axis-controlled policy. No amount of wishful thinking can disguise the fact that the new Spain is closely associated with the expansionist ambitions of General Franco's war-time allies. It may be that Spain's adherence to the Anti-Comintern Pact has little significance since Wednesday's *volte-face*; and the recent talks between General Franco and Count Ciano have as yet resulted in no diplomatic instrument. But the evidence is written all over the country, specifically in the Press, which would appear to have lapped up subsidies from Germany. Even the *ABC*, controlled by the little Monarchist group associated with the Marquis Luca de Tena, finds it expedient to join in the chorus of scorn and ridicule of the democracies. And, for the moment, there is no evidence to suggest that the German-Soviet Pact will alter the position that Spain will take up in any future war. General Franco himself would opt for "neutrality"; he is terrified of the impending general war. But a "nominal" neutrality is the most that can be expected, and this would actually suit the book of Germany and Italy—at least in the initial stages of a war—better than a formal alliance.

The new Minister of Foreign Affairs, Colonel Beigbeder—an old comrade-in-arms of General Franco in Morocco—is entirely under German influence. One remembers some of the outrageous things he said to newspaper correspondents about the authorities of French Morocco in the early months of the war. He was for some years Spanish Military Attaché in Berlin.

Inside Spain German and Italian influence is, on the whole, unobtrusive. None of the members of the new Cabinet, except Señor Serrano Suñer himself, have any particularly close associations with the foreign allies. And General Yagüe has not been too polite about them.

The *militares* are, to a man, former colleagues of Franco in Africa—and, like himself, devout Catholics without, otherwise, any particular political predilections. The one interesting figure is General Muñoz Grande, the new Secretary-General of the Falange. Lieut.-Colonel Muñoz Grande was a good Republican who expressly rejected an invitation from General Mola in the summer of 1936 to take part in a military insurrection. When the rebellion broke out he was in Madrid. The police found in his house the copy of his letter replying to General Mola, and he was arrested, charged with complicity for not having denounced the plot, and sentenced to three years' imprisonment. It was a harsh judgment. After a year the authorities realised their mistake and released him. He, in the meantime, had heard news (which turned out to be untrue) that his wife and children had been murdered, and in utter disgust he took refuge in a certain foreign Embassy—and then later escaped into Franco territory. He has, really, no Falangist credentials; but it suits General Franco to have an old friend of his as Party watch-dog. His particular, rather thankless, task will be to try to suppress once and for all the activities of irresponsible elements—the bandits who have made life in certain districts intolerable, apart from the shortage of food and general misery.

Several of the civilian Ministers are men who first came out of their shells during the Primo de Rivera dictatorship—men who have no political history in the ordinary sense. Don Luis Alarcon, the Minister of Industry, is a typical prosperous merchant of Seville; and Señor Benjumea, the new Minister of Agriculture (replacing in this post Fernandez Cuesta), was assistant to his brother, Count

Guadalhorce, the Dictator's very able Minister of Public Works. Señor Benjumea is no fool, either. The one "Traditionalist," Señor Bilbao, was president of the Diputación (Provincial Council) of San Sebastian during the Directory period. He is essentially an opportunist, not at all representative of the Carlist elements proper.

The latter are few and disgruntled. They know that without the *requetes* General Franco would never have made much headway in the field; yet, by comparison with the Falange, their influence counts for very little. It is true that religion is in full honour in the new Spain: the order of the Traditionalist motto "Dios, Patria, Rey" is in fact faithfully observed. Indeed, the apotheosis of Catholicism is the one positive feature of the new dispensation. (For details the reader may be referred to the ultra-Fascist tract *Que es lo nuevo?* by Jose Pemartin, who holds a high post in the educational hierarchy.) Otherwise the Falange dominates the stage.

There is no Government programme—except reconstruction, and even in this matter the attitude is mainly

negative: we may remember Franco's remarks in the speech at the Victory Parade on May 19th about "economic encirclement" by the powerful interests which have long been hostile to our independence and our strength. . . .

Those who are in the ascendant to-day are just not interested in the question of the Monarchy. As in Nazi Germany, they regard such a thing as among the "residual fauna" of a discredited *ancien régime*. And yet . . . and yet, no one who knows Spain will exclude the possibility, when the present makeshift administration has exhausted itself, of a solution of despair being sought in the return of King Alfonso; not, be it said, with any idea of restoring the old pseudo-Parliamentary regime, but in order to make possible the old Spanish custom of an amnesty for the "outs." (After three months or so he would give place to Don Juan, the son.) Then at last we may see a *rassemblement* of all Spaniards of good will, and, one hopes, a rebuilding of the country on the foundations that are being laid at present.

## NOTES OF THE WEEK

**Defence of the Realm.**—It was a calm and united House of Commons which gathered on Thursday to hear the Prime Minister make plain why war was imminent and to deal swiftly with the Emergency Powers (Defence) Bill. Mr Chamberlain made no attempt to conceal the shocking surprise which the "bombshell" of the Nazi-Soviet Pact had been to him and his colleagues. But he left no doubt of the Government's view that the *volte-face* in Eastern Europe had not altered Britain's duties and intentions on the Continent. But it was deeds rather than words that the Prime Minister brought for Parliament's approval. The first need of the moment was to make fully ready the nation's defences against any emergency; and the Emergency Powers Bill which was passed through all its stages in both Houses in a single day gave authority to the Government to do so. The Act authorises the making by Order in Council of regulations to secure the safety of the public, the defence of the realm, the efficient prosecution of war and the maintenance of supplies. It gives the Government the right to take over property, to search premises and to levy charges in connection with schemes of control; and it sanctions the detention of persons where it is deemed expedient and the holding of judicial hearings *in camera*. It is a grim measure, bearing in its sweeping clauses and indifference to the accepted principles of legal and political procedure in peace-time all the marks of the distasteful exigencies of brutal war. But there were only four members prepared to oppose the Bill's introduction, and they did so on pacifist grounds; while, in debate, Labour and Liberal members, in full agreement, were only anxious to supplement the measure with certain safeguards. The Home Secretary, who steered the Bill through the Commons, was ready to meet them half way; unconditionally he gave a pledge that in no case would the emergency powers be used in industrial disputes; and it was made quite clear that no extension of conscription, for the fighting forces or into industry, was intended, and that no civilian would be placed under the edict of courts martial. The Act is ready for use, a stern reminder of the character of war-time organisation. If war comes, it is only the beginning. Much more conscription of man-power would then be inevitable, and even the sparse limits set to this wide measure would assuredly be overstepped. It is the thin end of the wedge of arbitrary rule and regimentation which the irony of events may decree to be our only means of preserving freedom and democratic ways.

**Attitude of the Dominions.**—Statements made this week by responsible Ministers in the Dominions echo those

which were made during the crisis of a year ago. In Australia Mr Menzies, the Federal Prime Minister, has stated that it would be a cardinal error for any country to assume disunity among the British peoples. Australia stood where she stood twenty-five years ago with Britain. From New Zealand comes a statement by Mr Fraser, the Acting Prime Minister, in which he said that if war came it would find the people of New Zealand standing shoulder to shoulder with the Mother Country. In Canada Mr Mackenzie King, the Prime Minister, has not yet made a precise statement of policy: it is known, however, that the Canadian Parliament will be called whenever a decision is imminent, and little doubt is felt of what Parliament's decision will be. South African opinion continues to fluctuate between the views of the Government and those of the Nationalist Party. Speaking as leader of the Nationalists, Dr Malan has called for a neutral policy towards a European war, holding that thereby South Africa will best assure the inclusion in the Union of South-West Africa. The Government's course will naturally be circumspect, a compromise between those who lean towards, even if they do not favour, the Nationalist view, and those who, like General Smuts, think that South Africa must play a loyal part as a member of the British Commonwealth. In face of the German-Russian pact the position of the Indian Congress, anxious to discredit the British Raj but to retain its idea of solidarity with the democracies, will be even more uncomfortable now than it was before. Congress must become either isolationist, in which case it loses its international flavour and its right to be regarded as a party of principle, or it must be ready to back the defence of the Commonwealth. Perhaps the most encouraging aspect of the various speeches and comments which have been made is the general approbation of what the British Government has done in past months and what, by standing firm, it means to do to-day.

**Rail Threat Withdrawn.**—On Tuesday, the Associated Society of Locomotive Engineers and Firemen decided to call a strike on Saturday night unless their demands for higher pay, longer holidays and improved working conditions were forthwith conceded. This was a threat to paralyse the nation's railway system at the peak of a national emergency; and the wiser second thoughts which led the enginemen to call off their strike on Thursday came in the nick of time to save them from nation-wide condemnation and, not impossibly, stern official measures. The A.S.L.E.F. will discuss their claims further with the railway managers, and in preferring discussion to force

they will emulate their colleagues, the National Union of Railwaymen. The N.U.R., too, have claims upon the railway companies' recently increased revenues, and better claims than those of the 50,000 relatively well-paid engine drivers, firemen and cleaners of the A.S.L.E.F. There is no weaker spot in the railway wage structure than the fact that over 100,000 railwaymen receive weekly wages of less than 50s., and nearly all of these are members of the N.U.R. The companies have offered a weekly minimum of 45s., and the N.U.R., still claiming 50s., have properly consented to return the matter to the Railway Staff Tribunal who rejected their claims in February with regret. Even so, apart from the argument *ad misericordiam*—the plea that a living wage should be a first charge on railway revenues—it is hard to regard the case for higher railway wages now as convincing. The cuts of 1931 were fully restored by 1937, although the volume of merchandise carried on railways had fallen 11 per cent. since 1929. Last year, when the main line companies' net revenue at £29 millions was only £240,000 more than in the worst year of the depression, the total sum paid in wages was virtually the same as in 1929, when net revenue amounted to £45 millions. This year net revenue at the best is unlikely to exceed £34 millions. The railwaymen are receiving at least as large a slice as in 1929 of an appreciably smaller cake; and it is a more valuable slice, because the cost of living is still lower than it was ten years ago. Nor is this all. In 1938 payments to equity stockholders amounted to just over £1,500,000, against £11 millions in 1929; and even in 1937 payments to equity stockholders were less than half their 1929 figure. Stockholders, too, have a cause to plead *ad misericordiam*. They have borne the brunt of the railways' post-war decline, while the trend of railway finance has continued, admittedly with justice, in favour of the wage-earners; and it is doubtful doctrine to assume again that the next increase in net revenue should be handed *in toto* to labour.

**Manning the Home Defences.**—The absence of public excitement and hectic improvisation which marks off the present crisis from that of last September is in no sphere more pronounced than in that of civil defence. What has in fact happened since Monday has been little more than an acceleration of the routine additions of detail to the effective structure based on the reasonably complete plans which, after months of agitation and steady administrative effort, now exist on paper. Preparations in factories were given an impetus on Monday by the announcement that the code making precise the obligations on owners provided in principle under Part III of the Civil Defence Act would shortly be put into effect. This may be done unobtrusively and quite effectively by the simple issue of instructions to factory inspectors. A Ministry of Health circular to housing authorities at the same time indicated that their present responsibility for the repair of working-class houses will be extended by emergency legislation to all buildings used for the accommodation of the general population in war. These authorities were thus apprised of their general duty to see that the people are housed, and informed that they will be assisted by Government loans for necessary repairs. The effect of Tuesday's Cabinet statement was to call up a small proportion of A.R.P. personnel and to instruct the whole force of two million odd to stand by. At the same time it was known that the Lord Privy Seal, in a letter to local authorities, had recommended the arrangement of temporary transfers of part of the existing force between adjacent areas with the object of meeting strains imposed by day to day conditions or filling for the time being the gaps in those areas which have not so far fulfilled their duty in Civil Defence. Most definite of all, and reflecting most strongly the anticipation of immediate war, were Wednesday's announcement that all possible preparation should be made by individuals and local authorities for compliance with an Emergency Lighting Order, the calling up of the London Anti-Aircraft military units and the instruction to school teachers and others responsible for the direction

of evacuation to be available for duty on Saturday morning.

There is thus a full assurance that what can be done at once will be done. The arrangements for the moving of four millions of the population of the evacuation areas are complete and in certain preliminary details the machinery is already in motion. For the seven millions that remain shelter is all ready for perhaps two and a half millions, and can be provided by the erection of steel shelters already delivered for four million more. There is plainly a gap here. It is not possible to assemble the parts of 700,000 steel shelters and sink them three feet in the ground in a very short time. Moreover, the absence of street refuges means that people caught between their homes and their work may be virtually unprotected. This part of the work will probably take even longer than the provision of complete shelter in dwellings and factories. But those arrangements which are independent of the time factor are not likely to be made ineffective by absence of administrative machinery or responsible personnel. For what it is worth, Britain can face a war with a civil population at least as well protected as that of any country in Europe and probably better.

**The Pope's Appeals for Peace.**—Last Saturday the Pope took the opportunity of an address that he was delivering to a party of pilgrims from Venetia in order to make an eleventh-hour appeal for peace. He implored the rulers of the peoples to "put an end to war where it now rages, and to preserve all from the scourge of new and still more tremendous sanguinary conflicts." He spoke very strikingly, in the name, not only of "Catholics throughout the world" but of "all those who, while living outside the Church, aspire equally to peace." On Thursday evening His Holiness made a second, more urgent, appeal. He spoke of the supremacy of reason over force, for it was by reason and not force that the justice could be assured without the practice of which no empire was blessed by God. He asked for mutual understanding. "The whole world wants peace—bread and work—not steel and war." These appeals are not overtures to any attempt at political mediation. The Vatican has no political power or status, and it would merely compromise its possibilities of fruitful action on the religious plane, which is its own, if it were to make concrete political proposals or even to express a moral judgment on the respective responsibilities of the parties to the impending conflict. In the past to which we have come, it is hardly conceivable that even the united efforts of all the Churches could prevent war if Herr Hitler is bent on it. On the eve of the deluge, the prophets can do no more than give their testimony. On the morrow of it, they can rally the remnant that are left.

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**The "Oslo" States and Neutrality.**—Among those men who will be remembered for having tried to keep the peace this week is King Leopold of the Belgians. In his own name and in those of the heads of the seven small States whose representatives are now gathered in Brussels, he broadcast an appeal on Wednesday that was all the more moving for having come from the capital of 1914's first victim. "We want peace with respect for the rights of all nations," he said—and none better than he can know what that means. This thought and its implications will be very close to the minds of those who sit at this week's conference, representatives of Belgium, Denmark, Finland, Holland, Luxemburg, Norway and Sweden. Switzerland's refusal to attend will lend added point to their deliberations, which will centre upon ways and means of remaining neutral. The problem is not as straightforward as it was in 1914. It might still be possible to avoid entanglement in the war on sea and land, but it remains to be seen how far it would be possible to remain outside the war in the air. When, in April, 1937, the British and French Governments officially released Belgium from all obligations towards them resulting from Locarno and other arrangements, while maintaining the guarantees to Belgium given at Locarno, the danger of hostile aircraft passing over Belgium had not escaped notice. It was obviously of the greatest importance that, in default of air passage actually being impeded, warning of it should be given by the Belgian Government. And it was understood at the time of the British and French declarations that King Leopold had given an assurance that the passage of foreign military aircraft over his country would be regarded as a violation of Belgian territory and as an act of war, which would bring into operation the Locarno guarantees.

Belgium is not the only "Oslo" State to be faced with grave danger of entanglement. The Dutch have long been aware of their danger, and, as in the crisis of last September, they have this week taken military precautions against a German *coup* across their frontiers. Among the Scandinavian States Denmark must expect to be subjected to a special German regime—possibly military occupation—in time of war; and what is occupied by Germany then becomes open to Allied attack. The position in the Baltic is now a good deal changed by the Russian-German Pact, but neither Finland nor Sweden will forget that possession of the Åland Islands may yet become a matter of dispute between the joint rulers of the Baltic Sea. Only Norway, her coast protected by the British Navy, is likely to find an easy course between the rival furies of fighting Powers.

**Standstill in the Far East.**—The Anglo-Japanese negotiations have come to a halt which is meant to be temporary but may turn out to be permanent. The breaking-off of negotiations between Sir Robert Craigie, the British Ambassador, and Mr Kato, Japanese Minister-at-Large, was followed by the simultaneous issue of *communiqués* by the British and Japanese Foreign Offices. The gist of these was, on the British side, that the silver and currency issues could not be discussed without bringing to the conference table representatives of "certain other Governments"—those of France and the United States—while, on the Japanese side, it was replied that this argument was inconsistent and inadmissible. Impatient at this diplomatic dilly-dallying, the Japanese Army has resorted to further threats against British property, although its threatened blockade of Hongkong has not materialised, and did not, apparently, square with the wishes of the Japanese Navy leaders. The anti-British movement in China continues to be cried abroad as the spontaneous product of Chinese indignation, and there is even some Press evidence that the Japanese think that we are fooled by this childish obvious manoeuvre. On the whole, it would seem that the Toyko Government is genuinely puzzled as to what its

next move should be; and that for the moment, even without the bitter news from Moscow, nothing more frightful was to be feared than a continuance of anti-British propaganda in the Press. Meanwhile, a further step has been added in the unhappy progress of the four Chinese prisoners whose detention in the British Concession at Tientsin was the original pretext for the blockade. The summons for a writ of *Habeas Corpus* granted on behalf of two British applicants has been dismissed in the courts, the judge deciding that no *prima facie* case had been made out that the prisoners were being illegally detained. There would now appear to be no effective obstacle of any kind to prevent the men being turned over to the Japanese-controlled Chinese courts.

**The Axis and Hungary.**—Last week we recorded the Hungarian Foreign Minister Count Csaky's visit to Herr von Ribbentrop at Berchtesgaden. It now appears that he did not leave Germany without being put through the ordeal of a visit to Herr Hitler himself, beginning in his villa at Berchtesgaden and ending in his inmost lair, the fantastic "tea-house" on the summit of the Kahlstein. While nothing of what passed has been officially divulged, we can reconstruct the scene on the analogy of what we now know of Dr von Schuschnigg's visit to Herr Hitler in February last year. We can learn more from the strenuous, though unsuccessful, efforts that have been made in Germany to keep the interview secret; more still from the immediate and totally unexpected journey by air which Count Csaky made from Germany to Rome on Friday of last week. Over these discussions in Italy, likewise, there has been a complete official reticence; but, as he travelled to Rome in a German Government aeroplane, we may conjecture that the German Government were anxious that he should satisfy himself at first hand that Hungary has no more prospect now than Austria had last year of obtaining any effective support for resisting German pressure. In Budapest on Monday, immediately after his return, Count Csaky published an emphatically worded denial of having been subjected to pressure of any kind. Yet it is hardly possible to doubt that, in truth, he was confronted in Germany with a demand (perhaps coupled with the offer of a territorial bait) that Hungary should give free passage for German troops both through Carpatho-Ruthenia into the Polish Ukraine and across the Hungarian plain into Rumania. How far the Hungarian Government has been able to resist such demands, we do not know yet. The Prime Minister, Count Teleki, is still taking vigorous measures of repression against the Hungarian Nazis; and on Saturday a courageous speech was made by the leader of the small Farmers' Party, Mr Tibor Eckhardt: a particularly able and vigorous representative of a group of political parties in Hungary which are not sufficiently *personæ gratae* to Germany to be able, nowadays, to hold posts in the Government at Budapest, but which may nevertheless cherish much the same views and hopes as Count Teleki himself on the vital question of Hungarian independence. The theme of Mr Eckhardt's speech was a sharp repudiation of Germany's claim to include Hungary within the *Lebensraum* of the Reich. We fancy that Count Teleki, and perhaps Count Csaky too, would say as much if their official position did not impose discretion. But for Hungary the question of her relations with Germany has now been reduced to terms of naked power politics.

**Roumania's Independent Line.**—Over the week-end news came from Bucharest that the Roumanian Government had suspended oil deliveries to Germany. Under the German-Roumanian trade treaty of last March, Germany is entitled to import Roumanian oil to the value of 25 per cent. of her total purchases from Rou-

mania. The quota has now been filled, and the Government has decided not to extend it. This will be annoying to the Germans. In 1938 they imported from Roumania 13.3 per cent. of their total oil imports of 5,268,000 tons, in 1939 they had good hopes of increasing this proportion, and for the future they had bigger and bigger plans. An interesting aspect of the suspension is its evidence of Roumanian independence, for, while during the past year the quota has sometimes been exceeded—whenever Roumania was importing unusually large consignments of German armaments and special goods—this time the Government has not hesitated to stand by the quota as it suited their convenience. A letter from our Correspondent in Bucharest, which will be found on page 403, points out that oil is not Roumania's only disappointment to the Germans. In several main branches of agricultural production they have found by experience that their hopes of last spring are not being justified in the event. There is nothing surprising in this. Apart from the primitive condition of much of Roumania's agriculture, it is to the direct advantage of the Roumanians to go slow in admitting German collaboration in bringing their agriculture up to date. Only in this way can they draw the benefit of German energy and capital investment without at the same time selling their commercial—and then their political—independence.

**A Federal Yugoslavia?**—The Yugoslav Government and the leaders of the Croat People's Party are still groping for an agreement. Early this week it was once more announced that full agreement had been reached between M. Tsvetkovitch, the Prime Minister, and Dr Matchek, the Croat leader. It is reported without official confirmation that this new agreement will be presented immediately to the Regency Council, now assembled at Bled. In this case, it may be hoped that it will not suffer the same fate as that which overtook the previous attempt at settlement. That was reached at the end of April, only to fall through after objections from the Regency—though the main cause of failure, as usual, was lack of confidence between Serbs and Croats. The urgency of the near-Balkan situation since the German entry of Prague last March has pushed the two sides a long way towards reconciliation; it was even agreed, what had seemed most unlikely, that constitutional difficulties should not stand in the way of administrative reform. The Croats agreed to waive their theoretical objections, so long as they could be satisfied in practice that they would receive full self-government under the customary federal conditions of a unified monarchy, unified defence forces, and unified foreign policy. Having got so far, the negotiators disputed for some time over the delimitation of federal frontiers, Bosnia being the bone of contention; eventually this, too, was settled. Croatia was to comprehend, as well as its own area proper, the districts of northern Dalmatia, northern Bosnia (down to a line which was not made known), and most of Primorska, more commonly called the Dalmatian Coast. Inland it was to be bounded by the valley of the Save. That would mean a federal Yugoslavia consisting of Slovenia (already effectually self-governing), Croatia, the Voivodina and Slavonia (districts between the Save and the Danube), and finally Serbia proper. The agreement said to have been reached this week will be on these lines. Given continued loyalty to the Yugoslav idea by the four or five federal units, it should provide a basis for complete reconciliation. All men of peace in the Balkans and beyond will hope that it does.

**No Change in Egyptian Policy.**—Egypt faces the world this week with a six-days-old Government. The Wafd remains in the wilderness, the Government being a product of co-operation between the Opposition and the palace. As with other "crisis" governments which have

been formed lately in small European countries, the new Cabinet contains a large number of "technicians" (or experts); while the Saadists (the dissentient Wafdist group) gain by the refusal of the Liberals to join the Government, and they have now five Ministers. The purpose of Aly Maher Pasha, the new Prime Minister, in appointing "technicians," is presumably to ensure that the vital administrative posts, such as those of Finance, Agriculture, Defence and Public Works, will be filled by men not subject to party discipline, and therefore less likely to defect from the Cabinet at a time when stable government is absolutely essential to Egypt's security. The resignation of Mahmoud Pasha, the outgoing Prime Minister, was on personal rather than political grounds, for he had been in ill-health for some time; the new Prime Minister stands high in palace circles and may therefore be expected to continue without change the policies of his predecessor. Those voices still raised in Egypt against full co-operation with the British are of less and less significance; with the passing of peace they may be expected to fade out altogether.

**Planned Work.**—The outstanding item of public interest on the agenda for the 71st Trade Union Congress, which will meet at Bridlington on September 4th, is the comprehensive resolution which calls for pressure on the Government to provide for "a planned development to be inaugurated immediately the armament programme begins to ease off." Additional importance is given to this resolution by the statement in the report of the General Council that the Prime Minister, at a meeting with a deputation from the T.U.C. in July, indicated not only that local authorities had been asked to prepare public works schemes, but that he had considered the setting up of an organisation without executive functions for the comprehensive and continuous survey of the problems of unemployment. Such a body is an obvious necessity, and the fact that, according to the Prime Minister's statement, he has only been prevented from putting his scheme into effect by pressure of other business, may be taken as a definite indication that the principle of positive action to deal with unemployment has been accepted. Such action remains necessary in all circumstances. If anything the outbreak of war will strengthen the argument for it.

**Work in Factories.**—At first glance most people would regard the working of last year's new Factory Act as without significance in a week when war looms nearer than it has ever done since the Great Powers mobilised twenty-five years ago. They would be very wrong in this view. The Report of the Chief Inspector of Factories for



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1938, which was published just a week ago, would be no less a handbook for war-time politicians, administrators and industrialists than it would be for public men in peace. The chief question about last year's working of the Factory Act is whether the speeding-up of work due to re-armament was responsible for an increased number of accidents. The answer is that it was not; the number of accidents was 7 per cent. less than in 1937, and the number of fatal accidents 6 per cent. less. In manufacturing industries alone, the improvement was over 10 per cent. for both accidents and fatalities. The presumption is that the new safety rules of the 1937 Act, which came into operation last year, have so far been noticeably effective—though it must be remembered, *per contra*, that 1938 was a year of marked depression in industrial activity. The moral of the moment is that the new Act, fortified by *ad hoc* provisions to meet the new strain, might be an invaluable aid in adding personal safety to the fevered and all-out industrial employment necessarily associated with modern warfare. It is not true that social amelioration ceases in war-time. The years 1914-18, with their record of social, educational and industrial welfare advance, are a standing disproof of this. The morale and minimum essential well-being of a nation 100 per cent. at war are dependent upon the extended and improved working of such measures as the Factory Act; and, at a time when it may well be necessary very soon to throw open vital industries to even younger workers than now, it is most important to note the fact that the general accident rate among young persons last year was still 7 per cent. in excess of the rate among adult workers. At home and abroad alike, in both peace and war, it is man power that is the sinews of material strength.

\* \* \*

**New Houses.**—There are signs that the upward trend of house building since 1919 is changing. Since the beginning of 1935 the number of houses built annually by private enterprise without State assistance has been falling and the number provided by local authorities with State assistance rising. The latest half-yearly return issued by the Minister of Health shows that the fall in the first-named category in the year ended March 31, 1939, was the largest recorded in a single year. Unassisted private enterprise provided 226,409 houses against 257,081 in the year ended March 31, 1938, and 286,374 in the peak year 1934-35. The magnitude of the fall was such that the rise in the number of houses provided by local authorities from 77,970 in 1937-38 to 101,764 in 1938-39 was more than offset, and the total fell from 337,602 to 332,360. It is apparent that a sharp downturn is only retarded and not now prevented by State-assisted building. Further evidence of a slackening trend is perhaps provided by an increase in the proportion of houses built by private enterprise for letting, which may possibly be interpreted as indicating a search for a new market. The proportion of houses having a rateable value of £13 or less (£20 in Greater London) built by private enterprise and occupied by persons other than their owners rose from 45.2 per cent. in the half year ended September 30, 1938, to 46.4 in the half-year ended March 31, 1939. The long term figures indicate that there is a great deal to be done in this field before building for letting reaches its pre-war level of 90 per cent. Of the four million houses built since 1919 (representing a rise of 50 per cent. in the total number of houses in England and Wales) two million are occupied by their owners.

\* \* \*

**The Plight of the Refugees.**—Any impression that, if left alone, the refugee problem will solve itself must be removed by Sir Herbert Emerson's first report as League of Nations High Commissioner for Refugees which is now submitted to the Assembly. It is easy to demonstrate that these persons are, in the main, representative of the highest classes in the economic and cultural life of the countries which have expelled them, but this does not absolve the peoples and governments of the countries of refuge from

an obligation to make positive provision for their immediate reception and ultimate settlement. The present report makes it quite plain that the strongest argument for their assistance is their present plight, which is growing worse rather than better. The statistical position is that between 120,000 and 140,000 persons left German territory during 1938, many of them in the disorderly rush which followed the pogrom of November, and of these only 60,000 have found new homes and occupations. The bare statement that over 60,000 people are adrift outside their home countries and without definite prospects of earning a livelihood, could be amplified into a long list of personal tragedies and intolerable hardships. About £20 millions has been provided since 1933 by governments, voluntary agencies and individuals for the assistance of refugees, but the Commissioner is unable to forecast any probable decrease in the amounts which will be required in the next few years. Present funds barely cover the requirements of urgent relief expenditure, and there is no margin for the financing of large-scale settlement schemes. The fact is that even if the actual rate of exodus is not accelerated, the plight of those who have already left must deteriorate unless internationally co-ordinated planning is undertaken at once and backed with adequate finance.

\* \* \*

**London Statistics.**—The forty-first volume of "London Statistics" fully upholds the high reputation of this series. We are once more presented with information on almost every subject connected with the metropolis, in a form which makes it easy to study both the wood and the individual trees. It provides the seeker after statistical curiosities with almost unlimited material, such as the ten fisher-women recorded as insured against unemployment in Greater London. This year special attention has been devoted to the statistics of Public Libraries and Museums, which show that they are used more than the cynics might imagine. On the larger issues the main impression created is that all the major trends of recent years have been continued. It is all too easy to assume that this simply represents "normal development," and does not therefore call for any hard thinking. Yet in many cases these cumulative movements, however familiar they may have become, resemble the cumulative addition of straws to the camel's back. Every year that the population of Greater London grows larger and more scattered makes the transport problem progressively harder to solve and the need for a Green Belt progressively more acute. The position with regard to transport is really more difficult than appears from the figures of total population, for the number of children is continuously declining, and this partly masks the increasing number of adults who travel at peak periods. Similarly, the need for some change in the administrative system to secure better co-operation becomes ever more pressing. The area controlled by the L.C.C. now only contains 4,094,500 people out of a total in Greater London of 8,655,000. These problems must not be shelved indefinitely merely because there is no single time at which the situation suddenly becomes intolerable.

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## THE WORLD OVERSEAS

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# THE FREE CITY OF DANZIG

## 1. Danzig from 1308 to 1938

THE main town of Danzig was founded by the Order of Teutonic Knights in the early years of the fourteenth century. It has remained a city of Germans ever since. The Order found it in 1308 a ducal seat defended by a wooden fort and palisade and left it in 1454, when King Casimir of Poland incorporated Danzig within his realm, a leading member of the Hanseatic League. Danzig is a product of Polish as well as of German civilisation.

Throughout its history Danzig's position at the mouth of the Vistula has been one of political isolation. Its possession has been disputed for nearly seven hundred years; and this year 1939, six hundred and thirty-one years after the coming of the Teutonic Knights, may well mark one more step in that unending dispute.

The city has never prospered without Polish goodwill, and Danzigers have usually preferred to stand well with Poland. They have understood that their position exacted a special status, and they have usually been glad to undertake the responsibilities which that implied. It was after the final partitioning of Poland that the special status of the city was developed on modern lines. In 1793 Danzig came under Prussian rule; in 1807, after the Peace of Tilsit, free port privileges were restored to the city, watched over by a Polish garrison; in 1814, once again, Danzig returned to Prussia and lost those privileges. It was therefore historically justifiable that the Allies, in carrying out Wilson's Thirteenth Point, should make of Danzig and its immediately adjoining territory a Free City.

Weimar Germany's grievance against Poland was not so much the retrocession of Danzig and its new status (for that was by no means unfavourable), as the driving of the "Corridor" between West and East Prussia and, on a wider view, the fact of Polish resurrection. Beyond the confines of the Free City, and only to a limited extent within them, there existed no Danzig question until 1933. Even then Danzig figured only as a minor item in the long account which the Nazi Party presented to the world for settlement.

But for the Free City itself the Danzig question was born in the same moment as the Polish State. Perhaps the main reason for this was the unwillingness of most Germans to believe that Poland could go on living as a separate State and their disappointment when the Battle of Warsaw proved that she could. There were plenty of facts to support the view of those middle-class Danzigers who said that Poland would quickly disappear, and that it was therefore better, from Danzig's point of view, to hasten that disappearance and unite again with Germany. And the workers saw in Poland the adversary of Soviet Russia and a product of international capitalism. In 1920, with the Russians advancing on Warsaw, the dockers of Danzig refused to handle munitions ordered for the Polish army, and in so doing they strengthened beyond all words—those were to follow—the Polish case for Gdynia.

In the nineteen years since then there have been two groups of opinion in Danzig: one group, the smaller but the more vehement, who have never reconciled themselves to Poland's existence and who have regarded the overthrow to Poland's existence as merely a matter of time; and the second group, composing the bulk of Danzigers, who were ready after the first few years to settle down and co-operate with the Poles as best they could.

From 1920 until 1925 the Nationalists governed Danzig. After a brief interlude of coalition between the Catholic Centre, the Liberals and the Social-Democrats, the Nationalists returned to office in 1926 and continued until the end of the following year. By that time the power of the League of Nations was running at full strength, the Polish State was firmly launched on its career and Weimar Germany seemed to have forgotten some of its bitterness.

In elections held in November, 1927, the Social Democrats ousted the Nationalists from their leading position, and two months later they formed another coalition government with the Centrists and the Liberals. The Nazis captured one seat.

Unlike the previous coalition government, however, they were less successful in their dealings with Poland. To a large extent they may be excused by the fact that it was in the years immediately following 1927 that the Poles began to construct the alternative port of Gdynia, fifteen miles away on the western side of Danzig Bay. In 1930 there were fresh elections, and this time the Nazis, drawing strength from their campaigns in Germany, increased their representation in the Volkstag to twelve seats out of seventy-two. More important still, they became the minority party which held the balance of power, and through this were able to exert a powerful influence on the Centre-Nationalist coalition which took office in 1931.

Long before the elections of 1933 it was clear that the Nazis hoped to obtain the two-thirds majority which was necessary to them before they could legally alter the con-

THE MIDDLE BALTIC



stitution, and that with the alteration of the constitution much else customary in Danzig would alter as well. Great preparations were made. Herren Goebbels and Kerrl made speeches in the Free City. On the eve of the poll Herr Hitler, now Reichschancellor, broadcast an exhortation from Berlin. If the Left Parties had needed a warning, it was given to them on May 12th, two weeks before the election, when Nazi storm troopers co-operated with the Danzig police to seize the headquarters of the trade unions. In the event the Nazis obtained 38 seats, more than half but still less than the necessary two-thirds of the Volkstag.

Dr Hermann Rauschning, a former member of the Danzig Nationalist Party, became President of the Senate (the executive governing body), presiding over eight Nazis, two Centrists and one Independent. Between June, 1933, and August, 1934, his administration spent, on public works and propaganda, money given by the Reich which was confidently reckoned to have amounted to a total of 30 million Reichsmarks. Almost at once after the elections, following the policy of Herr Hitler in Germany, there was a marked *détente* in Polish-Danzig relations, and on June 20th Dr Rauschning and Herr Greiser, the



Vice-President, went to Warsaw for economic discussions with the Polish Government. The visit was a success, and several important agreements were signed.

The new Government took about six months to get into its stride. Thereafter it is no exaggeration to say that there was no peace, either for the Polish Government, for individual Poles, or for Jews and members of the Opposition parties. By the end of 1934 the subsidies from the Reich had stopped flowing, and this loss of revenue, added to the difficulties caused by excessive expenditure, urged the Senate to demand new terms from the Poles.

The elections of 1935 were a bitter disappointment. Only 60 per cent. of the electorate voted Nazi, compared with 50 per cent. two years before. After the polling was over, the Supreme Court ruled that three per cent. of the Nazi votes in the City and ten per cent. in the rural districts must be discounted; in the end the Nazis gained only one seat more in the Volkstag on what they had had before.

## 2. The Versailles Status

ACCORDING to a letter written in 1919 by M. Clemenceau to Count von Brockdorff-Rantzau, leader of the German Delegation at Versailles, Danzig was "severed from Germany because in no other way was it possible to provide for the 'free and secure access (of Poland) to the sea' which Germany has promised to concede." The City was put under the full protection of the League, and League representation was provided for (and still exists, in theory, in the person of Dr Karl Burckhardt); although subsequent events have rendered that protection invalid, it should be noted that at no time was the Polish Government in a position to influence directly the general Government of Danzig.

In accordance with Article 104 of the Versailles Treaty, a convention was made whereby Danzig was placed within the Polish Customs area, Poland was assured the free use of the port without any restriction, and also control and administration of the Vistula and railway system as well as of postal, telegraphic, and telephone communications between Poland and the port. Poland further has the right to develop and improve the waterways, docks, etc., to provide against discrimination, and to conduct the Free City's foreign relations. In its final form, signed at Paris in November, 1920, the convention provided for the setting-up of a Harbours and Waterways Board with equal representation of Poles and Danzigers. The Customs service was to be manned by Danzigers under Polish supervision. The number of Polish Customs inspectors has usually been about 35; some months ago this was increased, but the total is still less than one hundred.

In regard to the defence of the Danzig Free City, it is

It was only too clear that the people were not sufficiently with them.

The history of the last four years is one of open and ruthless coercion. As early as 1935 the League High Commissioner in Danzig remarked that his own "intermittent efforts" had not "prevented the application of an anti-constitutional policy in a steadily increasing degree." On October 20, 1937, the Centre Party was dissolved, and with it went the last remnant of the Opposition; and in the same month there were anti-Jewish riots. The League Commissioner's office had already become a farce.

As a slogan, "Back to the Reich" did not appear until after the elections of 1935. Even then, although reversion to the Reich must have been the Nazi aim since the beginning, the Senate soft-pedalled during the next two years; and it was not until the September success in Czecho-Slovakia that Berlin gave orders for a full-blast campaign of reversion.

important to note that Poland was provided by the League with full powers to act against all possible forms of aggression. On such questions the Council of the League came to very precise conclusions. A report by Viscount Ishii was adopted on June 22nd, 1921, whereby

it will be within the competence of the High Commissioner to anticipate the authorisation of the Council and to address a direct invitation to the Polish Government to ensure the defence of Danzig or "the maintenance of order" in the following cases:

(a) In the event of the territory of the Free City being the object of aggression, threat or danger of aggression from a neighbouring country other than Poland, after the High Commissioner has assured himself of the urgency of the danger;

(b) In the event of Poland being, for any reason whatever, suddenly and effectively prevented from exercising the right possessed by her under Article 28 (to import and export freely via Danzig) of the Treaty of November 9th, 1920.

It will be recognised that these two alternatives fully cover the present threat to the *status quo*.

In its original form (i.e. before the Nazis obtained power) the Danzig Statute provided for autonomous government through a Volkstag, or legislative chamber, and a Senate, or executive cabinet. The Volkstag was to have 72 members, and the Senate 12. The President of the Senate would be the head of the Government. The population of the Free State is about 400,000, of which rather less than ten per cent. are Polish, and the area of it is about the size of a large English county.

## 3. Danzig in 1939

THE fortunes of Danzig are to-day, as they have been for the past three and a-half years, in the hands of a small group of men whose one aim has been to transmit effectively the orders of Berlin. In general, they may be commended for their efficiency, for they have let nothing stand in their way, least of all the commercial well-being of the Free City. They have stamped out all overt opposition, confiscated much Jewish property, and instituted all the paraphernalia of the party-State. They have taken under their hand every organ of administration and opinion, and the apparatus of suppression and repression has been faithfully copied from the Reich.

Not all of this small group of men are Danzigers. The most important of them, Herr Forster, is a Bavarian who first went to Danzig in 1930. In his capacity as secretary of the Danzig Nazi Party, he has since then carried the mantle of the Fuehrer himself. In addition to being

Gauleiter of Danzig, Herr Forster is a member of the Reichstag, and at the time of his appointment was also a Prussian Counsellor of State. It is he who takes the stand at big parades, makes the important speeches, and has the final say on every question of policy. Playing Fairfax to Herr Forster's Cromwell, Herr Greiser became Vice-President of the Senate in 1933, and shortly afterwards, when Dr Rauschning proved impossibly scrupulous, full President of the Senate. His main task has been that of drawing the world's attention to Danzig; among his more successful public appearances was the occasion on which he thumbed his nose at the Press of the whole world during a meeting of the Council of the League of Nations. Both from his manner in negotiation and the matter of his public utterances it is obvious that Herr Greiser is a man of much smaller capacity than Herr Forster. He is, however, a Danziger.

Lesser lights who play important rôles in Danzig are

Dr Fuchs, the head of the Senate's Press department, and Herr Zarske, the editor of the *Danziger Vorposten*, the organ of the Danzig Nazi Party. Beyond that it is unprofitable to go, for the local Nazis are no longer in control. During the past three months or so there has been a steady infiltration of Reich Germans, police, propagandists, soldiers and civilians. It may be presumed that complete Reich control has now been established for several months. By a Senate decree issued on Thursday, Herr Forster took over complete power in the Free City, thus sweeping aside the Versailles Statute.

In the early days of Nazi government in Danzig its organisations comprised only an inconsiderable number of people, and on October 10, 1937, Herr Forster publicly admitted that only one-tenth of the population (of which the total is about 400,000) belonged to the party. But after the failure of the 1935 elections to yield a majority by constitutional means, voluntary enthusiasm was no longer left to work on its own. Coercion came to help it. While it is impossible to state the exact number of men organised by the Nazi Party, and therefore presumably liable to terms of military service, the number may be estimated within rough limits. According to the 1929 census figures there are in Danzig some 75,000 German-speaking males between the ages of 20 and 50. It is reasonable to assume that two-thirds of these are enrolled in party organisations and that one-fifth would be available for immediate military service. To these must be added from two to four thousand "tourists," members of the Reichswehr and of the German police. The total of effectives is therefore somewhere in the neighbourhood of 20,000, and probably rather less than this number.

That, then, is the picture of Danzig at the moment of its greatest crisis. A city inhabited by Germans and governed by a Nazi dictatorship which is sincerely supported by only a fraction of the population. The dictatorship is so complete, and Polish supervision so abruptly set aside, that reversion of the city to the Reich would mean very little alteration from its present regime.

It must, therefore, be asked why the whole Polish nation is prepared to fight odds which may be overwhelming in order to prevent that reversion. Setting aside the arguments of prestige and propaganda, the Poles have two reasons. It will be seen that they are quite conclusive.

The first reason is economic. Gdynia has grown mightily, but it is not yet, and cannot be in any near future, able to handle the whole of Poland's maritime trade. If Danzig is ceded to Germany, even on the condition that Poland is to retain her free-port rights, the Germans will have obtained a trump card for the purposes of diplomatic and commercial bargaining.

The second reason is even more important, though it is closely linked to the first. Danzig and its territory, wider

from east to west than the Polish Corridor, was established by the Treaty of Versailles as a demilitarised zone. Neither the Free City authorities nor the Polish Government are allowed to maintain troops there or to make military dispositions, the sole exception to this being the small Polish guard over the munitions dump on the narrow Westerplatte peninsula, marked on our map. So long as the territory remains demilitarised, the Poles may rest assured of their ability to repel, or at least to counter, a surprise attack on the Corridor. But a glance at the map will show that the defence of the Corridor is conceivable only so long as Danzig remains clear of German troops.

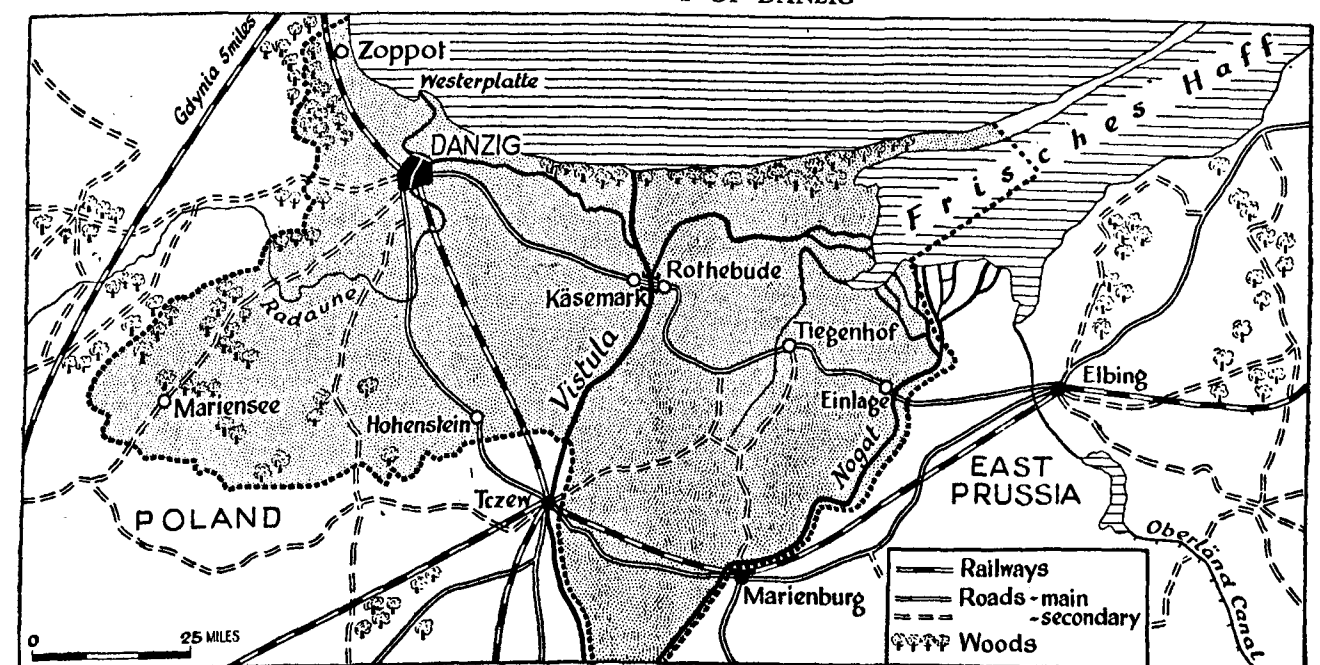
Danzig, then, must remain demilitarised; and if it cannot be Polish then it must not be German.

It may be answered that, in fact, Danzig is no longer demilitarised. Since the middle of June the Government of the Reich has collaborated intimately in an emergency militarisation of the Free City and territory. In addition to the dispatch of troops and special police, large quantities of arms and ammunition have been sent into the Schichau Wharf (see map), from which Polish customs inspectors have been forcibly excluded, smuggled across the frontier from East Prussia, and transported in barges over the waters of the Frisches Haff. The small island of Holm has become a regular arsenal. Anti-aircraft guns, field guns, and even heavy Skoda guns taken from the Czecho-Slovak fortifications have been mounted on the Bischofsberg and other strategic points. Schools have been turned into barracks, new barracks built, and trench lines dug to the south and west of the city. For weeks many thousands of armed men have been training and standing to arms.

The implication is clear. By the terms of the Statute the Poles are now entitled to march into Danzig to restore the status set up at Versailles. The German Government means to make it impossible for them to do this without provoking general war.

If the German Government's calculations prove wrong, and Poland orders her troops into Danzig, the fight that will follow may be expected to be brief and brisk. Danzig's *Heimwehr*, unless heavily reinforced from East Prussia, will be swept, more or less literally, into the sea. For although they have now established direct communication with Elbing by way of a pontoon bridge between Kaesemark and Rothebude and the road-bridge at Einlage (the other bridges are at Marienburg and Tczew), they will face Polish troops advancing from Tczew and from the south-west and west. While they are retreating to their trench lines they will be shelled from the heavy guns on the Hel Peninsula, which guards Danzig Bay, and from the batteries which the Poles are understood to have in position at various points on the border of the territory. With the appearance of the German Army, of course, the war would enter an abruptly different phase.

THE FREE CITY OF DANZIG



## 4. Danzig's Share of Poland's Trade

DANZIG is an economic dependent of Poland. This is as indisputable as that its population is German. The Germans argue as if Poland's trade policy must be arranged to suit Danzig's convenience and Poland's thirty-three millions must dance attendance on Danzig's four hundred thousand. The argument stems from German unwillingness to be reconciled to the existence of Poland: in the face of facts it makes the sheerest nonsense.

The Danzigers have only one substantial grievance against Poland, and that is that Poland is economically no longer entirely dependent on Danzig. The thirty-three millions have at last got the better of the four hundred thousand. Basically Danzig's case against Gdynia rests on a decision of the League High Commissioner in 1921 that: "the Polish Government will engage to make full use of the port of Danzig, whatever other ports she may open in the future on the Baltic coast..." This statement has been variously interpreted by jurists, but generally this engagement is assumed to have been implied by the terms of the Versailles Treaty.

Setting aside the fact that the refusal of Danzig's dockers to load munitions in 1920, and the conduct of the Nationalist Senate up to 1927, were between them largely responsible for inspiring the Poles to a most costly and difficult effort, there is sufficient substance in the case put forward by Danzigers to make it worthwhile examining the facts.

The tables below tell the whole story in a comparison of the trade handled by Danzig and Gdynia.

TRAFFIC HANDLED BY DANZIG AND GDYNIA  
(In millions of tons)

|              | 1936 | 1937 | 1938 |
|--------------|------|------|------|
| Danzig ..... | 5.30 | 7.20 | 7.13 |
| Gdynia ..... | 7.74 | 9.01 | 9.17 |

POLISH TRAFFIC THROUGH GDYNIA AND DANZIG, 1928-1938

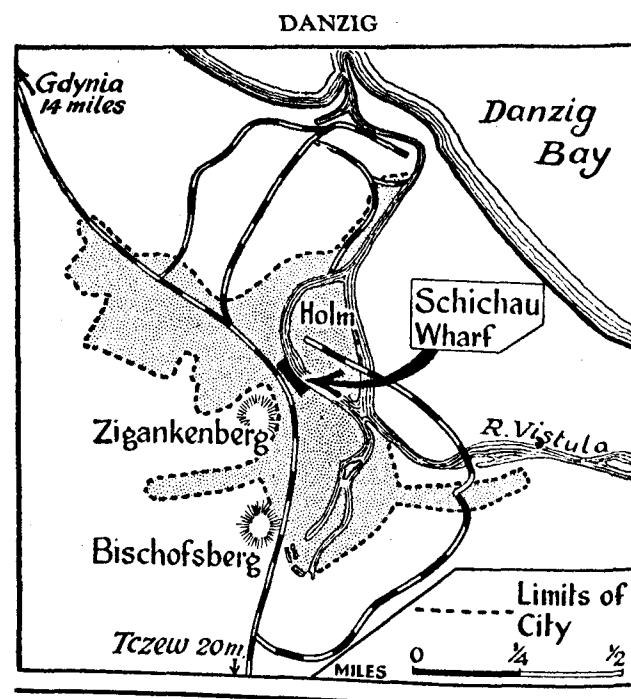
|                     | 1928  | 1929  | 1933 | 1934 | 1935 | 1936 | 1937  | 1938  |
|---------------------|-------|-------|------|------|------|------|-------|-------|
| (In million tons)   |       |       |      |      |      |      |       |       |
| Exports:—           |       |       |      |      |      |      |       |       |
| Gdynia .....        | 1.6   | 2.5   | 5.0  | 5.9  | 6.3  | 6.3  | 7.2   | 7.4   |
| Danzig .....        | 6.7   | 6.9   | 4.6  | 5.3  | 4.2  | 4.4  | 5.1   | 5.2   |
| Imports:—           |       |       |      |      |      |      |       |       |
| Gdynia .....        | 0.1   | 0.2   | 0.7  | 0.8  | 0.9  | 1.2  | 1.5   | 1.3   |
| Danzig .....        | 1.6   | 1.6   | 0.4  | 0.4  | 0.4  | 0.5  | 0.8   | 0.8   |
| Total:—             |       |       |      |      |      |      |       |       |
| Gdynia .....        | 1.7   | 2.7   | 5.7  | 6.7  | 7.1  | 7.4  | 8.6   | 8.7   |
| Danzig .....        | 8.4   | 8.4   | 4.9  | 5.6  | 4.6  | 4.9  | 5.9   | 6.0   |
| (In million zlotys) |       |       |      |      |      |      |       |       |
| Exports:—           |       |       |      |      |      |      |       |       |
| Gdynia .....        | 45    | 71    | 239  | 270  | 311  | 370  | 477   | 485   |
| Danzig .....        | 588   | 699   | 284  | 328  | 278  | 306  | 316   | 278   |
| Imports:—           |       |       |      |      |      |      |       |       |
| Gdynia .....        | 34    | 64    | 297  | 385  | 451  | 578  | 721   | 698   |
| Danzig .....        | 888   | 793   | 124  | 84   | 77   | 71   | 100   | 98    |
| Total:—             |       |       |      |      |      |      |       |       |
| Gdynia .....        | 79    | 135   | 536  | 655  | 762  | 948  | 1,198 | 1,183 |
| Danzig .....        | 1,476 | 1,492 | 408  | 412  | 355  | 377  | 416   | 376   |

Judged on the *volume* of goods, Danzig has nothing to complain of; judged on the *value* of goods, she has weighty evidence to support her case. More and more the Poles have left Danzig to handle the heavy, and therefore less remunerative, exports such as coal and metal ores, and sent through Gdynia their grain and dairy produce. It will be seen from the tables that nearly all of Poland's maritime imports come through Gdynia, denuding Danzig not only of docking and handling fees but also of much of the customs revenue on which the City's finances largely depend.

Among the agreements which followed the visit to Warsaw of Dr Rauschnig and Herr Greiser in 1933 was one which contained an undertaking by the Polish Government to give Danzig an equal share with Gdynia in Poland's maritime trade, both as regards quantity and quality. In return the Danzig Senate was to cease its anti-Polish policy. In the event this agreement was never carried through, although a protocol to it was signed and repeatedly extended until December of this year. The above tables show that the terms of the agreement have not been fulfilled by the Poles; nor, of course, has the Senate carried out its undertaking.

There are many ways of illustrating the discrepancy between value and volume. In 1937 Danzig's exports other than coal fell by nearly 200,000 tons; while imports other than metal ores rose by only 88,000 tons. Over the same period Gdynia's exports other than coal rose by over 55,000 tons, and imports other than metal ores rose by nearly 1.27 million tons. Both grain and timber exports have been consistently diverted over Gdynia. There is scarcely any dairy produce exported through Danzig. In 1929 Danzig handled 212,000 tons of Polish sugar; today she handles none. In 1929 81,000 tons of cement were handled in Danzig, nine years later it was only 500 tons—while Gdynia's consignments had meanwhile risen from nil to 54,000 tons. Imports of copper and zinc are almost entirely through Gdynia. In 1938 Danzig's 0.8 million tons of purely Polish imports were worth 98 million zlotys, Gdynia's 1.3 million tons were worth 698 million zlotys.

The Polish reply is to point to the conduct of the Danzig Government as an irrefutable argument for pressing on with the equipment of Gdynia. They cannot afford to risk the probability that their maritime trade (which in 1938 amounted to 78 per cent. of all their foreign trade) will



otherwise be subjected to hindrance and delay by a Danzig Government under the direct orders of Berlin. They point, too, to the volume figures while omitting to compare them with the value figures; and without that comparison they are of course on very safe ground. In 1920 Danzig handled a total trade of 1.84 million tons. By 1928 this had risen to 8.62 millions, well over four times the pre-war level. In 1933, at the bottom of the slump, the figure still stood at 4.95 million tons; by 1938 it was six millions.

Nor do the Poles admit that the equipment of Danzig has been neglected. It is estimated by one Polish authority that up to 1930 more than 32 million gulden (about £1,250,000) were spent on improving Danzig's harbour equipment.

Exports of timber through Danzig have increased from less than 300,000 tons before the war to an annual average of about 1,000,000, and this increase has meant a big extension in handling and storing facilities. A large number of new cranes, warehouses, handling equipment, have been installed; the length of quays has been extended.

On an unprejudiced view, therefore, Danzig's complaints have only a relative significance. That the Poles have not given Danzig all they promised (and far from what the Danzigers demand) does not obscure the fact that after 20 years of Polish supervision Danzig is a greater city than ever before in its history.

## THE WORLD OVERSEAS

### Poland's Monetary Problems

THE economic life of Poland to-day is dependent on the momentary political horizon and on the needs of national defence to a degree not to be found in any other country—certainly not in either England or France. A century of partition and the depredations of rival armies during more than six years of war withheld from Poland the fruits of the industrial development of the nineteenth century; since then she has nevertheless been compelled to focus her major effort upon making good the deficiency on the military side, while leaving the development of consumption goods industries until some more auspicious moment.

Further difficulties have been encountered in the monetary field. Poland lacks the reserves available in richer countries for the financing of intensive military preparation and the maintenance of an abnormally large force under arms. The difficulties have been overcome so far by means of bank credits and the issue of an Air Defence Loan. The latter owed its success largely to compulsion, which was necessary despite the enthusiasm with which it was greeted, and to the fact that (rather on the model set by Germany) the loan could be used for the payment of taxes to the State. Pressure upon available resources meanwhile continues and may yet make necessary drastic changes in monetary policy. It was doubtless with this consideration in mind that the Polish Government, through the economic mission it recently sent to London under Colonel Koc, pressed for a gold transfer (the actual amount mentioned was £5,000,000) which might be used for easing the financial strain. The plainest sign of financial pressure is the continuous increase in the monetary circulation, revealed in the following figures:—

|                         | Note Issue | Coinage | Total Monetary Circulation |
|-------------------------|------------|---------|----------------------------|
| June 30, 1937.....      | 989.5      | 427.6   | 1,417.1                    |
| June 30, 1938.....      | 1,137.4    | 431.4   | 1,568.8                    |
| September 30, 1938 ..   | 1,547.5    | 461.2   | 2,008.7                    |
| February 28, 1939 ..... | 1,289.4    | 431.8   | 1,721.2                    |
| March 31, 1939 .....    | 1,669.4    | 455.4   | 2,124.8                    |
| June 30, 1939 .....     | 1,847.8    | 480.1   | 2,327.9                    |

\* £1 = about 25 zlotys.

These figures would suggest a very considerable inflationary movement in Poland; but it must be remembered that there has been, during the last two years, a widespread movement of note hoarding which has become more pronounced with each successive crisis. The best guess that can be made is that something of the order of half the 900 million zlotys by which the monetary issue has increased over the period has simply been withdrawn from circulation so that to this extent the increase has not so far given rise to an expansion of money in use.

During the last few weeks there has been a new and inconvenient, if not very serious, wave of hoarding in the form of the accumulation of silver coins—whose bullion value is the accumulation of silver coins—whose bullion value is only 14½ per cent. of their face value. The result has been the almost complete disappearance of any coin of value greater than 50 groszy (about 5d.)—so that the change for the smallest note usually consists of over forty coins.

But this reveals only the monetary side of the picture. There are also a number of factors which suggest that the production policy followed in Poland has not been as expansionist as it might have been. All the indices of prices and the index of the cost of living are lower now than they were at the end of 1937 despite the considerable increase of the monetary circulation in the meantime. The index of production of 126.8 in March, 1939 (base 100 = 1928), shows only a comparatively moderate increase over the pre-depression years when set beside the enormous possibilities of development available in Poland. Further, of the 54 manufacturing industries where such a comparison is possible, the physical output has fallen in 1938 compared with 1929 in the case of 17—and these are for the most part working for a home market which is far from being satiated. Then, again, the

published figure of 456,000 unemployed for the end of 1938 is very little below the maximum figure reached during the depression (470,000 for the end of 1937) and still greatly above the 1929 figure of 185,000. Since these figures do not include the total number of unemployed it is clear that the available reserves of labour in Poland, even without calling on the teeming population of the villages, is still far from being exhausted.

The fact is that the state of the banking system and the lack of a private capital market make it impossible to develop new private industry in Poland to-day except, on the one hand, from the internal savings of existing firms or from the resources of individuals personally known to the entrepreneur or, on the other hand, from funds provided by the Government for military reasons. Thus long-term financing is haphazard in the extreme. An enterprise may obtain almost unlimited sums without interest or at a moderate rate (say 5 per cent.) if it has the blessing of the military authorities, while if it lacks that support funds will usually not be available on any terms; if they are the rate will not be below 9 per cent. and will often be very much higher. The same differences are to be found in the provision of working capital where even first-class private firms have to discount at about 8 per cent. and other private firms at 12 per cent. and more. It should be noted, however, that the published rates of interest are exceedingly delusive in Poland, owing to the practice of charging costs and commissions amounting to anything from 1 to 3 per cent. in addition to interest. At the same time funds have been made available for house-building at 5½ per cent. or even less. At a time like the present it may well be impossible to avoid this unsatisfactory method of financing, but it does appear that more funds might well be put at the disposal of sound industrial borrowers and that the State might mitigate its policy of taking all the available capital, often for purposes which have very little military importance.

#### After Deflation

Until almost the end of the great depression Poland followed a policy of rigid deflation in an attempt to maintain the value of the zloty at the level fixed in 1927. But by 1936 the pressure had become too severe; industrial production was still only 72 per cent. of what it was in 1928, wholesale prices 54 per cent. and the value of exports only 30 per cent. But even when it was decided to abandon deflation there was no decision to devalue; exchange restrictions were introduced in the middle of May, 1936. From this date the recovery of Polish industry began. It became unnecessary to preserve the large favourable trade balance which had been built up at such cost during the depression period. But a more important factor than the partial moratorium on foreign debts and the prevention of the export of capital from Poland lay in the fact that exchange control could be and was used to carry through an effective devaluation of the zloty. There was at the time and there still is a powerful demand for the formal devaluation of the zloty by persons who do not relish the extensive control of industrial activity which comes with exchange control. But these have been overruled, chiefly on the ground that a further devaluation would give rise to extensive distrust in the zloty among the peasant population and lead to a flight into goods and a reversion to the former practice of using foreign money for internal transactions. The recent waves of hoarding show that these fears are not wholly unreasonable.

But the problem remained that Polish prices were well above the world level and a further dose of inflation would have been intolerable. The method actually employed was that of a revenue tariff. Imports were restricted by the use of the power given by exchange control, and various methods used to persuade the exporter to accept a considerably lower zloty price from a foreign purchaser than he would have done from a Pole. Thus there are products for which the



domestic price is 15 zloty and the price for export 9 zloty, which means that, at the official rate of about 25 zloty to the pound, the pound will buy goods for which the internal price is about 40 zloty, which compares with the rate paid on notes in London of 30-40 zloty to the pound. The effective rate which can be calculated in this way differs according to the product and the country to which it is sent, but, with very few exceptions, the rate is considerably lower than the official rate, so that, despite the endeavours made to keep up appearances, the zloty is in effect devalued.

This policy has its merits, but involves a complicated and rigid apparatus of control which could be greatly simplified if the zloty were adjusted.

In Warsaw rumour has even gone so far as to suggest that formal devaluation, coupled with the removal of exchange restriction, was a condition for the grant of credits from Britain. There seems to be no more in this than the fact that the British authorities no doubt recommended this course, and were answered by the plea that it was impossible in the present state of confidence. But there seems still to be a good possibility of devaluation in the autumn, if the dangers abroad do not bring war. If a reserve fund in sterling were then made available it might be possible to relax the restrictions progressively, as was done in Austria between 1935 and 1938. In the short run exchange restrictions may be very useful, but until they are removed in Poland there is no chance of developing the confidence without which foreign capital will not be available. And it is only when foreign capital becomes available that the fundamental economic problems of Poland can be solved. But here, as elsewhere, a future policy must give way to the military needs of the moment, for without adequate defence there will be no future to provide for.

## German-Russian Relations

[BY OUR BERLIN CORRESPONDENT]

THE conclusion of a commercial and credit agreement between Germany and Russia came as a surprise after the many months that the negotiations had lasted. The movement of goods between the two countries has fallen to only about one-tenth of the 1930 level, so that an increase should be relatively easy to bring about. The new agreement governs, in summary form, the commercial exchanges of the two countries for the next two years. Germany accords Russia a credit of Rm. 200 millions, as was expected. This is, in practice, only a renewal of the 1935 credit, of which, in spite of frequent prolongations, only Rm. 182 millions had been used up to June 30, 1937, partly because German industry was either unwilling or unable to deliver the goods Russia required, partly because objection was taken to the qualities, delivery dates or prices quoted. Russia now undertakes to deliver Rm. 180 millions of goods (especially raw materials, oil, grain and wood) to Germany in the next two years. The structure of German-Russian trade and the importance of Russian raw materials for Germany can be seen from the following figures of the imports of the old Reich from Soviet Russia in 1937 and 1938:—

|                            | 1937<br>(Rm. millions) | 1938 |
|----------------------------|------------------------|------|
| Sawn timber .....          | 13.7                   | 18.6 |
| Petroleum and products ... | 14.9                   | 4.8  |
| Tobacco .....              | 4.5                    | 4.5  |
| Raw phosphates .....       | 1.56                   | 3.15 |
| Manganese ore .....        | 2.9                    | 2.9  |
| Flax .....                 | 6.7                    | 2.3  |
| Foodstuffs .....           | 1.5                    | 1.9  |
| Vegetable fats .....       | ...                    | 1.3  |
| Pit preps .....            | 0.4                    | 1.1  |

In the last two years the chief German (old Reich) exports to Russia have been as follows:—

|                                    | 1937<br>(Rm. millions) | 1938 |
|------------------------------------|------------------------|------|
| Machinery .....                    | 72.3                   | 11.1 |
| Of these, machine tools ..         | 47.8                   | 7.4  |
| Scientific and optical instruments | 6.7                    | 4.9  |
| Wire .....                         | 2.2                    | 3.1  |
| Chemicals and dyes, etc. ....      | 6.2                    | 3.3  |
| Ferro-alloys .....                 | 3.5                    | 2.1  |
| Tubes .....                        | 2.7                    | 1.3  |

Germany's exports to Russia are mainly finished industrial goods. Russia used the credit of 1935 to order (figures in Rm. millions): machine tools 87, machinery for chemical, cement or foodstuff factories 21, optical and scientific instruments 15, mining equipment 14, electric machines 9, power

machinery 8, printing paper and textile machines 6, ship-building equipment 2.5 and railway material about 1.

As Russian industry is capable of producing most mass-produced articles, the Russian demand is concentrated on special machines and equipment of high value, and German industry will have to make very severe efforts to meet the Russian orders, since it is not now in a position to use its export quotas even for payment in free currencies.

A commercial treaty, however, especially one concluded at this precise moment, is of fundamental importance, the more so since it has provided a basis for the non-aggression pact between Germany and Russia. The interests of other countries trading with Russia and other East European States are clearly affected by it. Germany's relations with the primary-producing countries have been much worsened by the expansion policy of the Third Reich. Germany was faced with the necessity of seeking an understanding with Russia in order to ensure the supply of the raw materials and food-stuffs necessary for the continuation of the armament programme. Hitler's primary aim is to be sure of his supplies, since there are no illusions that the domestic stocks of raw materials would last long in conditions of intensive demand for them, or that the soil would stand up for long to intensive cropping.

Given conditions favourable to Germany, Russia might form a broad enough basis of supply. If the situation develops as is hoped in Berlin, Germany will be indifferent to pressure from the west. Moreover, the Western Powers will disappear from Eastern Europe as political or commercial competitors with Germany. This can be seen from the geographical distribution of Russia's exports and imports. The figures in the following table have been converted into millions of Reichsmarks at the official Berlin rates:—

|                          | Imports from<br>Russia |       | Exports to<br>Russia |       |
|--------------------------|------------------------|-------|----------------------|-------|
|                          | 1937                   | 1938  | 1937                 | 1938  |
| Germany (Old Reich)..... | 65.1                   | 47.4  | 117.4                | 31.8  |
| Greater Germany .....    | ...                    | 52.8  | ...                  | 33.6  |
| Great Britain .....      | 357.9                  | 238.4 | 240.0                | 212.5 |
| Of which, re-exports ... | ...                    | ...   | 202.1                | 134.0 |
| U.S.A. ....              | 76.9                   | 60.1  | 107.2                | 174.2 |
| Belgium and Luxembourg   | 62.9                   | 66.4  | 37.8                 | 37.2  |
| Holland .....            | 55.4                   | 43.5  | 30.3                 | 32.0  |
| France .....             | 72.6                   | 44.5  | 11.3                 | 12.4  |
| Switzerland .....        | 7.8                    | 16.5  | 4.2                  | 5.8   |

In recent years Russian orders have been diverted to the United States, Great Britain and Holland; under the new agreement they could be re-diverted to Germany. Such a development is all the more likely, since Russian industry was largely equipped with German machinery, which must now be renewed or replaced. The purchase of English or American machinery would be more costly and less convenient. Under the influence of the Rm. 300 million credit of 1926, the two so-called Piatakof Agreements of 1931 and 1932 and the Rm. 200 million credit of 1935, Germany's portion of the Russian market rose to 47 per cent. of the whole of Russia's imports and 24 per cent. of the total exports in 1932. What has been done before can be done again.

August 23rd.

## French Economic Strength

[FROM OUR PARIS CORRESPONDENT]

STATISTICS concerning two great departments of French industry, metallurgical production and the export of automobiles, have just been published. Both show spectacular progress. The production of pig iron was 732,000 tons in July, against 719,000 tons in June and 433,000 tons in July, 1938. This brings production in the first seven months of the year up to 4,477,000 tons, against 3,610,000 tons in the corresponding period of 1938. The production of steel was 745,000 tons in July, against 763,000 in June and 436,000 in July, 1938, the production of the first seven months being 4,707,000 tons, against 3,664,000 tons in January-July, 1938. Furnaces in blast number 106, against 86 in June, 1938. Exports of automobiles in the first seven months of the year amounted to 20,904, against 12,250 in the corresponding period in 1938, a proof that the activity of the "civil sector" can be compared to that of the "war sector."

These statistics—however interesting to experts—are not closely followed by the general public. Results so favourable to the welfare of the community do not explain the remarkable calm and confidence of the country, in spite of the inter-

national tension. The average Frenchman remains individualistic and apt as ever to estimate the state of home politics according to that of his domestic affairs. And his present confidence is certainly created by the comparison of his private affairs two years ago at the time of the "vicious spiral" of a falling currency and rising prices with his present improved possibilities of spending and saving.

The new method of the Government in financing rearmament through the short-term instead of the long-term market is the other explanation. The Stock Exchange is lifeless. But nobody is anxious any longer about the market for public funds, which remains very stable. Monthly statistics show that the national debt was 444 thousand million francs at the end of June, an increase of 4,500 millions on May 31st and 23,500 millions on January 1st. The State borrows at least 1,000 millions a week. Figures show that the short- and middle-term debt maturing in 1939 has decreased from 37 to 27 thousand millions during the last six months. The redeemable debt has increased from 173 to 186 thousand millions; the middle- and short-term maturing in 1940 increased from 29 to 33 thousand millions, and that maturing after January 1, 1941, from 26 to 43 thousand millions. Once again, such information principally concerns the experts, who are often anxious to underline the favourable evolution of Governmental policy. But the general public still is unacquainted with statistical documentation, and the man who saves is satisfied with the old National Defence Bonds, which answer to his need, being a short-term bond bringing an "honest" interest and exempt from tax charges.

In short, the workers are working overtime, the peasants are favoured by high agricultural prices, and those who can save have discovered new possibilities of building up their reserves. The confidence of the French people is not based on spectacular collective results and collective mysticism. It is made up of many millions of modest individual satisfactions. This is the key of the successful method of M. Reynaud.

It is particularly important that the Treasury can face a new international crisis with a confidence born of the fact that its ready money was 16 thousand million francs on July 1st, and the calmness of the country has encouraged the current of returning gold and subscriptions to bonds. A new mobilisation can, in fact, be foreseen with equanimity, while a return to peace would open the way to useful operations for funding the floating debt.

August 24th.

## Luxembourg, Peaceful and Free

[FROM A CORRESPONDENT]

THE Grand Duchy of Luxembourg is a peaceful land abounding in natural loveliness. Of all countries of war-jittery Europe it seems the one farthest removed from strife. It comprises an area just short of a thousand square miles, wedged like a shoe-shaped puzzle block into a hole in the map made by segments of French, German and Belgian borderland. Its 300,000 or so inhabitants are a happy people fond of good living. This year they are celebrating the centenary of their independence from the war lords, large and small, who for more than a thousand years ruled over it. But they are troubled, for they see the Siegfried line along their rivers and, remembering the German invasion during the Great War, they are now anxious lest this tragedy should happen again.

Luxembourg has always been important strategically. In the past it has been a kind of European crossroads for marching armies. Here the Moselle opens a way to and from Germany. Here, too, you are within striking distance of Holland, Belgium and France. For Germany Luxembourg would be particularly valuable in a war because it constitutes a gap in the Belgian line of defence; though, on the French side, the Maginot line sets up a formidable barrier to any German advance. In past days Luxembourg was so heavily fortified that it was called Europe's Inland Gibraltar. Those forts have long since been dismantled, and Luxembourg has no system of defence whatever.

It was the German war hero Siegfried who first raised his castles on Luxembourg's high cliffs as long ago as 963; and since Siegfried's day a varied history has woven itself around this land. In 1244 Luxembourg's citizens received a charter of self-government from the Countess Esmerinde. Then, for nearly five centuries it fell under foreign domina-

tion—Burgundian, Spanish, Austrian and French. The Congress of Vienna set up the present Grand Duchy, which for a time was under the tutelage of Holland.

The present Grand Duchess, Charlotte, was born in 1896, succeeding her sister, the Grand Duchess Marie-Adelaide, whose forced abdication, because of her partiality for the Germans during the war, was a tragic episode in Luxembourg's history. The people have a Parliamentary Government. The Parliament consists of a single house with 52 Members chosen from the country's twelve cantons. There is a Cabinet of Ministers, a Prime Minister, and a Council of Elder Statesmen. At present there is a coalition Government of three parties, of which the two strongest are the Clerical and Labour; the third party is the Radical Liberals, representing industry and finance.

It is the religious issue that is the principal subject of political dissension in Luxembourg. Although there is no union of Church and State the clergy are paid salaries from the public purse, while the Church also benefits by certain local tax levies. The Labour Party takes the lead in asserting that the Church Budget constitutes too heavy a burden, while it is also critical of the Church political activities.

### Industry and Agriculture

Luxembourg, in addition to its strategic position, has another attraction to Germany, namely, its iron mines and smelters. Iron is produced mainly in the Northern strip of the country lying next to the French border town of Longwy, itself one of the most important centres of the French iron and steel industry. In this area are virtually all the blast mills of Luxembourg together with those of Longwy. There are about a dozen mining and smelter towns in all, the largest, Esch, having a population of 30,000; and, aside from this narrow area, the little country seems as remote from modern industry as it was in its most medieval days.

The steel produced in this small region places Luxembourg seventh among the ranking steel-producing countries. Its output in 1937 was 2.5 million tons. Iron ore production in 1937 was 7.7 million tons.

Before the Great War Luxembourg formed part of the German customs union. After the war a customs union with France was approved by a popular vote. The fact that 60,000 voters out of 90,000 favoured this union may serve to indicate the pro-French sentiment; but France declined the invitation in favour of Belgium. Thus in 1932 Luxembourg became part of the Belgian customs union. One of the consequences of this was a growing Belgian influence: the shops are filled with Belgian wares.

In addition, Belgian money is currently used together with Luxembourg's own coin of the realm. The Luxembourg franc is pegged at about 25 per cent. above the value of Belgian money and 60 per cent. above the French franc; and it is well to carry three purses in Luxembourg, for you may use any of these three monies. Although the "Franc Lux" is pegged high, prices are low, and Luxembourg is about the cheapest country in Europe. Eight francs, or about thirteen French francs, buy a meal that would cost from 25 to 30 francs in France itself.

The capital city, also called Luxembourg, is a stately metropolis of broad avenues, spacious plazas, green rambling parks, of imposing public buildings, churches and monuments. It is a modern city travelling in harness with a city centuries old, of which old city gates, towers, palaces, castles and dismantled fortresses in great profusion tell the story. The "Greater City" has less than 60,000 inhabitants but, because of its wide-spreading spaciousness and fine buildings, one would at first glance make it a city of at least 200,000. It is a place where everyone has elbow room and to spare.

The Moselle, brushing by Luxembourg from France, is a

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broad stream, placid and lovely as it moves slowly between gently sloping strips of meadow that separate the vineyards from the water's edge. Vineyards climb these hills as they slope away on both sides. Here the famous Moselle wines are produced; and Luxembourg vineyards produce an average of 80,000 hectolitres of various kinds of Moselles. Under the old customs union with Germany, Luxembourg wine was sent out readily to the world markets with the German Moselles. But the Belgians have established no such wine markets and they themselves are no great connoisseurs. This has created something of a slump.

The land is very rich indeed in agricultural production and maintains a large modern agricultural college. An Englishman, Sidney Thomas, has made his contribution to the wealth of its soil. A rather hilly part of the country, towards the North, lay in fens and barren ground, because the land lacked lime and phosphorus. Thomas, in 1890, taught the Luxembourgers that their lime and phosphorus lay right at hand in the basic slag. The land has grown fertile again, and the people refer with gratitude to their "Scories Thomas," as this fertilising product is called. It is on the knees of the gods whether the Luxembourgers will be left much longer to their farming and their peace.

August 22nd.

## Anxieties in the American Middle West

[FROM OUR KANSAS CITY CORRESPONDENT]

MID-SUMMER finds the central part of the United States seasonally preoccupied with agriculture. Nature has been only moderately bountiful this year. It is true that there has been no repetition of the disastrous droughts of 1934 and 1936; and that even the much-publicised "Dust Bowl," if not exactly blooming like the rose, at least no longer seems immediately destined to become desert. But the wheat crop was relatively small, and maize (which was in excellent condition during June) has been damaged by the recent heat. Finally, abnormally low grain prices have done nothing to lessen the farmers' disappointment.

On the other hand, pasturage is unusually good, and the livestock industry flourishes, despite threats of a strike among packing house workers. Present indications also point to an abundance of fruit. Indeed, the total farm income of the Middle West is somewhat larger than it was a year ago at this time (according to the latest estimates of the Department of Agriculture). But estimated farm income includes various Government payments, and no intelligent farmer is entirely comfortable about a situation in which subsidies continue to play so large a rôle.

It is generally recognised here that for any sound prosperity American agriculture requires the recovery and development of its foreign markets. Secretary Hull's trade agreements policy has received some of its strongest popular support from the farming Middle West. Unfortunately, political conditions in both Europe and Asia have interfered with this policy; its expected benefits have been curtailed; and even bitter critics of the Administration's farm programme have come to realise that some form of public assistance for agriculture is still needed. The chief current objection to Government aid, therefore, is directed against the way in which it is given and not against the principle of State help.

### A New Democratic Leader?

Politically, the Middle West has just experienced a major sensation in the overthrow of one of its most powerful bosses—Mr T. J. Pendergast, head of a local Democratic organisation in Kansas City. By virtue of his despotic control over municipal affairs, Mr Pendergast had become a national figure in the last few years. His leadership, apparently impregnable at home, was finally destroyed from without by the intervention of State and Federal authorities, and he is now serving a prison sentence for income tax evasion.

One important result of this episode has been to bring Mr Lloyd Stark, Governor of Missouri and one of the officials chiefly responsible for Mr Pendergast's downfall, into the spotlight as a possible candidate for the Democratic Presidential nomination next year. The Governor's associations have generally been with the older traditions of his party, rather than with the New Deal, and he would presumably draw most of his support from Democrats opposed

to the recent economic experiments. But his principal claim for consideration would probably rest upon his record as an aggressive and capable public servant of the reformer type.

### The Middle West Looks at Europe

These domestic concerns, however, have by no means overshadowed the Middle West's interest in the European situation. This part of the country is traditionally isolationist, and almost certainly a majority of its inhabitants are still in favour of refraining from any kind of intervention in European affairs. There is a widespread distrust of sentimental appeals on behalf of Great Britain and France, both of which countries, it is felt, have themselves always acted realistically in their own interests. On the other hand, there is a good deal of sympathy for the position in which the European democracies now find themselves; and there is an instinctive dislike of everything for which the dictatorships stand. The German-American Bund, for example, has made almost no headway in the Middle West.

A growing section of the population, moreover, is aware that it would be extremely difficult—probably impossible—for the United States to remain indefinitely out of a major European conflict. The average Middle Westerner is vastly better informed about world affairs to-day than he was in 1914. The old dictum of a Denver publisher that a "dog fight in Champa Street" was of more interest to his readers than any conceivable event in Europe has been invalidated long ago, and the Middle Western newspapers regularly carry much foreign news and many interpretative articles. Indeed, as a whole, the Middle Western Press is just as strongly in favour of modifying the Neutrality Statute, removing the arms embargo, and restoring the cash-and-carry provisions as the papers of the Eastern seaboard have been.

The European dictators would make a serious miscalculation if they counted upon public sentiment in the Middle West to keep the United States out of a foreign war in all circumstances. Meanwhile, the Middle Westerner, wrestling with his agricultural and business problems, scarcely realises how fortunate he is to live in the heart of a continent protected by several thousand miles of ocean on either side.

August 10th.

## Hongkong's Trade and the War

[FROM OUR HONGKONG CORRESPONDENT]

THE trade figures of Hongkong for the first half of the year show a decline from the record level reached in 1938 and it is extremely unlikely that a recovery can be expected until peace in China is restored. In view of the adverse circumstances in which the trade of the colony has been carried on during the past six months it is remarkable that imports have exceeded a total of \$300 millions, with exports not far short of that figure. The following table shows a comparison of the statistics for the first half of this and the past four years:—

| IMPORTS<br>(In \$ millions) |       |       |       |       |       |
|-----------------------------|-------|-------|-------|-------|-------|
|                             | 1935  | 1936  | 1937  | 1938  | 1939  |
| Merchandise .....           | 191.2 | 212.3 | 286.4 | 342.2 | 300.9 |
| Bullion .....               | 24.6  | 18.7  | 5.6   | 7.5   | 0.5   |
|                             | 215.8 | 231.0 | 292.0 | 349.7 | 301.4 |
| EXPORTS<br>(In \$ millions) |       |       |       |       |       |
|                             | 1935  | 1936  | 1937  | 1938  | 1939  |
| Merchandise .....           | 142.7 | 163.4 | 218.9 | 269.9 | 269.9 |
| Bullion .....               | 37.9  | 108.6 | 18.2  | 110.1 | 50.5  |
|                             | 180.6 | 272.0 | 237.1 | 380.0 | 320.4 |

There are one or two features in the trade returns which call for comment. Until last October part of the colony's trade entered and left by the railway to Canton. After the closing of the Yangtse this rail traffic grew to enormous proportions as goods which would normally have used the Yangtse were diverted to other routes, all eventually connecting up with the Canton-Hankow Railway. The consequence was that for over a year Hongkong supplanted Shanghai as the entrepôt for trade with Central China, and the colony benefited accordingly. The sudden fall of Canton and the seizure of rail communications with that city resulted in an accumulation of cargo which had reached Hongkong from overseas but could not be forwarded until

new routes from the coast to the interior had been discovered. It was not long, however, before these alternative routes were developed and for the past nine months British coastal steamers have been fully employed carrying cargo not only to the treaty ports of Swatow, Amoy and Foochow, but also to several non-treaty ports. Few, if any, modern facilities exist in these ports, but nevertheless a good deal of merchandise has been handled there. Other means of ingress and egress have been found via the Portuguese colony of Macao and the French territory of Kwong-chow-wan.

Another development of local trade is accounted for by the transfer of the tea market from Shanghai to Hongkong. The port of Wenchow (now in Japanese hands) has been one of the principal depots for the collection of tea for shipment to Hongkong, whence a considerable portion has been forwarded to Russia and North Africa. The total quantity of tea exported during the first half of the year amounted to over 30 million pounds, of which more than half went to Russia.

Until the past few weeks commercial circles in Hongkong showed little concern about the future. Trade with the interior had adapted itself to the conditions brought about by disrupted communications and with so many gaps in the blockade the flow of trade was well maintained. The capture of Swatow, the extension of the blockade, the catastrophic fall in China's currency, the restriction of imports by the Chungking Government, and pessimism as to the outcome of the Tokyo Conference are all factors of recent origin which have rapidly changed the outlook. The more optimistically inclined accept the Prime Minister's statement that there has been no change in Britain's policy, for however strong one's sympathy with China, it is realised that the attitude of neutrality which has prevailed among the authorities of the concessions in China as well as in this colony has been justified. There is, of course, impatience at the lack of retaliation to Japan's brutal behaviour and utter disregard of British rights, especially when the Japanese in Hongkong are not only free to trade as they like but are even allowed to publish a newspaper in the English language which has a decidedly anti-British tone. Moreover, there is the unpleasant prospect of a cordon being drawn round Hongkong to strangle its trade, and already supplies of foodstuffs from the country districts are being interfered with. But against all this there is the belief that Japan is reaching the stage of exhaustion and that the Chinese can never be defeated. Whether that belief is justified the next six months will probably decide.

July 27th.

## Second Thoughts on German-Roumanian Trade

[FROM OUR BUCHAREST CORRESPONDENT]

THE Roumanian-German Treaty of March 23, 1939, continues to draw public attention here. A supplementary agreement was signed on July 20th which consisted of:—

(1) A plan for the improvement of agriculture in all principal branches. The Roumanian Government has accepted the German Government's offer to help in the improvement and development of agricultural production in Roumania by the introduction of new varieties of rare plants, and the delivery of stud livestock. Germany will benefit by having the right to acquire what she wants from exports of these two branches of Roumanian produce.

(2) Germany will buy quantities of oleaginous seeds, particularly linseed and sunflower. Roumania has undertaken to carry out a series of experiments for the production of new oleaginous seeds, and a special organisation will be set up for this purpose.

(3) The export from Roumania of animals for slaughtering will be extended. To increase exports Roumania has agreed to the importation of stud stock.

The aim of this agreement is to increase the volume and variety of Roumanian exports to Germany. In fact, this increase is already proceeding with surprising rapidity.

Imports by Germany, Austria, Bohemia-Moravia and Italy, and exports to the same countries, are as follow:—

|               | 1938    |         | 1939    |         |
|---------------|---------|---------|---------|---------|
|               | Imports | Exports | Imports | Exports |
| January-March | 52.6    | 43.1    | 60.2    | 37.0    |
| April.....    | 51.6    | 46.5    | 63.4    | 55.4    |
| May.....      | 56.3    | 38.1    | 66.9    | 55.9    |

The percentages are in relation to the total foreign trade of Roumania. Italy's share is insignificant, not more than 10 per cent. to 15 per cent., so that the bulk goes to Greater Germany.

At the present time the principal articles exported to Germany are: petroleum and oil products, cereals, raw timber, and worked timber. It may be worth examining each of these in turn.

**Oil.**—The relevant paragraph in the Treaty of last March, referring to exploration concessions for Germany, is not yet in practice; no new mixed German-Roumanian company has been formed. Meanwhile, Germany has bought oil and oil products in Roumania to the total of 50 million Reichsmarks per year during the next two years. Until last week she had also the right to buy quantities to the value of 46 million Reichsmarks in 1939. This last amount will be paid for by armaments and munitions. (See Note on page 392.)

**Cereals.**—This year's wheat crop has been rather disappointing. It should provide 150,000 wagons for export, or 74,000 less than last year. Last year's price, as fixed by the Roumanian Government, was 40,000 lei per wagon. The difference will therefore be at least 960 million lei. Unfortunately, the quality of the wheat this year is less good than that of last year owing to bad weather while it was ripening. In view of the heavy world harvests, the Roumanian Government has fixed the price at 40,000 lei the wagon. But the Government, not the producer, must bear the loss.

It seems doubtful if Germany will be able to secure much more than the 40,000 wagons she has already bought. Needing foreign exchange, obtained largely from exporting wheat to free-exchange countries, the Government will be anxious to keep supplies to Germany as low as possible.

**Raw Timber and Worked Wood.**—Here, too, the Germans will be disappointed. There is reason to believe that German experts have been mistaken in their estimate of the quality and size of Roumania's forests. Up to the present no mixed company has been formed for the exploitation of forests. There is in view, it is true, a contract for renting 70,000 hectares of forest lands in the eastern Carpathians, but nothing has yet been signed. It is even thought that Germany will give up the idea of exploiting Roumanian forests.

Meanwhile, the only concrete results of the German-Roumanian Treaty are the deliveries of munitions and armaments and the construction of a series of silos in the Braila district. But the armaments are the results of old orders placed with former Czecho-Slovakia at the Skoda works, and the silos built were erected under contract with the German firm of MIAG (Muhlen-Industrie-Aktien-Gesellschaft), the order being placed in the summer of last year for the sum of 15 million Reichsmarks.

For the rest, little work of importance has been carried out. The mixed companies provided for under the Treaty have yet to be formed, and the free zones referred to marked out. German commercial control is far from being an established fact.

August 18th.

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## Books and Publications

### The E.E.A.

DURING the last seven years Britain has taken the lead in the development of a new and fascinating technique for securing the maximum degree of compatibility between internal stability and the stability of the foreign exchanges. Mr Waight's study\* is a valuable addition to the limited literature on the Exchange Equalisation Account, and the author has fortunately interpreted his terms of reference broadly. His intention has been to explain to the student and the general reader the way in which the Account works and the repercussions of its operations on the internal credit and banking system; and to do this successfully he has of necessity written a highly illuminating account of the institutions and the inter-relations of the money market, the foreign exchange market, and the gold market.

Those who are familiar with Professor N. F. Hall's "Exchange Equalisation Account," Mr F. W. Paish's articles in *Economica*, and the discussions of the working of the Account which have appeared in this journal will find little that is new in Mr Waight's methods and conclusions. His work is merely more systematic and detailed than any which have preceded it, and brings the history of the Account up to date; the text traces its operations to the end of 1938, and the important changes of policy announced in January and February of this year have been dealt with in Addenda.

Mr Waight's discussion of the effect of the Account's operations on the internal credit structure follows lines which may now be called orthodox. In his explanations he makes effective use of the method of hypothetical balance sheets, showing precisely what has happened to the position of the Account, the Bank of England, and the Joint Stock Banks at each stage of the operations. An inflow of capital is shown to be normally deflationary, and an outflow inflationary, after the Account's primary offsetting operations (the sale or purchase of Treasury Bills); but the complications of timing are considered in great detail, and the ultimate effect is shown to depend upon what the foreigner decides to do with his money (as well, of course, as upon further offsetting operations by the Account and the Bank of England).

Mr Waight has by no means said the last word on these important matters, nor has he presented his conclusions in the happiest possible form. The ambiguities in the terms "inflationary" and "deflationary" are not adequately resolved. There is little reference to effects on interest rates in general, or to the possibility that a movement of capital may have diverse effects on long- and short-term rates of interest so long as the Account holds its sterling assets in the form of Treasury Bills. It is difficult to accept Mr Waight's conclusion (page 104) that it makes some real difference whether the foreigner uses his sterling deposit to purchase old or new Government securities.

Mr Waight is critical of those who contend that the Account has not confined itself to ironing out "temporary" and "erratic" influences on the foreign exchanges; but his own views on this question are unsupported by rigorous definitions or convincing argument. Mr Waight's judgments of the Account tend in general to be somewhat complacent. He exaggerates both its importance (the same results could be achieved by other methods) and the wizardry of its managers. Mr Waight is at his best when dealing with the technical aspects of his subject. A definitive study of the peripheral problems requires a knowledge of monetary and banking theory as thorough as is Mr Waight's of banking practice.

It is to be feared that the student and the general reader, for whom the book is intended, will not find it easy reading. The style is involved; the glossary of technical terms is too limited to be of much assistance; the parts and chapters are not labelled, and the sequence of the exposition is obscure.

\* "The History and Mechanism of the Exchange Equalisation Account." By Leonard Waight, with a Foreword by the Hon. Francis Rodd, Cambridge. The University Press, 1939. 8s. 6d.

But despite these faults, which are not vital, Mr Waight's book is an adequate treatment of an important subject. Its usefulness is enhanced by the inclusion of a number of tables, necessarily based in part on guesswork, showing the movements of such important relevant magnitude as the holdings of the Account, and by an Appendix which contains all the important legislative enactments affecting the subject.

### Central Banking

THE literature of Central Banking is recent. The need of a Central Bank in the sense of one to control the purchasing power of the money unit became evident and peremptory only when gold was deposed from its rôle of automatic controller. The literature though recent is yet voluminous, but this excellent survey\* stands out. In it theory is happily married to practice: its author, Doctor de Kock, the Deputy Governor of the Reserve Bank of South Africa, is a practical man who is able to expound lucidly and readably the principles underlying his practice; and in the course of his exposition he pricks, incidentally but most effectively, many an airy bubble among the arguments of the "more money" advocates. This is a salutary antidote to the doctrine that the economic problems of the world can be solved simply by money manipulation or "money management." "Create more money" has unfortunately become a widely-favoured specific for all our economic ills, and it is good to have a reminder here of the major principle of economics, namely, that, if we choose to use our resources in one way, we cannot use them in another—no matter how we manage or manipulate our money.

\* "Central Banking." By M. H. de Kock, Ph.D., Deputy Governor of South African Reserve Bank. P. S. King and Son, Ltd. 15s. net.

### Probing the Trade Cycle

PROFESSOR LESCURE's book\* provides a valuable supply of information and abounds in statistical data. There is little to dispute in his main contention that a crisis is "organic," an inherent characteristic of capitalist society, and that, though credit is important and money essential, it is production and consumption, supply and demand which play the predominant part in the life of the economic world. The view on which he bases his analysis—that the trouble begins when the entrepreneur ceases to create because the profit margin appears to him to shrink—has a wide measure of support. Nevertheless, one fact remains: Professor Lescure's book is pre-revolutionary—pre-Keynesian, if a name and date are really necessary. M. Kalecki's book,† on the other hand, belongs to the latest stage of theory; and it is able and stimulating, as well.

Economic fluctuations cannot be treated as an appendage, even an overgrown appendage, to the long-run trend; they must be treated as an integral part of it. Otherwise, neither the long-run trend nor—what is more important at the moment—the fluctuations can be properly mastered. The exciting problem for economists at the present time is how to effect this change in treatment. This is the new approach.

M. Kalecki is on the left-wing of this movement and consequently his is a difficult book. He seizes on certain points in the Keynesian theory and in the theory of imperfect competition and puts them to "macrodynamic" statistical tests at such speed and with such definiteness and determination that the more traditionally-nurtured reader may well find himself breathless and confused at the first reading—and a little sceptical.

\* "Des Crises Générales et Périodiques de Surproduction." By Jean Lescure. Paris: Editions Domat-Montchrestien. 5th Edition. 704 pages. 2 vols. 100 francs.

† "Essays in the Theory of Economic Fluctuations." By Michal Kalecki. London: Allen and Unwin. 154 pages. 6s. net.

## THE BUSINESS WORLD

### Germany's Finances

(From a Correspondent in Germany)

IT is in the fourth stage of the Nazis' financial experiments that the Third Reich has come to the brink of world war. The time is apposite to ask whether Nazi finance policy has given to Germany a strength commensurate with her parade of shot and shell and airplanes; and it is hard to escape the view that it is financial weakness and strain, rather than power or economic might, that has been won by the desperate devices of recent years. The first period of Nazi economics, when the method of financing State projects was by work-creation bills, lasted from 1933 to 1934. The second period, when the so-called special bills were put into use, lasted from 1935 to April last year. The third period, when financing by means of delivery certificates was introduced, went on until April this year; and since then, in the fourth phase, the New Finance Plan of issuing tax anticipation certificates has been in operation.

All these successive stages of policy designed to finance the Government's vast armament and construction programmes have been alike in their fundamental principles. They have differed only in the details of financial technique. Broadly, the situation has been as follows: the German economy has come to depend to an ever-increasing extent on State investment; step by step the resources of the Reich have been brought into full employment, until a serious state of strain and shortage has developed; and the task of the Nazi financiers, in default of any slackening of the tempo of re-armament, has been to eke out the nation's resources and to evolve means of payment without pushing the German economy into grave inflation. All the devices adopted, from the work-creation bills of 1933 to the delivery certificates of last year and the recent tax certificates (anticipating future tax receipts in the quest for additional means of payments) have been contrived to keep the wheels of re-armament and the Four Year Plan turning. The brutal facts are: first, that Government expenditure has steadily exceeded revenue by millions of marks; and, secondly, that the demands made upon the nation's resources of material, plant and labour have become excessive under the pressure of the Nazis' dynamic foreign policy. The expansion of credit has been the leading theme and the vast multiplication of debt has been a major consequence.

Dr Schacht's policy, on the other hand, which was repudiated early this year, was to control State investment and Government expenditure and prevent an undue increase of indebtedness. Credit expansion seemed to him justifiable and safe only so long as there were additional resources still to be brought into production: only so long as production could still be genuinely expanded was an expansionist financial policy, in his view, sound and free from the dangerous risk of inflation. The Nazi view that the consequences of their policy could be postponed indefinitely by financial jugglery and State control over wages and prices was misconceived. Dr Schacht's plan was to restrict financial expansion according to the strict limits set by the possibility of further real economic expansion; and he proposed to do it, after a six months' transition, by

financing expenditure from regular taxes and loans, meanwhile consolidating as much of the Reich's piecemeal debt as possible.

But principles of sound finance like these have been destroyed by events. Last year Reich debt increased more rapidly than ever before. By the New Year it was clear from the stringency imposed upon the money and capital markets by excessive State demands that the only way out was inflation; and the real task of this year has been to limit and control that inflation. The immediate result has been a considerable increase in the currency circulation.

The facts of the stringency are plain: since April last year about Rm. 3,000 millions of delivery certificates have been issued, and only a small portion of these could be negotiated in industry itself, two-thirds being actually absorbed by the banks. Of Rm. 17,500 millions of Reich loans and bills issued between 1935 and 1938, only Rm. 9,000 millions could be disposed of to the public. The rest had to be taken up, more or less compulsorily, by insurance companies, savings banks, credit institutions and, since last year, even by local authorities as well. The immobilisation of liquid funds and the clogging of the capital market are clear. The impact of these enforced demands upon banks and companies was felt the more severely because the tax receipts of the Reich had risen from Rm. 6,600 millions in 1932-33 to Rm. 17,700 millions in 1938-39.

The New Finance Plan, like Dr Schacht's plan last year, is just another temporary expedient which attempts to anticipate future tax receipts by the issue of tax certificates. It was hoped that because of the advantages attached to the certificates it might be possible to lay hands upon additional liquid funds. Actually existing liquid funds had been considerably over-estimated; the daily turnover of tax certificates on the Bourse amounts to several million Reichsmarks, and their price shows a declining trend. The Reichsbank has attempted to support the price of tax certificates Class 2 by a policy of buying in the open market. The result has been that the chief point of the New Finance Plan, which was to prevent a dangerous increase in the note circulation, has been nullified.

The whole structure of payments and credit is being altered by the New Finance Plan. Forty per cent. of all Reich works expenditure—by the public corporations, railways, post office, motor roads, supply undertakings and the Goering works—is paid in tax certificates. The yearly issue of tax certificates must amount to Rm. 7-8,000 millions. This represents total works expenditure of some Rm. 20,000 millions, which shows how much public spending exceeds receipts, especially when it is remembered that salaries and many other items of official expenditure cannot be paid in tax certificates.

The situation is not likely to ease. Industry is in dire needs of credit and the burden of its demands will fall on the banks. Often, tax certificates have to be used as security for industrial credits; and the result is that the banks, whose liquidity has already been seriously impaired

by their absorption of delivery certificates, find their liquidity still further endangered.

This is the general picture. It can readily be picked out in relief from current statistics. Take first of all the currency circulation. In the past, even in years of the greatest increase in production, the circulation increased by only some Rm. 500 millions a year. At the end of last month, at Rm. 11,209 millions, it was actually Rm. 2,504 millions higher than it was twelve months before. Similarly the use of cheques, postal orders, etc., has risen twenty-five per cent. in twelve months. Bills outstanding at the Reichsbank have risen from Rm. 5,832 millions to Rm. 7,545 millions and the Reichsbank's reserve of gold and exchange has fallen from Rm. 2,064 millions to Rm. 77 millions. The following table of bills held by all the banks shows how they have been drawn into the net of State financing:—

|                                          | (Rm. millions) |       |        |        |        |
|------------------------------------------|----------------|-------|--------|--------|--------|
|                                          | 1928           | 1933  | 1937   | 1938   | 1939   |
| Total bills .....                        | 6,390          | 5,636 | 12,271 | 13,756 | 15,659 |
| Treasury Bills bearing no interest ..... | 145            | 1,265 | 1,806  | 1,656  | 4,749  |

In 1928 outstanding bills were almost all commercial bills. To-day some Rm. 10-12,000 millions of armament bills are in circulation—and these do not appear in the return of Reich indebtedness.

In the past year the capital market, too, has been almost wholly claimed by the State. Of the total new issues of the last twelve months amounting to about Rm. 17,400 millions some Rm. 15,000 millions were allotted to public loans. Out of Rm. 822 millions of shares issued, Rm. 395 millions were for the Goering works. The object of the New Finance Plan, to open the capital market more to private needs, has only slightly been achieved. In the cur-

rent year provision was made to introduce about Rm. 1,000 millions of private issues. In the first half-year, however, only Rm. 300 millions was taken up for private purposes, and the market was so limited that the banks had to take up an appreciable part even of this.

The strain has not been eased despite the New Finance Plan. No devices have been found to get more out of the German economy than German resources will allow. Reich tax and customs revenue rose in the last fiscal year from Rm. 13,964 millions to Rm. 17,712 millions in the current one, with a national income of Rm. 77,000 millions. In 1929 when the national income was Rm. 75,500 millions tax revenue was only Rm. 9,023 millions. The revenue for the current fiscal year is put higher still, at Rm. 22,000 millions.

Public indebtedness leaps up too. In the last accounting year it rose by about Rm. 11,600 millions to Rm. 30,700 millions—about four times the 1929 figure, even though the special armament bills are not included. There is, in fact, a large additional burden of undisclosed debt, which makes the rise in indebtedness even more spectacular—and dangerous.

It is in no very promising position, therefore, that the Reich contemplates entering upon a war. Financially and economically the Germans have paid the price of war strain long before hostilities have begun. In that sense the German economy is much less strong than it was 25 years ago when the profits of peace were enjoyed right up to zero hour. The Third Reich is more ready in many ways than William II's Empire. Preparedness has been made a way of life, but it has been a desperately hard regime, and Germany is at bottom no stronger now, to say the least, for having placed herself in a state of economic siege for years before the first shots were fired.

## The Timber Trade

THE uses of wood are both various and varying. Anybody who looks around him at the numerous articles made directly or indirectly from wood will appreciate the truth of the first proposition, but the second may not seem so obvious. Yet the extent to which its uses have changed is in many ways more striking than their present variety.

Before the industrial revolution timber was our most important fuel, both for industrial and domestic purposes; indeed, the iron-smelting industry was consuming so much that British forests were in danger of exhaustion. Similarly it was predominant in building, including the construction of many machines. Thus early steam engines and locomotives all had wooden cranks, and the British Admiralty did not finally give up the use of timber for warships until about 1860. The great bridges which help to carry the Canadian Pacific railway across the Rockies were mostly made of timber.

Wood has been largely displaced from these uses, and its employment in others is threatened by such developments as steel furniture and steel windows. New outlets have been found for it, however, especially through the intermediate production of woodpulp. This is converted into all sorts of commodities ranging from paper and rayon to the latest form of plastics. The demand for most of these is growing, and should outweigh any decline in other directions.

The variety of timber's uses is increased by the fact that the term really covers a multitude of different products. The broad division into hard-woods and soft-woods is too familiar to need emphasis, but in itself accounts for a great deal. In addition there are many special uses which depend on the peculiar characteristics of a particular tree. Thus ash is admirably adapted to the manufacture of walking-sticks and racquet frames because it can be permanently bent without losing its shock-resisting powers; cedar's scent makes it excellent for cigar-boxes; teak's strength is put to good account in the backing of armour plates and the construction of railway coaches; and so on through an almost unending list. Technical developments

not infrequently cause one wood to be substituted for another in some employment fully as often as they lead to the complete displacement of wood by another material.

The existence of numerous different kinds of wood might in any case be expected to lead to some international exchange of specialities, but this is a comparatively minor feature of the world's timber trade. Far more important is the broad division of countries into importers and exporters, with the inevitable intermediate section, a classification adopted in the table below, based on the statistics for 1937 of the Comité International Du Bois. Since then, of course, Germany has absorbed both Austria and a part of Czecho-Slovakia, which has reduced her import requirements considerably. Britain is much the most important importer, while Canada heads the list of exporting countries, followed by Finland and the U.S.S.R.:—

| IMPORTS AND EXPORTS OF TIMBER (ALL CLASSES), 1937 |                 |           |
|---------------------------------------------------|-----------------|-----------|
| Mainly exporting:—                                |                 |           |
|                                                   | '000 cu. metres | Per cent. |
| Canada .....                                      | 10,683          | 19.5      |
| Finland .....                                     | 8,777           | 16.0      |
| U.S.S.R. ....                                     | 8,595           | 15.5      |
| Sweden .....                                      | 4,733           | 8.5       |
| Latvia .....                                      | 2,873           | 5.1       |
| Poland .....                                      | 2,775           | 5.0       |
| Austria .....                                     | 2,129           | 3.9       |
| Czecho-Slovakia.....                              | 2,084           | 3.8       |
| World total .....                                 | 54,965          | 100.0     |
| Mainly importing:—                                |                 |           |
|                                                   |                 |           |
| United Kingdom .....                              | 18,141          | 34.5      |
| Germany .....                                     | 7,632           | 14.5      |
| U.S.A. ....                                       | 6,785           | 13.0      |
| Holland .....                                     | 3,158           | 6.0       |
| France .....                                      | 2,337           | 4.5       |
| World total .....                                 | 52,668          | 100.0     |

Besides minor omissions the table takes no account of the growing trade in plywood. In 1937 total exports

amounted to 698,000 cubic metres, of which 32.5 per cent. came from Finland, 21 per cent. from the U.S.S.R. and 17 per cent. from Poland; the United Kingdom took 64.5 per cent. of the total imports.

Timber production must be on extensive lines, so that densely-populated countries like England and Holland naturally fall into the importing group. It would be absurd for them to try to be self-sufficient, though they may well produce a part of their requirements on land fitted for little else or as a by-product of trees planted mainly for the sake of amenities.

On the supply side timber shows many features of interest. There is first the well-known time-lag between the planting of the trees and their maturity, which amounts to some 40 years for soft-woods and 80 years, and in some cases far more, for hard-woods. Since it is virtually impossible to foresee anything about the state of the market so far ahead this means that afforestation requires both great patience and a willingness to run great risks. Paradoxically enough, however, this same time-lag is also the factor which makes it so easy to expand the output of timber in the event of a sudden shortage. At any given time the number of trees which are sufficiently near maturity to be cut in case of need is always far in excess of the annual output, so that a temporary increase can be obtained without difficulty. The effect on subsequent output of consuming capital in this way may be catastrophic, as was seen after the Great War; but it does bring relief in an emergency.

If the world's timber resources are to be maintained, the trees cut must be replaced by new planting or natural regeneration. In a new country, however, there is usually such a large area of matured forest that consumption may continue for years at a level far in excess of the annual growth without any danger signals becoming obvious. In some countries timber-cutting is treated quite frankly as an extractive industry, like coal-mining, and about the same amount of heed is paid to the ultimate exhaustion of this raw material. The United States has for a long time been conducting its industry along these lines; the drain through cutting and fire losses in that country are now equivalent to about 1½ times the annual growth. Much of the virgin forests has now disappeared, however, and this excessive and indiscriminate cutting has led to serious soil-erosion; the Federal Government have consequently adopted a policy of re-afforestation.

For the world as a whole there is no need to fear a shortage of timber, though particular kinds of very slow-growing hard-woods may disappear (e.g. Australian jarrah). The total area of forest is some 7,500 million acres, of which conifers account for 35 per cent., temperate hard-woods for 16 per cent. and tropical hard-woods for 49 per cent. Since much of this is now, and will probably remain, unexploited, it is perhaps more significant to set out the figures for some of the leading producers:—

TIMBER AREA OF IMPORTANT COUNTRIES, 1937  
(million acres)

|               |    |                          |       |
|---------------|----|--------------------------|-------|
| Norway .....  | 17 | U.S.S.R. ....            | 1,582 |
| Sweden .....  | 56 | Canada .....             | 600   |
| Finland ..... | 49 | U.S.A. (incl. Alaska) .. | 645   |

One of the most significant points is the comparatively high ratio of output to the area under timber in the Scandinavian countries. If the same systematic methods were applied to all the areas in the other three countries, the total output would be gigantic.

Clearly the consumer of timber need lose no sleep over the fear of rising prices due to a shortage of trees; the U.S.S.R. in particular is cutting an amount far smaller than the annual growth. Importing countries are, however, exposed to two other possible dangers: interruption of supplies by war, and exploitation by the producers.

The United Kingdom produces only some 10 per cent. of its requirements, so that the former danger is a very real one. It is true that a temporary increase in output can be obtained by denuding the forests, but even this would only meet a small part of the demand. Britain is still suffering from the aftermath of clearing some 330,000 acres in the last war—the Forestry Commission has planted about an equal area, but few of the trees are even approaching

maturity. Further planting would of course bring no relief for a very long time, and the only practicable measure seems to be the accumulation of stocks. These are at present by no means large, thanks partly to the introduction of kiln drying in place of ordinary seasoning; for July 1st the figure given by the Timber Trades Federation, which covers the stocks of sawn and planed soft-woods excluding sleepers, hewn soft-wood, plywood and a few lesser categories held by all leading importers, were only 555,000 standards (2,590,000 cu. metres). This is equivalent to less than three months' consumption. There are naturally some invisible stocks but they are probably not very important. On the other hand there is one mitigating factor—the building industry is one of the main consumers of timber, and is not likely to be active in time of war.

The European trade in sawn soft-woods (by far the most important branch of the timber trade) has been regulated since 1932 by the European Timber Exporters' Convention. While the E.T.E.C. regulates exports by quota, and therefore does not directly control prices, its policy is a major factor in determining them, and consuming interests must insist on fair treatment. As with most primary commodities there is no way of measuring costs of production so as to test the Convention's reasonableness, more especially as the allowance for depletion of forests must be largely arbitrary. One is forced to rely on a study of actual price movements before and after the establishment of control, and the results are not altogether reassuring.

If the price for Swedish unsawn 2 by 4 is taken as a touchstone of the E.T.E.C.'s policy, it will be found to have risen from £15 per standard in 1932 to a peak of £21 in 1937. The boom in 1937 was probably due more to the madness which seized the commodity markets in that year than to the Convention's policy, for the export quota was raised from 3,850,000 standards (18,000,000 cu. metres) in 1936 to 4,000,000 standards (18,700,000 cu. metres) in 1937. But the reduction in the quota to 3,600,000 standards (15,800,000 cu. metres) in 1938 was a factor in preventing the price from returning to the 1936 level, and this summer it has again risen above £20 per standard, compared with the 1928-29 average of about £19. In view of the advance in prices this summer which was partly caused by lower Russian shipments, the E.T.E.C. decided on August 3rd to raise the quota for 1939 from the original figure of 2,803,000 standards (13,600,000 cu. metres) to 3,194,000 standards (14,980,000 cu. metres). The members of the Convention share as follows in this total:—

|                  | EXPORT QUOTAS |            |
|------------------|---------------|------------|
|                  | Standards     | Cu. metres |
| Sweden .....     | 721,600       | 3,390,000  |
| Finland .....    | 884,400       | 4,150,000  |
| U.S.S.R. ....    | 836,000       | 3,900,000  |
| Latvia .....     | 111,820       | 520,000    |
| Poland .....     | 275,400       | 1,280,000  |
| Roumania .....   | 216,500       | 1,050,000  |
| Yugoslavia ..... | 147,800       | 690,000    |
| Total .....      | 3,193,520     | 14,980,000 |

The effect on the course of prices of the decision to increase quotas, which was announced on Thursday last week will depend on whether the increased allocations will indeed be forthcoming.

While the E.T.E.C.'s policy has naturally been dictated chiefly by the interests of the timber trade, the available evidence does scarcely convict it of downright rapacity. The fact that a number of important timber exporting countries do not adhere to the Convention is, of course, a safeguard against exploitation. The main problem of the timber trade is to smooth out excessive fluctuations in price due mainly to sudden variations in demand, by a rapid adjustment of supplies. In this task, however, the E.T.E.C. has as yet scarcely succeeded.

Meanwhile, the long-term trend of the demand for timber remains upwards, especially as the many new industries based on this primary product, are rapidly expanding. And while it may be impossible to eliminate short-term fluctuations in prices, the existence of ample supplies should prevent prices from rising to levels which, in the long run, would put timber out of the reach of its principal consumers.



# Finance and Banking

**Bank Rate Doubled.**—The clearest evidence the City has yet given of the gravity of the international situation was provided on Thursday by the raising of the Bank of England rate of discount from 2 per cent., at which it has stood for seven years and two months, to 4 per cent. The movement is more than a precautionary gesture. If Bank rate retains any significance whatever and is to play any part in the machinery of credit control, it had to answer to the present emergency by a movement such as that made this week. Given the pressure on sterling and the general tendency to rush for liquidity, the authorities deemed it essential that Bank rate be increased as a normal defensive measure. This is not to say that the era of cheap money is past or that the technique of monetary and credit control slowly evolved since we left the gold standard goes by the board. But as long as this country is not a closed economic and monetary circuit, as long as some modicum of freedom characterises the capital and foreign exchange markets, recourse to the orthodox machinery of defence and control is imperative at times such as these. It is, however, obvious that the increase in Bank rate is in itself no complete answer to the present situation. A 4 per cent. Bank rate is no deterrent to the exodus of capital nor to the rush for liquidity. The mixture of *laissez faire* and official controls which is being applied in the first stages of this emergency cannot remain an adequate machinery of market control for a sustained period. More important developments must be expected in the near future. Meanwhile the market rate of discount has settled down at 3½ per cent., and the new Bank rate is as fully effective as it was intended to be. The banks on Thursday were exceptionally short of cash, and the market had to find relief in sales to the official buyer, operations which were put through at a rate to be decided upon later. The Bank return shows a fall of £12 millions in Government securities, which suggests the big scale on which the Exchange Account has been losing gold. These securities have evidently been redeemed out of Exchange Account sterling, and must be added to the similar purchases of bills made in the open market during the whole of the past week.

**Bill Rates Harden.**—Even before Thursday the money and discount markets had provided their inevitable reaction to the steadily gathering crisis. Quite apart from the precautionary marking-up of discount rates, the market was faced with a more specific factor pulling in this direction, namely, the virtual cessation of bill purchases by the clearing banks. The banks in their turn were more or less forced to suspend their buying of bills by the sluggishness of the return of notes from holiday circulation and by the inroads on bank cash made by the continued operations of the Exchange Account. The Bank Return shows a reduction of only £4.3 millions in the note circulation during the past week, indicating that the normal post-holiday return of notes has been largely offset by a crisis demand for currency. The technical reasons for a rise in discount rates were therefore apparent even before the rise in Bank rate altered the whole situation. These reasons were supplemented by a further contraction in the volume of "outside" money in the London market due partly to withdrawal of foreign funds and also to the persistent attraction of dollar swap operations. The rate for bank bills of three months' maturity had by Thursday morning risen to 1½ per cent. The rise would have been even sharper had it not been for official purchases of bills in the open market. The official broker in the first half of the week was a buyer of October bills at 1½ per cent., and of Novembers at 1½ per cent., and the market has taken

advantage of his operations to lighten its portfolio considerably. The resources for these official operations have come to hand via the Exchange Equalisation Account and in any case official purchases were demanded by the necessity to return to the credit circulation the funds immobilised by official intervention in the foreign exchange market. But by operating at virtually pegged rates the official buyer gave the market a much-needed steadying influence until more decisive guidance was provided by the increase in Bank rate to 4 per cent.

**Sterling and the Crisis.**—The turmoil of international events has also left its mark on the foreign exchange and bullion markets. Sterling has again been under considerable pressure during the past week and the authorities, in their endeavours to hold the spot rate at \$4.68½ and the forward premium on dollars at about 2½ cents, have been called upon to provide persistent support and to lose gold on a considerable scale. The selling of sterling has in large part represented the further liquidation of foreign holdings of securities and liquid assets in this country. Of a domestic export of capital there is only negligible evidence. In the forward market the effect of commercial operations is making itself more apparent. Every requirement of dollars is being covered at the first possible opportunity and the whole of the normal seasonal pressure on our currency—a pressure which in any case would be exceptionally large this year as a result of re-armament—is in fact being compressed into a few weeks. In addition there has been some offering of forward sterling by Continental quarters as a hedge against sterling assets which cannot conveniently be realised at present. Only a proportion of such offers have been able to pass through the meshes of the unofficial embargo on "speculative" forward operations. The Exchange Account has been the sole buyer of forward sterling on any appreciable scale, and the clearing banks, through whom most of these official operations have reached the market, have submitted each deal to close scrutiny—especially where foreign banks have been the counterparty. Consequently the forward market in sterling has been kept much smaller than it would have been under conditions of complete freedom. At the same time instances have occurred of forward operations being transacted at rates appreciably above those at which the control was prepared to put through duly authenticated transactions. There are elements in the present position which suggest the danger of a dual market in forward sterling. It is a danger which should if possible be avoided.

**The Question of Over-valuation.**—In the circumstances which have obtained this week the authorities in charge of the Exchange Equalisation Account have obviously pursued the only policy open to them. To have allowed wide movements in the sterling rate to occur as a direct result of the present critical spasm of international tension would have been an admission of defeat in the "war of nerves." For this reason the maintenance of sterling, even if it be at an economically unjustifiable rate, must be held wholly justifiable. In the circumstances which have prevailed this week, a discussion of the valuation of sterling in the exchange market loses much of its reality. The confusion of capital movements, hedging operations and commercial transactions, allied to the abnormal sensitiveness of the market, make it impossible to determine whether sterling is being called upon to bear an unfair and ultimately intolerable burden at the present rate of exchange. But the present confusion should have

been foreseen, the rational analysis of exchange policy should have been attempted before that confusion arose and the appropriate measures taken. A few weeks ago the exchange market was absolutely calm, the speculative position against sterling at a negligible figure. Those are the conditions in which a reasonable adjustment in exchange rates should be made—with no appearance of panic, without seeming to have to bow involuntarily to superior pressure, and incidentally without having to make an unnecessary gift to international speculation. To-day the Exchange Account is many million pounds' worth of gold the poorer and is being forced to continue its fight for sterling on much less favourable ground than if it had been prepared to adjust the exchange value to the realities of the situation. Those realities were reflected clearly enough in the trend of the trade balance and in the implications of our defence borrowing programme. They were not materially affected by consideration of the balance of payments of the sterling area as a whole, since that balance only helps when the member countries are prepared to leave their surpluses here. The only sizeable surplus being built up at present is that created by the credits to New Zealand—hardly a factor of strength. For the most part, the surplus balances of most members of the sterling *bloc* are being taken out in gold.

**Gold and Silver Contrasts.**—The gold and silver markets have provided marked contrasts during this difficult week. As usual when war has seemed imminent, gold has come out of hoards and the proceeds of its sales have been converted into dollars. The movement this time has not challenged comparison with the comparable operations of last September and March, because the open position in gold—whether spot or forward—has been enormously reduced during the past six months. But it has sufficed to convert the premium included in the price of the metal which has recently ranged between 1d. and 2d. into a discount of ½d. Moreover it has even made it possible for the Exchange Account to acquire small amounts of gold at the daily fixing. These official purchases have been of extremely modest proportions and have borne no relation to the much larger losses of gold incurred by the Exchange Account in its direct supporting operations for sterling in the exchange market. In the silver market, on the other hand, the risk of war has led to a veritable boom. India has followed her traditional line of buying silver at times of uncertainty, while, in addition, the remnants of those bear speculators who partook so profitably in the recent collapse in silver prices have been "squeezed" mercilessly. On Tuesday the price of silver in London rose to 18½d. which gave a dollar parity of 2½ cents higher than the Treasury's buying price of 35 cents for imported silver. The turnover which led to this jump in the sterling price of silver was comparatively small, but the feature of the market was the complete absence of sizeable selling orders. With the sterling price so substantially above the American parity the whole of the current output of silver should be finding its way to London. That this is not occurring is due to the fact that all the big producers sold their output forward during the uncertain days of June and July, a feature in the market which largely accounted for the abnormal discount on the forward quotation which has ruled for several weeks past. There is thus a dearth of spot supplies which also explains the inability of the New York market to seize the chance offered by the premium in the sterling price of silver to arbitrage to London. By Wednesday, however, the artificiality of the position was attracting a small volume of selling and this sufficed to put the price down to 18½d., to be followed, however, by a new rise to 19½d. on Thursday.

**The Empire's Balance of Payments.**—Through the courtesy of a leading finance house, we are again enabled to publish estimates of the balance of payments of the British Empire. For items on current account last year

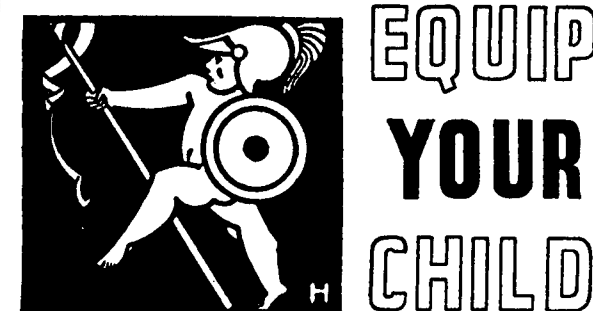
showed the largest adverse balance since 1931, but no addition had to be made to the deficit in respect of capital items. Indeed, since 1930 repayments of loans by foreign countries have exceeded new issues. The estimates shown in the table below differ from those published in *The Economist* of August 6th last year.

THE EMPIRE'S BALANCE OF PAYMENTS  
(£ millions)

|                                   | 1923-29 | 1930-32 | 1933-37 | 1936   | 1937  | 1938  |
|-----------------------------------|---------|---------|---------|--------|-------|-------|
| I. Current Account—               |         |         |         |        |       |       |
| Great Britain & Ireland           | +518.7  | -130.1  | -71.4   | -21.4  | -63.7 | -59.3 |
| Australia                         | -333.0  | -35.1   | -18.2   | -5.6   | -2.8  | -17.4 |
| New Zealand                       | -42.8   | -10.4   | +16.8   | +1.1   | 0.0   | -5.2  |
| India and Burma                   | -87.0   | -1.2    | +78.8   | +28.8  | -4.0  | -1.0  |
| of which private gold movements   | -172.6  | +68.1   | +141.6  | +22.0  | +10.0 | +8.8  |
| South Africa                      | -56.1   | +14.9   | +17.0   | -7.1   | -5.1  | +0.6  |
| Canada                            | +143.8  | -68.7   | +161.7  | +63.2  | +43.7 | +40.0 |
| Rest of Empire*                   | -51.8   | -116.9  | -6.8    | +4.8   | +16.9 | -25.2 |
| Total                             | +91.8   | -347.6  | +167.9  | +63.8  | -15.1 | -67.5 |
| II. Monetary gold released        |         |         |         |        |       |       |
| Bank of England                   | +8.4    | +28.1   | -328.3  | -187.6 | -21.1 | 0.0   |
| Empire authorities                | +26.1   | +33.3   | +2.2    | +3.8   | +3.8  | -7.9  |
| Total                             | +34.5   | +61.4   | -326.1  | -183.8 | -17.3 | -7.9  |
| III. "Genuine" capital movements: |         |         |         |        |       |       |
| New issues for foreigners         | -348.2  | -48.3   | -24.2   | -3.2   | -7.1  | -4.0  |
| Repayments by foreigners          | +134.6  | +43.3   | +76.5   | +15.9  | +13.8 | +12.0 |
| Net lending (-) or borrowing (+)  | -213.6  | -5.0    | +52.3   | +12.7  | +6.7  | +8.0  |
| IV.—Residual                      | +87.3   | +291.2  | +105.9  | +107.3 | +25.7 | +67.4 |

\* Including protectorates and mandates other than Palestine.  
I. Current account: Merchandise, silver, interest and other services, domestic production of gold (assumed to be fully exported) and private gold movements in India.  
II. Excludes Exchange Equalisation Account.  
IV. Residual includes: Gold acquired by Exchange Equalisation Account (-); inflow of refugee money (+); "genuine" lending by foreigners to the Empire (+); net purchase of existing foreign securities (-); errors and omissions.

The Canadian and colonial figures have been revised and more exact statistics of capital repayments have



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become available. The net result of this revision is to reduce the aggregate adverse balance of the Empire during the period 1923-37 from £289 millions to £125 millions and in the case of current items (less private gold movements) from £359 millions to £254 millions including also certain capital and gold movements (items II and III in the table). These revisions are rather large and suggest, as the authors would be the first to admit, that in the absence of more informative sources the estimates can only be approximate.

\* \* \*

**War Risk Rates Increased.**—The new general schedule of rates for insuring cargoes against war risks, agreed this week by the joint committee of Lloyd's and company underwriters, has given sharp effect to the grave political situation. These increased rates (which are, of course, outside the "Pool" rates under the Government's re-insurance scheme) applied to sailings from August 24th and for the most part they have reverted to the high levels in operation under the schedule of April 13th. Additional rates, for example, are quoted at 20s. per cent. for Baltic and Mediterranean passages, compared with the reduced level of 2s. 6d. previously in operation. Atlantic passages are rated at 10s. per cent., compared with 5s. per cent. previously. In one important respect, however, the new schedule differs from that of April 13th. Cargo carried in German or Italian vessels, or bound to or from German or Italian ports or possessions, is excluded from the list, although it may be insured at underwriters' discretion, at not less than scheduled rates.

**More Control for Argentine Peso.**—The Argentine Government has this week announced a tightening up of the foreign exchange control in the Republic. Henceforth all exports will have to pass through the official market. Hitherto it was only the proceeds of "major exports" such as wheat and meat which had to be sold at the official export rate of 15 pesos to the £, and the balance fed the free market, where the rate recently has been stable at about 20.20 pesos to the £. The imports which hitherto have been financed in the free market will henceforth be paid for through a new controlled rate of 20 pesos. The old official import rate of 17 pesos will still apply to privileged imports, but greater discrimination is to be exercised by the Argentine authorities in granting the permits which will allow imports to rank in this category. Thus part of the import trade, which has up to now benefited by the 17 pesos rate, will in future be shifted to the 20 pesos rate. This step will inevitably tend to restrict such imports, since it will raise their prices in terms of pesos. This dual move of submitting almost the whole of the Argentine exchange market to official control and of lowering the average exchange rate at which Argentine imports are financed has been prompted by the deterioration of the balance of payments. The continued slump in cereal prices gives no promise of an early change in that tendency, and drastic remedial measures have thus had to be applied. In any case the deficit for the current year will have to be met by exports of gold from Argentina. The new regulations will deprive the free market of other than negligible importance. By increasing the profit margin between official buying and selling rates for exchange they should provide the Argentine authorities with larger resources for subsidising wheat-growers.

## MONEY MARKET NOTES

THE demand for accommodation has been progressively keener this week owing to the combined effect of Exchange Account operations and withdrawals of currency from the clearing banks. Had it not been for the substantial help given by special purchases of bills the discount market would have been forced to borrow at the Bank of England. Up to Thursday bond money from outside lenders had been quoted at  $\frac{1}{2}$  per cent. and the discount rate had risen to  $1\frac{1}{2}$  per cent. Following the rise in Bank rate there were prolonged meetings of the clearing banks and discount houses committees, and during their sitting most business in bills was transacted on the understanding that the rates to be applied would be decided later. It was later decided to fix the clearing banks' deposit rate at 2 per cent. The banks' short loan rate, whether against bills or bonds, is at 3 per cent. for the time being, and the discount rate is  $3\frac{1}{2}$  per cent. for three months' bills.

The Bank return shows a further reduction of 1d. in the price at which the gold reserve is valued. The difference has been transferred from the Exchange Account in cash. The note circulation is £4.3 millions down, and this fact, together with a transfer of £5.1 millions from public deposits, has safeguarded the level of bankers' deposits from the full shock of a £12 millions drop in Government securities. This last movement may be connected with the operations of the Exchange Account. The fall in bankers' deposits has thus been kept down to £2.6 millions, but even at £92.1 millions the level of these deposits is a low one bearing in mind the pressure that must have been put on them by withdrawals of cash in the latter part of the week.

\*

Apart from the pressure on sterling, which is dealt with in an earlier note, the foreign exchange market has this week been provided with several fea-

tures, most of them connected with the sudden turns of the international situation. The belga has been particularly volatile, fluctuating wildly between the extremes of 27.55 and 27.76. Capital has left Belgium on a fairly large scale during the week, but the control has always been able to steady the market. On Thursday previous influences in this market were reversed and the rate recovered from 27.65 to 27.61. French francs have come under pressure with the deterioration in the political situation but have been firmly held by the control. Swiss francs have weakened from 20.72 to 20.77 on capital movements prompted by political fears. The guilder, which might have been expected to react to similar emotions, has, on the other hand, strengthened from 8.73 to 8.70. The Shanghai dollar has recovered from  $3\frac{1}{2}$ d. to  $3\frac{3}{4}$ d., partly on the Tientsin silver decision, partly on the cheerful interpretation which Chinese circles have chosen to place on the German-Soviet pact.

### MONEY MARKET RATES

|                                | Aug. 25,<br>1938   | Aug. 17,<br>1939   | Aug. 24,<br>1939      |
|--------------------------------|--------------------|--------------------|-----------------------|
| Bank Rate .....                | %<br>2             | %<br>2             | %<br>4                |
| London Deposit Rate ...        | $\frac{1}{2}$      | $\frac{1}{2}$      | 2                     |
| Short Loan Rates:              |                    |                    |                       |
| Clearing Banks .....           | $1\frac{1}{2}$ -1* | $1\frac{1}{2}$ -1* | 3                     |
| Others .....                   | $1\frac{1}{2}$ -5g | $5\frac{1}{4}$ -7g | 3                     |
| Discount Rates:                |                    |                    |                       |
| Treasury Bills .....           | $\frac{1}{2}$      | 25 $\frac{1}{2}$   | 37g                   |
| Three months' bank bills ..... | 17 $\frac{1}{2}$   | 25 $\frac{1}{2}$   | 35 $\frac{1}{2}$ -37g |

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

### THE BANK RETURN

|                      | Aug. 24,<br>1938 | Aug. 9,<br>1939 | Aug. 16,<br>1939 | Aug. 23,<br>1939 |
|----------------------|------------------|-----------------|------------------|------------------|
| Issue Dept.          |                  |                 |                  |                  |
| Gold .....           | 326.4            | 246.4           | 246.6            | 246.4            |
| Value per oz. fine   | 85s.             | 148s. 6d.       | 148s. 7d.        | 148s. 6d.        |
| Notes in circulation | 478.7            | 521.9           | 512.4            | 508.1            |
| Banking Dept.:       |                  |                 |                  |                  |
| Reserve .....        | 48.9             | 25.2            | 35.0             | 39.2             |
| Public Deps. ....    | 24.0             | 31.8            | 27.5             | 22.4             |
| Bkrs' Deps. ....     | 101.6            | 81.7            | 94.7             | 92.1             |
| Other Deps. ....     | 34.1             | 35.9            | 35.7             | 36.2             |
| Govt. Secs. ....     | 101.9            | 114.8           | 111.6            | 99.7             |
| Dis. & Adv. ....     | 6.3              | 6.0             | 5.9              | 5.7              |
| Other Secs. ....     | 20.6             | 21.5            | 23.5             | 24.3             |
| Proportion           | 30.4%            | 16.8%           | 22.1%            | 26.0%            |

### THE BULLION MARKET

| Date        | Gold                |                    |               | Silver                 |                  |
|-------------|---------------------|--------------------|---------------|------------------------|------------------|
|             | Price per fine oz.  | Prem. or Disc.     | Amt. dealt in | Price per oz. standard |                  |
|             |                     |                    |               | Cash                   | Two Mths.        |
| 1939        | s. d.               | d.                 | £'000         | d.                     | d.               |
| Aug. 18 ... | 148 7               | 11gpm              | 317           | 17 $\frac{1}{2}$       | 16 $\frac{1}{2}$ |
| " 19 ...    | 148 7               | 11gpm              | 341           | 17 $\frac{1}{2}$       | 16 $\frac{1}{2}$ |
| " 21 ...    | 148 7               | 11gpm              | 365           | 17 $\frac{1}{2}$       | 17g              |
| " 22 ...    | 148 6 $\frac{1}{2}$ | 1 pm               | 455           | 18 $\frac{1}{2}$       | 18 $\frac{1}{2}$ |
| " 23 ...    | 148 6 $\frac{1}{2}$ | 1 pm               | 320           | 18 $\frac{1}{2}$       | 17 $\frac{1}{2}$ |
| " 24 ...    | 148 5               | $\frac{1}{2}$ dis. | 534           | 19 $\frac{1}{2}$       | 19               |

\* Above or below American shipping parity.

# Investment

**Crisis and the Stock Exchange.**—Both on Tuesday and Wednesday, the London Stock Exchange found a sufficient glimmer of hope, after the shock of the announcement of Russo-German negotiations, to put prices better. The terms of the non-aggression pact, however, brought the market to a complete standstill on Thursday, and the decision—it had already seemed inevitable on earlier occasions this week—was taken to impose minimum dealing prices in British funds, Corporation and Dominion stocks. Short of that decision, the raising of Bank rate to 4 per cent. would probably have compelled an even more drastic revision of prices throughout the list. The minimum prices are, in fact, the lower (or "bid") quotations in the Stock Exchange Official List for Wednesday, August 23rd. Industrial shares, whose prices became nominal on Tuesday morning on the Russo-German announcement, were slightly steadier in mid-week, but were further depressed on Thursday. Some shares, exceptionally, improved on bear covering, for buying orders were scarcely less difficult to execute than sales. But the week's movements are fairly summarised in the *Financial News*' index (July 1, 1935 = 100) of ordinary shares, which shows a fall of nearly two points from 78.9 last Friday to 77.2 on Monday, further declines to 76.5 and 76.1 on Tuesday and Wednesday, respectively, and a precipitate drop to 74.1 on Thursday.

\* \* \*

Movements in leading British and foreign Government, railway, industrial and commodity securities are set out in the following table. This shows the lowest marking on September 28th last year, and prices on March 10th (when the *Financial News*' index reached the highest point of the year, immediately before the rape of Czecho-Slovakia) and for the current week:—

|                                               | Lowest mark,<br>Sep. 28,<br>1938 | Mar.<br>10,<br>1939 | Aug.<br>18,<br>1939 | Aug.<br>21,<br>1939 | Aug.<br>22,<br>1939 | Aug.<br>23,<br>1939 | Aug.<br>24,<br>1939 |
|-----------------------------------------------|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Consols 2 $\frac{1}{2}$ % ...                 | 66                               | 70 $\frac{3}{4}$    | 65 $\frac{7}{8}$    | 64                  | 63                  | 64                  | 62 $\frac{1}{2}$    |
| War Loan 3 $\frac{1}{2}$ % ...                | 93                               | 98 $\frac{3}{4}$    | 91 $\frac{3}{4}$    | 89 $\frac{7}{8}$    | 88 $\frac{1}{2}$    | 89 $\frac{3}{4}$    | 88 $\frac{1}{2}$    |
| Conversion 2 $\frac{1}{2}$ %<br>1944-49 ..... | 91                               | 96 $\frac{3}{8}$    | 96 $\frac{1}{4}$    | 95 $\frac{5}{8}$    | 95                  | 95                  | 94 $\frac{1}{2}$    |
| German 5% .....                               | 191 $\frac{1}{2}$                | 42                  | 30                  | 30                  | 28                  | 28 $\frac{1}{2}$    | 23                  |
| Japan 5 $\frac{1}{2}$ % 1930                  | 35                               | 48 $\frac{1}{2}$    | 36 $\frac{1}{2}$    | 35 $\frac{1}{2}$    | 34 $\frac{1}{2}$    | 35 $\frac{1}{4}$    | 34                  |
| G.W.R. ord. ....                              | 33                               | 31                  | 28 $\frac{3}{4}$    | 27                  | 26 $\frac{1}{2}$    | 28 $\frac{1}{2}$    | 26 $\frac{1}{2}$    |
| L.M.S. 1923 pref.                             | 24 $\frac{1}{2}$                 | 37                  | 38                  | 35                  | 34                  | 37                  | 33 $\frac{1}{2}$    |
| L.N.E. 2nd guar.                              | 52 $\frac{1}{2}$                 | 64                  | 57 $\frac{1}{2}$    | 56                  | 56                  | 56                  | 54 $\frac{1}{2}$    |
| Southern pref. ...                            | 50                               | 70 $\frac{1}{4}$    | 61                  | 61                  | 57                  | 58                  | 56                  |
| B. Am. Tob. (£1)                              | 3 $\frac{3}{4}$                  | 51 $\frac{1}{2}$    | 47 $\frac{1}{8}$    | 45 $\frac{1}{8}$    | 44 $\frac{1}{8}$    | 44 $\frac{1}{8}$    | 41 $\frac{1}{8}$    |
| Brit. Oxygen (£1)                             | 3 $\frac{1}{4}$                  | 31 $\frac{1}{8}$    | 3 $\frac{1}{8}$     | 31 $\frac{1}{8}$    | 31 $\frac{1}{8}$    | 31 $\frac{1}{8}$    | 35 $\frac{1}{8}$    |
| Courtaulds (£1)                               | 26 $\frac{1}{2}$                 | 28 $\frac{1}{2}$    | 29 $\frac{1}{2}$    | 28 $\frac{1}{2}$    | 28 $\frac{1}{2}$    | 27 $\frac{1}{2}$    | 26 $\frac{1}{2}$    |
| Dunlop (£1) .....                             | 22 $\frac{1}{2}$                 | 27 $\frac{1}{2}$    | 27 $\frac{1}{2}$    | 26 $\frac{1}{2}$    | 26 $\frac{1}{2}$    | 26 $\frac{1}{2}$    | 25 $\frac{1}{2}$    |
| I.C.I. (£1) .....                             | 26 $\frac{1}{2}$                 | 32 $\frac{1}{2}$    | 29 $\frac{1}{2}$    | 28 $\frac{1}{2}$    | 28 $\frac{1}{2}$    | 29 $\frac{1}{2}$    | 28 $\frac{1}{2}$    |
| Marks & Spencer<br>(5s.) .....                | 42 $\frac{1}{2}$                 | 63 $\frac{1}{2}$    | 59 $\frac{1}{2}$    | 58 $\frac{1}{2}$    | 56 $\frac{1}{2}$    | 56 $\frac{1}{2}$    | 55 $\frac{1}{2}$    |
| Tube Invest. (£1)                             | 70 $\frac{1}{2}$                 | 89 $\frac{1}{2}$    | 89 $\frac{1}{2}$    | 88 $\frac{1}{2}$    | 87 $\frac{1}{2}$    | 87 $\frac{1}{2}$    | 87 $\frac{1}{2}$    |
| Vickers (10s.) ...                            | 17 $\frac{1}{2}$                 | 21 $\frac{1}{2}$    | 17 $\frac{1}{2}$    | 17 $\frac{1}{2}$    | 16 $\frac{1}{2}$    | 16 $\frac{1}{2}$    | 16 $\frac{1}{2}$    |
| Sub Nigel (10s.)                              | 10 $\frac{1}{4}$                 | 11 $\frac{1}{8}$    | 11                  | 10 $\frac{3}{4}$    | 10 $\frac{1}{2}$    | 10 $\frac{1}{2}$    | 10 $\frac{3}{8}$    |
| West Wits. (10s.)                             | 45 $\frac{1}{2}$                 | 6 $\frac{1}{4}$     | 47 $\frac{1}{8}$    | 44 $\frac{1}{8}$    | 43 $\frac{1}{8}$    | 43 $\frac{1}{8}$    | 37 $\frac{1}{8}$    |
| Rhokana (£1) ...                              | 91 $\frac{1}{2}$                 | 11 $\frac{1}{8}$    | 11 $\frac{1}{8}$    | 11 $\frac{1}{8}$    | 11 $\frac{1}{8}$    | 11 $\frac{1}{8}$    | 10 $\frac{1}{4}$    |
| "Shell" Trans.<br>(£1) .....                  | 31 $\frac{1}{2}$                 | 41 $\frac{1}{2}$    | 41 $\frac{1}{2}$    | 4                   | 4                   | 41 $\frac{1}{2}$    | 35 $\frac{1}{2}$    |
| Trinidad Lease-<br>holds (£1) .....           | 47 $\frac{1}{2}$                 | 45 $\frac{1}{2}$    | 45 $\frac{1}{2}$    | 4                   | 31 $\frac{1}{2}$    | 33 $\frac{1}{2}$    | 37 $\frac{1}{2}$    |
| Allied Sumatra<br>(£1) .....                  | 11 $\frac{1}{2}$                 | 17 $\frac{1}{2}$    | 16 $\frac{1}{2}$    | 15 $\frac{1}{2}$    | 15 $\frac{1}{2}$    | 14 $\frac{1}{2}$    | 13 $\frac{1}{2}$    |

Only fears of the imminence of war itself could justify this record, yet even those fears have scarcely contributed a particle towards selling pressure. Indeed, investors generally have exhibited a degree of calm in the present crisis which surpasses that of September last year. And price movements have resulted from the hopes or fears of the moment, without any direct response in the volume of business, nor any change in the determination of jobbers to carry the lightest possible book.

**Minimum Prices Compared.**—In the September crisis last year, minimum prices in British Government, corporations and Dominion stocks market, lasted for the brief space of two days, but even this period was sufficient to disclose an appreciable leakage of business, at prices below those stipulated, through outside channels. On Thursday this week, the method of fixing minimum prices was made more watertight. Members are forbidden to deal with non-members or with members at prices below the minima, which were, in fact, the lower quotations recorded in the official list of August 23rd. At the same time, the Committee has imposed a ban on all dealings in this range of stocks except on a strict cash basis. The following table compares the minimum prices for leading British Government securities posted this week with those of eleven months ago:—

|                                                         | MINIMUM PRICES    |                   |
|---------------------------------------------------------|-------------------|-------------------|
|                                                         | Sept. 27,<br>1938 | Aug. 23,<br>1939  |
| 2 $\frac{1}{2}$ % Consols .....                         | 66                | 62 $\frac{1}{2}$  |
| 4% Consols, after 1957 .....                            | 101               | 98 $\frac{1}{2}$  |
| 2 $\frac{1}{2}$ % Conversion, 1944-49 .....             | 91                | 94 $\frac{1}{2}$  |
| 3% Conversion, 1948-53 .....                            | 93                | 94 $\frac{1}{2}$  |
| 3 $\frac{1}{2}$ % Conversion, after 1961 .....          | 92                | 89                |
| 4 $\frac{1}{2}$ % Conversion, 1940-44 .....             | 101               | 100 $\frac{1}{2}$ |
| 5% Conversion, 1944-64 .....                            | 105               | 106 $\frac{1}{2}$ |
| 2 $\frac{1}{2}$ % Funding, 1956-61 .....                | 83                | 81                |
| 2 $\frac{1}{2}$ % Funding, 1952-57 .....                | 90                | 88 $\frac{1}{2}$  |
| 3% Funding, 1959-69 .....                               | 91                | 89                |
| 4% Funding, 1960-90 .....                               | 102               | 102 $\frac{1}{2}$ |
| 3% Local Loans .....                                    | 79                | 74                |
| 2 $\frac{1}{2}$ % National Defence Bonds, 1944-48 ..... | 93                | 96                |
| 3 $\frac{1}{2}$ % War Loan, after 1952 .....            | 93                | 88 $\frac{1}{2}$  |

The fact that the "longs" are generally lower, and the "shorts" generally higher than in September, 1938, suggests that the market on this occasion has been disposed to apply the traditional relative preference for dated as against undated stocks in a time of emergency. But that fact has not prevented a formidable adjustment of yield level on dated stocks. Moreover, it would probably be unwise to count upon the maintenance of all minimum prices, as fixed this week, under all conditions.

\* \* \*

**The New Yield Basis.**—Wednesday's gilt-edged prices showed an appreciable recovery compared with Tuesday, but (as our table of security prices and yields on page 428 shows) the yield basis on the long-dated or irredeemable stocks was close to, if not actually on, a 4 per cent. basis. War Loan, redeemable after 1952, offered a yield of £3 18s. 8d. per cent. on Wednesday's middle quotation of 89 $\frac{3}{4}$ , while 3 per cent. Local Loans, an irredeemable stock, offered 4 per cent. flat at a price of 75. The new minimum prices have established the 4 per cent. basis beyond a doubt. For an ultra-short, like 4 $\frac{1}{2}$  per cent. Conversion, 1940-44, the new yield basis, taking redemption even at latest date, is £4 8s. 8d., an anomaly doubtless due to the fact that the stock has been held as a first-line defence for liquid reserves. The market, already apprehensive of rising interest rates in recent months, has now been compelled to say farewell to cheap money, following Thursday's rise in Bank Rate, but it has had time to make its dispositions and thus avoided the sudden discomfiture of the discount market. The flat yield on War Loan at 88 $\frac{1}{2}$  is £3 19s. 7d. and on 3 $\frac{1}{2}$  per cent. Conversion £3 18s. 8d. per cent. Unless the raising of Bank Rate may be regarded as a final step in itself and not the first of a series of increases, the immediate outlook for holders of fixed-interest securities generally is not hopeful. In that event, the problem of raising the projected £500 millions for defence would be correspondingly increased. Whatever their outcome, this week's events have made it virtually certain that measures for capital market control must be included in the Emergency Powers.



**Wall Street's Reaction.**—The response of the New York Stock Exchange to the European crisis during the past week is only generally indicated in the index of closing prices and the total dealings given in the following table:—

|                | Trading Volume (Shares) | Dow Jones Industrial Average |
|----------------|-------------------------|------------------------------|
| August 18..... | 840,000                 | 135.54                       |
| August 19..... | 290,000                 | 135.11                       |
| August 21..... | 850,000                 | 132.81                       |
| August 22..... | 860,000                 | 135.07                       |
| August 23..... | 790,000                 | 131.82                       |
| August 24..... | 1,290,000               | 131.33                       |

In fact, Wall Street's behaviour from hour to hour has merely illustrated rapidly changing moods of optimism and pessimism, and the market has had no general sense of policy. It received the news of the Russo-German negotiations almost with elation, for operators took the line that a non-aggression pact would avert the risk of war. With a bound, the market restored last Saturday's closing prices, the Dow Jones industrial average rising from 132.81 to 135.07 on a turnover of 860,000 shares. Wednesday's setback, though largely concentrated in a hectic final hour's dealings, was marked by a fall of the index to 131.82. The market appeared to be dismayed by higher war risk rates, and higher prices for essential commodities, such as wheat and sugar. Yet even on Thursday it fluctuated between hope and fear, and recorded nothing more than irregular fractional losses at the close, although turnover increased to 1,290,000 shares. Possibly some buying support is being received from Continental quarters which are still free of rigid or informal restriction, but Wall Street's performance, as a more or less isolated spectator in this week's crisis, has suggested that for hedging purposes against the fear of war American stocks have no decisive advantages.

**The "House" in Wartime.**—No official indication has yet been given regarding the future of Stock Exchange business, and the place where it will be conducted, in the event of war. Powers have, of course, been available for some time to the Stock Exchange authorities to obtain alternative premises in case of need, and to act as quickly as necessary. Hence, it may be presumed that plans have been drawn up, and only await the zero hour to come into operation. In moving an institution, where dealings are traditionally based on the close proximity of members' offices to the Exchange and on personal negotiation between broker and jobber, problems of organisation are clearly difficult enough. And it would be adding to them if the projected site, for use in the event of emergency, were to be broadcast in advance, for a scramble for accommodation and higher rents would almost certainly result. If the worst happens, it is probable that the market would at least attempt to maintain open doors in Throgmorton Street. It is fortunate, in one respect, that there is no open position comparable with that of August, 1914. Hence the settlement of differences in the event of hostilities would hardly occasion the lengthy disturbance which was one of the operative factors in the delay in the re-opening of the "House" in 1914.

**Roumanian External Debt Payments.**—The prospective arrangements between the Roumanian Government and the Council of Foreign Bondholders regarding the allocation of part of the funds arising under the new clearing agreement to the service of all bondholders of Roumania's sterling issues were noted in *The Economist* of July 22nd. The Council has now issued a *communiqué* regarding the service on the debt for the year which commenced on April 1st. Holders of the 4 per cent. External

Loan 1922 will continue to enjoy priority. The government offers to pay, in full settlement, 63 per cent. of the contractual amount of interest due for the year, plus a supplementary payment of £19,455. These payments will be jointly equivalent to a rate of 3.92 per cent. per annum or 98 per cent., of the contractual rate, which is the average rate paid to United Kingdom bondholders only, for the year 1938-39. The 4½ per cent. Gold Loan 1913 and the 4 per cent. Consolidated Loan are to receive the same payment, in full satisfaction, as the average of 1938-39, namely, 47 per cent. In all cases, amortisation is to remain in suspense. Although Roumania has thus merely maintained last year's interest payments on the three loans, and ratification of the agreement was not completed until quite recently, there must be satisfaction that Roumania remains in the small circle of hard-pressed debtors who reach bilateral agreements regarding their debt service. Expectations that the increased allocation of funds for the debt service contemplated by the clearing agreement may lead to higher future coupon payments must be tempered, for the time being, by the reflection that the resulting funds will not be payable exclusively to British nationals, unlike the April 1st coupon payments announced this week on the 4½ per cent. Gold Loan of 1913 and the 4 per cent. Consolidation Loan of 1922, which are only due to British holders.

**Insurance Share Movements.**—Although the average level of *The Economist* insurance share index shows a further fall from 4,057 to 3,982 between March 31st and June 30th, and thus continues the declining trend over a full twelve months, the experience of individual shares was diverse during the past quarter. The index, which is based on an investment of £1,000 in 24 insurance shares in 1913, is given in full in the following table:—

| Company                            | Average 1937 | Average 1938 | June 30, 1938 | Sept. 30, 1938 | Dec. 30, 1938 | Mar. 31, 1939 | June 30, 1939 |
|------------------------------------|--------------|--------------|---------------|----------------|---------------|---------------|---------------|
| Alliance .....                     | 2,341        | 2,102        | 2,142         | 2,100          | 2,100         | 1,932         | 1,974         |
| Atlas .....                        | 3,698        | 3,667        | 3,873         | 3,746          | 3,555         | 3,492         | 3,492         |
| Caledonian .....                   | 5,457        | 4,875        | 4,906         | 4,655          | 4,718         | 4,655         | 4,529         |
| Commercial Union Employers' .....  | 4,490        | 4,068        | 4,408         | 4,136          | 4,027         | 3,700         | 3,755         |
| Equity and Law .....               | 2,509        | 2,276        | 2,342         | 2,297          | 2,297         | 2,252         | 2,432         |
| General Accident .....             | 6,986        | 5,347        | 5,439         | 5,274          | 5,357         | 5,110         | 4,203         |
| Gresham Fire .....                 | 14,582       | 12,771       | 12,333        | 13,332         | 12,333        | 11,666        | 11,999        |
| Guardian .....                     | 4,571        | 3,810        | 3,619         | 3,619          | 3,619         | 3,619         | 3,619         |
| Legal and General .....            | 3,548        | 3,384        | 3,487         | 3,487          | 3,487         | 3,487         | 3,487         |
| Life Assn. of Scotland .....       | 12,944       | 10,451       | 10,929        | 10,929         | 10,929        | 10,929        | 10,929        |
| London and Lancs. .....            | 3,792        | 3,385        | 3,400         | 3,115          | 2,972         | 2,972         | 2,972         |
| London Assurance .....             | 4,602        | 4,385        | 4,308         | 4,462          | 4,192         | 4,000         | 4,000         |
| North British and Mercantile ..... | 3,172        | 2,875        | 2,814         | 2,911          | 2,911         | 2,668         | 2,814         |
| Northern .....                     | 6,433        | 5,430        | 5,414         | 5,860          | 5,350         | 5,096         | 5,223         |
| Phoenix .....                      | 2,395        | 2,265        | 2,328         | 2,269          | 2,269         | 2,209         | 2,149         |
| Prudential .....                   | 2,025        | 1,928        | 1,962         | 1,928          | 1,928         | 1,827         | 1,827         |
| Royal Exchange .....               | 3,369        | 3,117        | 3,309         | 3,261          | 3,333         | 3,309         | 3,309         |
| Royal Life .....                   | 5,090        | 4,582        | 4,929         | 4,682          | 4,682         | 4,313         | 4,313         |
| Scottish Life .....                | 3,129        | 2,764        | 2,925         | 2,925          | 2,839         | 2,710         | 2,753         |
| Scottish Union and National .....  | 4,192        | 3,876        | 3,933         | 3,933          | 3,596         | 3,596         | 3,258         |
| Sun Fire .....                     | 5,352        | 4,621        | 4,880         | 4,732          | 5,028         | 4,584         | 3,993         |
| Sun Life .....                     | 3,093        | 2,775        | 2,933         | 2,978          | 2,933         | 2,933         | 2,889         |
| Yorkshire .....                    | 3,193        | 3,161        | 3,375         | 3,224          | 3,073         | 3,224         | 3,123         |
| Average .....                      | 3,762        | 3,511        | 3,504         | 3,504          | 3,504         | 3,298         | 3,298         |
| Average .....                      | 4,795        | 4,226        | 4,312         | 4,307          | 4,198         | 4,057         | 3,982         |

During the quarter, nine shares showed a fall, which in most cases was small, although Equity and Law, and Scottish Union and National shares showed fairly considerable falls. Eight of the component shares were unchanged, while seven showed modest improvements.

**The Investor and Radiolympia.**—The annual "Radiolympia" has opened this week with all its customary publicity, but it is questionable whether it will mark the beginning of a new era for investors in the industry. The period of adjustment through which most radio companies are passing seems still to have some way to run. Some companies have already experienced two years of declining profits, and since the period of rapid expansion is over and replacement demand provides the bulk of the orders, virtually all the larger companies have attempted to broaden their scope by manufacturing appliances other than radio sets. The resulting experience of individual companies has varied, but it is not generally reassuring. Electric and

Musical Industries, who have been far in advance of the smaller companies in widening the range of their products, and could never be regarded as exclusively interested in the radio trade, published unexpectedly disappointing results for 1937-38, though with the approach of the end of the 1938-39 financial period on September 30th, these earlier profits have little relevance at the moment. Changes in the board in May, however, may have been connected with manufacturing policy. Pye, Ltd., maintained their 25 per cent. dividend (fully covered by earnings) in the year to March 31, 1939, despite a fall in total profits from £119,338 to £93,819. The reduction in E. K. Cole total profits from £40,468 to £34,756 was not large in absolute amount (though such results provided a disappointing contrast with the high levels of earlier years), but the ordinary dividend was passed, while in 1937-38 10 per cent. was paid but not earned. For 1938, Philco Radio incurred a loss of £114,790, slightly larger than for 1937, and was compelled to adopt a drastic policy for reducing stock values. Diversification has also been achieved by this company, for non-radio Government and other contracts have been obtained, to employ the full capacity of the factory. Technically, of course, the main interest of Radiolympia lies in the progress of television, and one of the most interesting developments of 1938-39 has been the use of large-screen apparatus. Gaumont-British are equipping certain theatres with the Baird system, while Scopphony are supplying the Odeon group and the Monseigneur news theatres. Each year the commercial exploitation of television is brought nearer, but the progress of the past two or three years is none the less of slender benefit to shareholders. The Baird report for the year to June 30 last is not yet available, and no Scopphony profit and loss account has yet been published, though a report was issued in May, and in June the need for new finance was referred to at the meeting. Producers of home television receivers have yet to develop the mass market, which would appear to entail further price reductions. Hence, the prospects of radio and television companies must still be regarded with reserve, for the declining tendency in earnings over the past two years would be further intensified if a rise in the cost of living should reduce the purchasing power for semi-luxury goods, or if political uncertainty should lead to a postponement of normal replacement demand.

**Instalment Dealings and Outside Brokers.**—The Board of Trade rules governing the operations of outside brokers have had their sequel in the liquidation of two firms, Messrs Cornforth, Limited, and Messrs Johnson and Sanderson. Under Rule 13 of the Rules made by the Board of Trade on July 26th, under the Prevention of Fraud (Investments) Act, a licensed dealer may not hold himself out as prepared to enter into any margin or optional transaction unless he acts as agent and supports the transaction with a corresponding transaction with a member of a recognised stock exchange. This rule has been responsible for the decision of Cornforth, Limited, to go into voluntary liquidation. In a letter to its clients the company states that in operating its deferred delivery system the company has acted as a principal. Since the directors see no means whereby their system can be altered to comply with the rule—a matter which they alone can decide—they have concluded that the company has no alternative but to discontinue its business. If it continued under the present method, the company would clearly be dependent upon business from existing clients, and would be debarred from advertising for new connections. The difference between acting as agent and acting as principal is important, for it marks an important distinction in law between an investment transaction and a gaming transaction, although the intention to deliver or accept stock is the final arbiter. It is presumably for such reasons that the Board of Trade has been unable to modify Rule 13. The effect upon firms whose systems have been conducted respectably is, however, unfortunate. Under its established system Cornforth, Limited, were able to offer speculative facilities without directly charging Stock Exchange commissions, but under

Rule 13 that advantage would clearly not be available. It is understood that Thomas Massey and Company, Limited, which also transacts deferred instalment business, is considering its position under Rule 13, but a definite decision has not yet been reached.

**C.W.S. and Chain Stores.**—When the suggestion was first made that the co-operative movement might enter what is called "bazaar trading" it was not widely believed to constitute a threat to established chain-store companies. This point of view, adopted when the proposals were discussed in *The Economist* of July 29th, is fully confirmed by the results of the referendum organised by the Co-operative Wholesale Society, which have largely re-affirmed the basic principles of co-operative trading and the autonomous character of the retail societies. The main proposal of the C.W.S. that they should take powers to form a subsidiary company to develop bazaar trading was rejected by 2,347 votes against 2,202, and by a more emphatic majority the societies turned down the recommendation that the dividend should be eliminated from any bazaar trading. An alternative suggestion that the C.W.S. could establish stores in towns where the consent of the local retail societies had first been obtained was, however, adopted. This diversity of attitude among the member-societies suggests that the scheme is unlikely to reach fruition—if at all—in the near future; in the meantime, the value of holdings in the leading chain-store companies remains unimpaired by the C.W.S. project.

**Trust of Bank Shares.**—The managers of Trust of Bank Shares (Trust of Insurance Shares, Ltd.) have announced this week that, as from August 21st, Martins Bank, Ltd., has taken over the trusteeship of the trust from Equity and Law Life Assurance Society. Certain modifications and improvements have also been made in the trust deed, a summary of which will be circulated with the next distribution warrant on September 15th. The change in trusteeship is not entirely unexpected. The late trustees have certain affiliations with the management company which, while they occasioned no disadvantage for the unit holder, might not have been completely reconcilable with the principle enunciated by the Anderson Committee that close connection between management companies and trustees was undesirable. The Anderson Report, however, contented itself with the simple recommendation, which has not been literally incorporated in the Prevention of Fraud (Investments) Bill nor in the Board of Trade rules relating to unit trusts. The announcement itself does not disclose any reason for the change, and it is possible that more than one factor determined the management company's decision. It will, however, be welcomed as a voluntary adherence to the Anderson Committee's suggestions.

**Timber Share Outlook.**—Within the past six months, the prospects of companies trading in timber have assumed a brightness which is in marked contrast with the depressed conditions which set in towards the end of 1937. The major factor has been the increased demand for timber due to the constructional work required, directly or indirectly, by the arms programme. Quite apart from this greater quantitative demand, prices have also been rising, for exceptional purchases for defence purposes

**HOTEL WESTMINSTER**  
NEW MANAGEMENT  
**Le Touquet**  
FULL BOARD  
From 27/6



have been superimposed upon the shortages of supply due to diversion of orders from the Continent. A continuance of these price and demand trends, moreover, seems likely for some months, and it is probable that they will not be counteracted to any major extent by the 10 per cent. increase in export quotas agreed last week by the European Timber Exporters' Convention. What are the implications for holders of shares in timber companies? We set out below a summary of the results of four leading timber companies in each of the past three years:—

| Company (Years to March 31)          | Total Profits | Earned for Ordinary |       | Ord. Div. | Aug. 23     |       |
|--------------------------------------|---------------|---------------------|-------|-----------|-------------|-------|
|                                      |               | Amt.                | Rate  |           | Price       | Yield |
| <b>Austins of E. Ham—</b>            |               |                     |       |           |             |       |
| 1937                                 | 73,167        | 50,749              | 39.3  | 17½       | 7/6 (5/-)   | 11.7  |
| 1938                                 | 78,206        | 52,562              | 41.7  | 17½       |             |       |
| 1939                                 | 56,161        | 32,061              | 22.8  | 17½       |             |       |
| <b>Denny, Mott &amp; Dickson*—</b>   |               |                     |       |           |             |       |
| 1937                                 | 158,670       | 113,285             | 14.9  | 10        | 15/10½ (6½) | 7.1   |
| 1938                                 | 78,522        | 63,522              | 6.5   | 6         |             |       |
| 1939                                 | 66,204        | 51,204              | 3.1   | 6         |             |       |
| <b>Gabriel, Wade &amp; English†—</b> |               |                     |       |           |             |       |
| 1937                                 | 136,703       | 84,033              | 31.2  | 8         | 22/6 (6½)   | 8.9   |
| 1938                                 | 102,913       | 57,925              | 21.1  | 8         |             |       |
| 1939                                 | 126,353       | 72,142              | 26.3  | 10        |             |       |
| <b>Montague L. Meyer—</b>            |               |                     |       |           |             |       |
| 1937                                 | 168,320       | 101,709             | 361.6 | 50        | 12/6 (6/-)  | 16.0  |
| 1938                                 | 48,400        | 5,996               | 22.1  | 162½      |             |       |
| 1939                                 | 84,934        | 29,117              | 107.1 | 33½       |             |       |

\* For "amount earned for ordinary" read "balance available for preferred ordinary and for ordinary." † Years ended May 31. ‡ Also 200 per cent. capital bonus in preferred ordinary shares.

The most noticeable fact which emerges from this table is the considerable disparity between the results of different companies, for which, in part, the time factor is responsible. The upward trend of prices is of recent date and was not necessarily of much benefit to those companies whose financial years ended in the spring. Secondly, the type of business conducted by any individual company has an important bearing on the results. It is only non-domestic demand that has recovered so rapidly in recent months, and the decline in dwelling-house construction accounts for a considerable part of the set-back experienced by Austins of East Ham, who specialise in standard joinery. The 1938-39 increase in Montague L. Meyer's profits is substantial, but the previous year's level of earnings was exceptionally low. The satisfactory Gabriel, Wade and English results, however, have brought a prompt response from the market. But at Wednesday's meeting it was stressed that exceptional Government requirements had not arisen till the end of May, and that the satisfactory profits had been achieved in the face of difficult trading conditions. As the companies shown above did not experience in their 1938-39 financial years the full benefit of the rise in prices which has occurred since last spring, their financial prospects for 1939-40 should be correspondingly enhanced. At least, a continued high demand for timber is assured in the immediate future; long-term prospects, however, must remain obscure until prices find a more even keel.

**Wardle and Davenport Improvement.**—In the years 1936-37 and 1937-38, some progress was shown by the Wardle and Davenport accounts; and this has now

been succeeded by a substantial improvement in profits for the year to June 30th last. Total profits, after ordinary depreciation, amount to £30,490 against £22,461, and earnings for the equity total £20,018 against £14,018 (or 8.0 per cent. against 5.5 per cent.) after providing £6,000 against £4,000 for additional depreciation. The dividend, as already announced, is raised from 5½ to 7½ per cent. Such results for 1938-39 are most satisfactory for a company connected with the textile trades, though they still contrast adversely with the high profits of earlier years. No comment on the recent recovery is offered in the report, but the chairman pointed out a year ago that some new machinery had not come into production soon enough to affect the 1937-38 results; hence the latest year may have benefited correspondingly. And though it is not conclusive evidence, the reduction in stocks from £40,876 to £31,359 may be a reflection of higher turnover. A yield of £7 15s. per cent. is offered on the £1 shares at 19s. 4½d.

**Armstrong Shock Absorbers.**—In view of the satisfactory outlook for this company a year ago, the heavy drop in profits for the year to June 30th provides a sharp disappointment. Consolidated total income of the parent company and its operating subsidiary has fallen from £40,324 to £17,734, and after depreciation and tax the revenue of the parent concern is halved at £6,311, against £13,357. The cash distribution is reduced from £11,016 to £3,625, and the rate from 20 per cent. to 5 per cent., although the latter is payable on the capital as increased by the one-in-three share bonus. General reserve is reduced to £2,000, against £15,000 at June 30, 1938, for in addition to the cost of the share bonus, the sum of £7,000 has been used to write down the holding in Avril Products, which has continued to experience a loss. The survey of the year's difficulties, however, which is contained in a print of the chairman's speech incorporated in the report, suggests that the setback in 1938-39 may be due to temporary factors. Turnover fell considerably owing to the recession in the motor industry, and efforts to obtain Government work have so far been unsuccessful. But much of the difficulty arose from the need for producing simultaneously an old and a new type of shock absorber. This led to some internal dislocation, and at first the new type could not be produced in sufficient quantity to be remunerative. Possibly, the manufacturing adjustments which have been effected, coupled with the chairman's reference to a "very satisfactory" volume of trading, hold out hope of some recovery in profits for the current year. At the present price of 1s. 7½d. the 2s. shares yield £6 3s. per cent.

**The Week's Company Profits.**—This week our usual analysis of profit and loss accounts includes only 11 companies, whose net profits of £201,000 compare with £209,000, a drop of 4 per cent. Aggregate net profits of the 1,700 companies reporting in 1939 to date are £216,137,000, or 7½ per cent. lower than the £234,043,000 earned by the same companies in the previous year. The week's results are discussed in preceding Notes and on page 416 under the heading "Shorter Comments."

## THE STOCK EXCHANGES

### London

SETTLING DAYS  
TICKET ACCOUNT  
SEPTEMBER 5 SEPTEMBER 7

AFTER making a brave attempt at second thoughts, the market has in the end been thoroughly sobered by the gravity of the international outlook, and, without any display of panic, has had to return to "crisis" measures. The week started badly, with a continuance

of the falls that had begun towards the end of the previous week, but in late dealings on Tuesday there was a more cheerful tendency, which was followed up on Wednesday by a definite rally, which Wall Street's attack of nerves was too late to check. On Thursday, however, the rapid deterioration of the situation following knowledge of the full terms of the German-Soviet pact administered a shock. Minimum prices were eventually fixed for gilt-edged stocks, and there was a general lower-

ing and widening of quotations. But there was little selling in mid-week, and business was at an exceptionally low ebb. The adjustment of prices has been precautionary, and was not produced by a flood of selling. Indeed, the market's chief fear on Thursday was that it might be oversold.

Gilt-edged made a bad start to the week, the perpetual stocks in particular being subjected to persistent though not heavy selling. With a release from this pressure, prices ended on Tuesday

above the worst, and on bear-covering towards mid-week there was a markedly better tone. On Thursday there was a virtual cessation of business while the Committee were discussing minimum prices. It was announced later that minimum prices would be established immediately on the basis of the lower quotation in the official list of August 23rd (as set out on page 411). Home Corporations stocks were dominated by the general market sentiment, and Dominions issues followed gilt-edged. Among foreign bonds, European descriptions were naturally a weak market. German bonds, after a rally on Wednesday, reacted sharply on Thursday, Dawes Loan falling 6½ points to a nominal level. Japanese bonds received some support after early weakness.

**Home rails** showed probably the most diverse trends in the whole market. Owing to the strike threat as well as to general influences, prices (especially the preference stocks) fell back on Monday, and there was a little selling, until support from bargain-hunters brought some recovery on Tuesday. This rally became more marked in mid-week on hopes that a strike might be avoided, and on the good traffics. On Thursday jobbers did not at first open dealings in home rails, pending guidance from the Committee, though some transactions were put through on a nominal basis later. Argentine rails became steadier on Wednesday.

**Industrial shares** proved undecided on the whole, though, as in other sections, the trend was downwards. But there was very little selling pressure, and the lowering and widening of quotations was mainly precautionary. The general nervousness on Monday led to an all-round fall in prices, and though there was an attempt at a rally late on Tuesday, irregularity returned towards mid-week. Thursday's falls were severe but not actuated by sales pressure. The cheapness of some of the leading shares, in fact, brought out a few buyers, and some spasmodic bear-covering was seen.

In iron and steel shares losses remained quite moderate until Tuesday, but on Wednesday there were only trifling movements. Coal shares lost ground, and small losses were general in the engineering section. Certain electrical equipment issues made a stand on Wednesday against the declining tendency. Though affected by general market conditions, motor shares were relatively steady, while aircraft shares weakened. Textile and rayon shares were neglected and price movements unimportant. Brewery and tobacco issues followed the general tendency, while stores were somewhat steadier on Wednesday, and provision and catering shares lost ground. Among miscellaneous descriptions the leaders were the worst hit and were correspondingly responsive to occasional support. In the shipping group losses remained on a small scale.

In common with other sections, oil shares were marked down at the outset, and there was some selling on Continental account. The subsequent course of quotations was in accordance with the general trend. Rubber shares lost steadily under slight but relentless selling and the complete lack of buying support. Tea shares also were dull.

Mining shares likewise were entirely

dominated by political considerations. Kaffirs were marked down from the outset, and there was a small volume of selling. Towards mid-week, however, there was very little further selling, though quotations continued to be lowered as a precautionary measure. The non-producing mines were considerably more sensitive to the falling tendency than the dividend-payers. Rhodesian copper shares became steadier after early losses but reacted sharply on Thursday.

### "FINANCIAL NEWS" INDICATORS

| 1939         | Total Bargains | Corres. Day 1938 | Security Indices |                |
|--------------|----------------|------------------|------------------|----------------|
|              |                |                  | 30 ord. shares*  | 20 fixed int.† |
| Aug. 18      | 4,570          | 5,105            | 78.9             | 117.2          |
| " 21         | 5,710          | 4,925            | 77.2             | 116.2          |
| " 22         | 4,590          | 5,480            | 76.5             | 114.9          |
| " 23         | 3,845          | 5,055            | 76.1             | 114.7          |
| " 24         | 2,465          | 4,755            | 74.1             | 112.6          |
| 1939 High... | ...            | ...              | 88.0             | 123.5          |
| Low ...      | ...            | ...              | Mar. 10 73.7     | Jan. 3 114.9   |
|              |                |                  | Jan 7            | May 1          |

\* Approx. total recorded in S.E. List. † July 1, 1935 = 100. ‡ 1938 = 100.

### ACTUARIES' INVESTMENT INDEX

The relatively sharp fall of 2.4 points in a week is shown by the Actuaries' index of 160 industrial equity prices, which stood on Tuesday, August 22, 1939, at 58.9, against 61.3 a week ago and 61.4 a month ago. The corresponding average yields are 5.86, 5.63 and 5.64 per cent. We give below a selection of the component indices:—

| Group (and No. of Securities) | Prices (Dec. 31, 1928 = 100) |               |               | Price 1939 High |
|-------------------------------|------------------------------|---------------|---------------|-----------------|
|                               | July 25, 1939                | Aug. 15, 1939 | Aug. 22, 1939 |                 |
| Banks, etc. (10)              | 102.4                        | 101.5         | 96.3          | 109.0           |
| Insurance (10)...             | 106.7                        | 106.1         | 100.2         | 116.8           |
| Coal (8)...                   | 79.1                         | 80.2          | 77.8          | 83.6            |
| Elec. mfg. (13)...            | 115.9                        | 116.7         | 113.0         | 128.6           |
| Iron & steel (19)             | 55.0                         | 55.4          | 52.9          | 58.4            |
| Oil (4)...                    | 75.9                         | 75.3          | 69.3          | 85.6            |
| Home rails (4)                | 45.0                         | 39.5          | 36.9          | 49.2            |

| Group             | Yield (%)     |               |               | Prices 1939 Low |
|-------------------|---------------|---------------|---------------|-----------------|
|                   | July 25, 1939 | Aug. 15, 1939 | Aug. 22, 1939 |                 |
| Banks, etc. ....  | 4.49          | 4.53          | 4.78          | 100.2           |
| Insurance .....   | 4.03          | 4.05          | 4.29          | 100.2           |
| Coal .....        | 6.30          | 6.20          | 6.42          | 74.0            |
| Elec. manufg....  | 5.77          | 5.72          | 5.92          | 111.9           |
| Iron and steel... | 6.68          | 6.62          | 6.96          | 49.5            |
| Oil .....         | 6.24          | 6.26          | 6.83          | 69.3            |
| Home rails .....  | 0.36          | 0.43          | 0.48          | 29.5            |

### New York

WALL STREET was completely dominated by the European situation after the week-end. Encouraging domestic news, particularly the reported higher steel-mill activity were ignored, the Dow Jones industrial average losing 2.62 points in the first two hours' trading. The bond market was also weak, led by long-dated Government issues. On Tuesday the markets interpreted the Russian-German agreement as a short-term stabilising influence and prices advanced, assisted by bear covering and a moderate volume of speculative buying. The nervous undertone was, however, revealed in mid-week. Unfavourable news from Europe caused a further burst of selling, which was

assisted by the firmer trend of essential commodity prices, including wheat and sugar. The Dow Jones average was a point lower on Wednesday's close than on Monday. Iron Age reports steel-mill activity at 63.0 per cent. of capacity, compared with 62.5 per cent. the week before.

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        |             | Aug. 9, 1939 | Aug. 16, 1939 | Aug. 23, 1939 |
|-----------------|-------------|-------------|--------------|---------------|---------------|
|                 | Low Apr. 12 | High Jan. 4 |              |               |               |
| 347 Ind'l's ... | 92.8        | 114.5       | 101.8        | 100.3         | 95.0          |
| 32 Rails .....  | 23.3        | 32.5        | 25.9         | 25.4          | 23.3          |
| 40 Utilities .. | 77.8        | 89.9        | 88.0         | 87.4          | 82.8          |
| 419 Stocks ...  | 79.3        | 95.6        | 87.4         | 86.3          | 81.6          |
| Av. yield* ...  | 4.2%        | 3.31%       | 4.10%        | 4.06%         | 4.42%         |

\* 50 Common Stocks. † August 2nd. ‡ Aug. 23

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

| Aug. 17 | Aug. 18 | Aug. 19 | Aug. 21 | Aug. 22 | Aug. 23 |
|---------|---------|---------|---------|---------|---------|
| 111.2   | 108.9   | 108.4   | 106.1   | 108.3   | 104.9   |

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 |             |
| Aug. 17 | 440            | 3,400         | 82          |
| " 18    | 840            | 8,350         | 126         |
| " 19    | 290            | 1,740         | 42          |
| " 20    | 850            | 4,800         | 138         |
| " 22    | 860            | 4,950         | 122         |
| " 23    | 790            | 5,350         | 116.        |

\* Two-Hour Session

### New York Prices

|                        | Close Latest Aug. 17, 1939 | Close Latest Aug. 24, 1939 |
|------------------------|----------------------------|----------------------------|
| 1. Rails and Transport | 101½                       | 97½                        |
| Atchafalaya .....      | 25½                        | 23½                        |
| Balt. & Ohio .....     | 4½                         | 4                          |
| Ches. & Ohio .....     | 34                         | 31                         |
| G.N. Ry. Pk. ....      | 23½                        | 21½                        |
| Illinois Cent. ....    | 11½                        | 9½                         |
| N.Y. Central. ....     | 14                         | 12½                        |
| Northern Pac. ....     | 87½                        | 74                         |
| Pennsylv. R. ....      | 164½                       | 157½                       |
| Southern Pac. ....     | 131½                       | 118½                       |
| Southern Ry. ....      | 154                        | 134                        |
| Union Pac. ....        | 97                         | 92½                        |
| Greyhound .....        | 17½                        | 15½                        |

|                     |      |     |
|---------------------|------|-----|
| Shell Union.....    | 101½ | 97½ |
| Socony Vac.....     | 11½  | 10½ |
| Stan. Oil Cal. .... | 25   | 25½ |
| Stan. Oil N.J. .... | 40   | 39½ |
| Texas .....         | 34   | 33½ |

|                       |      |      |
|-----------------------|------|------|
| 4. Manufacturing      | 207½ | 181½ |
| Briggs .....          | 80   | 73½  |
| Chrysler .....        | 34½  | 32   |
| Elec. Autolite ....   | 45½  | 43½  |
| Gen. Motors .....     | 64   | 57½  |
| Nash Kelvint. ....    | 20   | 17½  |
| Boeing Airplan ..     | 67   | 58   |
| Douglas Air.....      | 35½  | 31½  |
| United Aircraft ..    | 161  | 159  |
| Allied Cheml. ....    | 159½ | 156  |
| Un. Carbide.....      | 78½  | 75   |
| Alis Chalmers .....   | 32½  | 32   |
| Gen. Electric ....    | 36   | 32½  |
| West'n Elec. ....     | 104½ | 99   |
| American Can .....    | 99½  | 93½  |
| Caterpillar .....     | 41   | 40   |
| Int. Harvester .....  | 51½  | 49   |
| Johns Manville .....  | 68½  | 65   |
| Am. Radiator .....    | 106½ | 98   |
| Corn Prods.....       | 60   | 58½  |
| I. I. Case & Co. .... | 71½  | 64½  |
| Glidden .....         | 16½  | 14½  |
| Celanese of A. ....   | 25   | 21½  |
| East'n Kdk. ....      | 170½ | 158  |
| Loews .....           | 42½  | 38   |
| 20th Cen. Fox .....   | 18½  | 17½  |

|                       |      |      |
|-----------------------|------|------|
| 5. Retail Trade, etc. | 475½ | 475½ |
| Mont. Ward.....       | 77½  | 74½  |
| Sears Roebok .....    | 48½  | 45½  |
| Woolworth .....       | 26½  | 24½  |
| Nat. Biscuit.....     | 17   | 15½  |
| Nat. Dairy .....      | 81½  | 78½  |
| Am. Tob. B.....       | 24½  | 22½  |

|                     |      |    |
|---------------------|------|----|
| 6. Finance          | 441½ | 42 |
| Comcl. Credit ..... | 51½  | 47 |
| Com. Inv. Tr. ....  |      |    |



## Capital Issues

## CAPITAL ISSUE TOTALS

| Week ending                          | Nominal Capital       | Con-versions          | New Money |
|--------------------------------------|-----------------------|-----------------------|-----------|
| August 26, 1939                      | £                     | £                     | £         |
| To the Public                        | ...                   | ...                   | ...       |
| To Shareholders                      | ...                   | ...                   | ...       |
| By S.E. Introduction                 | 200,000               | ...                   | 195,000   |
| By Permission to Deal                | 1,629,233             | ...                   | 1,886,728 |
| Saving Certs., week to Aug. 19, 1939 | 450,000               | ...                   | 450,000   |
| Year to date                         | Including Conversions | Excluding Conversions |           |
| 1939 (New Basis)                     | 109,530,735           | 87,004,793            |           |
| 1938 (New Basis)                     | 233,974,523           | 214,083,560           |           |
| 1939 (Old Basis)                     | 73,431,941            | 52,001,862            |           |
| 1938 (Old Basis)                     | 171,350,985           | 152,440,117           |           |

## Destination

## (Excluding Conversions)

| Year to date     | U.K.        | Brit. Emp. ex. U.K. | Foreign Countries |
|------------------|-------------|---------------------|-------------------|
| 1939 (New Basis) | 59,759,641  | 25,064,148          | 2,181,004         |
| 1938 (New Basis) | 165,001,069 | 46,653,262          | 2,429,629         |
| 1939 (Old Basis) | 35,841,771  | 17,840,091          | 323,000           |
| 1938 (Old Basis) | 129,874,256 | 20,166,737          | 2,399,124         |

## Nature of New Borrowing

## (Excluding Conversions)

| Year to date     | Deb.        | Pref.      | Ord.       |
|------------------|-------------|------------|------------|
| 1939 (New Basis) | 46,620,545  | 8,066,628  | 32,317,620 |
| 1938 (New Basis) | 137,050,732 | 14,557,126 | 62,475,702 |
| 1939 (Old Basis) | 39,308,921  | 2,688,459  | 10,004,482 |
| 1938 (Old Basis) | 126,291,813 | 8,656,778  | 17,491,528 |

NOTE.—"Old Basis" includes only public issues and issues to shareholders only. "New Basis" includes all new capital in which permission to deal has been granted.

## PRIVATE PLACING

**Eagle Oil and Shipping Company.**—Messrs Lazard Bros. have placed privately 1,500,000 5½ per cent. £1 preference shares. Dealings opened at around par.

## SHORTER COMMENTS

**Company Results of the Week.**—Some recession of net profits is recorded by **TYNE-TEES SHIPPING**, but the setback is quite moderate, and the 5 per cent. dividend is maintained. **OXLEY ENGINEERING** have maintained total profits, which are £26,655 for 1938-39. Sales proceeds of coffee received by **CAMBUHY COFFEE AND COTTON ESTATES** were £71,411, against £47,552, and net profits are slightly higher, but there is no dividend owing to inability to remit funds from Brazil. A satisfactory improvement is also shown by **ILLOVO SUGAR ESTATES**, who are repeating their 5 per cent. dividend.

## MISCELLANEOUS

**Glyn, Mills and Company.**—Sir H. A. Lawrence is chairman and Col. E. Gore Browne vice-chairman of the reconstituted board of the company. Of the nine directors, three are nominees of the Royal Bank of Scotland. There are a further three extraordinary and four local directors.

**James Howden, Ltd.**—The first accounts for ten months to April 30, 1939, show a profit of £99,663. To general reserve, £20,000. To A.R.P. reserve, £7,500. To depreciation, £10,100. Ordinary dividend, 15 per cent., absorbing £35,700. Carry-forward, £18,659.

**Mitchells and Butlers, Ltd.**—The Board have completed arrangements for acquiring the undertakings of Highgate-Walsall Brewery Company, Walsall Breweries Proprietary, and all the properties of Messrs. John Lord, Brewers, Walsall.

**Illovo Sugar.**—Net profits for year to March 31, after depreciation and tax, £32,591 (£30,142). Debenture interest and sinking fund, £8,525 (£8,128). Ordinary dividend repeated at 5 per cent. To

reserve, £5,000 (nil). Carried forward, £12,611 (£9,864).

**Siamese Loan, 1907.**—Hongkong and Shanghai Banking Corporation announces that coupons of the Royal Siamese Government 4½ per cent., Sterling Loan, 1907, due September 1, 1939, will be paid in London on or after that date.

**Chilean Loans.**—Messrs N. M. Rothschild and Sons are authorised to receive bonds of the Chilean Consolidated Municipal Loan, and City of Santiago Loans of 1928 and 1930 for payment of interest for years 1936 to 1939 according to agreement by which bondholders of above loans receive same debt service treatment as holders of the Government's direct and indirect debt.

**Leigh Mills Company.**—Profits for the year to July 30, 1939, £18,776, compared with loss of £4,198 for previous year. Ordinary dividend 8 per cent. Last dividend was 7½ per cent. in 1936-37. Carried forward, £6,675 (£2,128).

**Mozambique Company.**—Net profits for the year to December 31, 1938, £85,480 (£95,694). Amortisation, £17,684 (£15,011). Special reserve fund, £61,385 (£73,506).

**Hurst, Nelson and Company.**—Net profits for year to July, 1939, £59,903 (£48,262). A.R.P., £3,000. Ordinary dividend for 1938-39, 10 per cent. (same). Interim dividend for year 1939-40, 2½ per cent. To reserve, £10,000 (same).

**Leopoldina and G.W. of Brazil Railways.**—Brazilian Government has advanced to Leopoldina 30,000 contos, to be spent on purchase of rails, transport and other materials; also, 40,000 contos to Great Western of Brazil for general improvement purposes. Part of G.W. of Brazil lines are to be taken over by the Government-owned E.F. Central de Rio Grande de Norte. Loans to be repaid from earnings exceeding 6 per cent. net on the capital.

**Maple and Company.**—Payment of interim ordinary dividend postponed owing to uncertainty of immediate trading conditions. In 1938, 2½ per cent. interim and 2½ per cent. final dividends were paid.

**Associated Gas and Water.**—Offer to acquire ordinary shares (£25,000) of Minehead Gas, Light and Coke. For every 100 £1 ordinary shares in Minehead, company offers 166 ordinary £1 shares; alternatively, 100 £1 ordinary shares in Minehead may be exchanged for £162 10s. cash.

**Brewers and Distillers of Vancouver.**—Consolidated statement shows net profits of group for first six months of 1939 at \$202,627 (after depreciation \$67,252 and tax \$90,062), against \$186,605.

**Bolivia Railway.**—Schroder Executor and Trustee Company informs shareholders that it is prepared to consider tenders for the railway's 5 per cent. income bonds (series "A"). Tenders must be received by September 13, 1939.

**William Baird and Co.**—Trading profit for 13 months ended June 30, 1939, including only seven months' trading results of plant, etc., transferred in December, 1938, to Bairds and Scottish Steel, £411,747 (£598,935 for 12 months). Debenture interest, £38,807 (£37,871). Taxation, £54,344 (£181,000). Ordinary dividend, 16 per cent. (same). Carried forward, £312,560 (£169,396). Company now in voluntary liquidation.

**Commonwealth and Southern Corporation.**—Company announces \$16,000,000 expansion programme in addition to previously announced \$33,000,000 scheme. Tennessee Valley Authority officially took over properties of the company for the sum of \$78,600,000 on Wednesday, August 16, 1939.

**Sunbeam Wolsey.**—Net profits for year ended June 30, 1939, £20,190 (£20,041). Final ordinary dividend again 7½ per cent., making 12½ per cent. for the year (same). Carried forward, £21,089 (£19,398).

**Stephen Smith.**—Total income for year ended April 30, 1939, £50,227 (£45,832); net profits, £33,404 (£29,276). Final ordinary dividend of 7½ per cent., making 12½ per cent. for the year (same); to investment reserve, £3,000. Carry-forward, £5,587 (£4,675).

(Continued on page 417)

## 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 |
|------------------------|----------------|-------|----------|------------|
| <b>BANKS</b>           | %              | %     |          | %          |
| Nat. Bk. Egypt         | 4*             | ...   | Sept. 1  | 4*         |
| <b>MINING</b>          |                |       |          |            |
| North Broken Hill      | 10*            | ...   | Sept. 27 | 10*        |
| <b>INDUSTRIALS</b>     |                |       |          |            |
| Anglo-Amer. Asphalt    | 10*            | ...   | Sept. 9  | 10*        |
| Bairds & Scot. Steel   | 3*             | ...   | Oct. 2   | 3*         |
| Barker, John           | 5*             | ...   | Oct. 2   | 5*         |
| Barlow and Jones       | 2½*            | ...   | ...      | 15         |
| Blakey's Bt. Protector | 7½*            | 15    | Sept. 20 | 15         |
| Brit.-Amer. Tobacco    | 10d.*          | 10d.* | Sept. 30 | 10d.*      |
| Canada Cement          | \$1.25*        | ...   | Sept. 20 | Nil        |
| Canadian Industries    | ...            | ...   | Oct. 31  | \$1.25     |
| Cash & Co.             | \$1½*          | ...   | ...      | \$1½*      |
| Cawthra and Co., J.    | 2½*            | ...   | ...      | 2½*        |
| Clifford, C., and Son  | 2½*            | ...   | Aug. 31  | 2½*        |
| Coastbridge Gas        | 9½*            | 14½   | ...      | 14½        |
| Cochran & Co. Annan    | 2½*            | 7½    | ...      | 2½*        |
| Coleman & Co.          | 4*             | ...   | Sept. 29 | 4*         |
| Cork Gas Consumers     | 4*             | ...   | ...      | 4*         |
| Courtney, Pope & Co.   | 2½             | 2½    | Aug. 25  | 10         |
| Dunhill, Alfred        | 3*             | ...   | Sept. 16 | 3½*        |
| European & Gen. Corp.  | 2½             | 3½    | ...      | 4          |
| Foster, M. E., & Sons  | 4½*            | ...   | Sept. 30 | 4½*        |
| Gen. Funds Inv. Tr.    | 2*             | ...   | ...      | 2*         |
| Harding, Tilton, & Co. | 12½*           | ...   | Oct. 1   | 12½*       |
| Hugon & Co.            | 5*             | ...   | ...      | 5*         |
| Hurst Nelson & Co.     | 10             | 10    | Nov. 11  | 10         |
| Hyde's Bird Seeds      | 3½*            | ...   | Sept. 30 | 3½*        |
| Ind. Fin. and Invest.  | 4              | ...   | ...      | Nil        |
| Langham Hotel          | 4*             | ...   | ...      | 4*         |
| Leavey & Co., Geo. H.  | 2½*            | ...   | ...      | 2½*        |
| Leigh Mills            | ...            | 8     | ...      | Nil        |
| Majestic Theatres      | 4*             | ...   | Sept. 30 | 4*         |
| Mallinson, G., & Sons  | 7½*            | ...   | Sept. 1  | 5*         |
| Manvers Main Colly.    | 6              | ...   | ...      | 5½         |
| North American Co.     | 30 c.          | ...   | Oct. 2   | 30 c.      |
| O'Ceard, Ltd.          | ...            | 10    | Sept. 20 | 10         |
| R.F.D. Co.             | 6*             | ...   | ...      | 3*         |
| Pennsylvania Water     | \$1.0*         | ...   | Oct. 2   | \$1.0*     |
| Peter Robinson         | 1*             | ...   | Sept. 25 | 1*         |
| Second Alliance Tr.    | 12½            | 21    | ...      | 21         |
| Sheffield & Dist. Gas  | 3½*            | ...   | ...      | 3½*        |
| Southalls (Birm'gham)  | 10*            | ...   | Oct. 2   | 10*        |
| Sungei Way Dredging    | ...            | 5     | Sept. 13 | 2½         |
| Trojan (Holdings)      | ...            | 7½    | ...      | 10         |
| United Carlo Gatti     | 4*             | ...   | ...      | 4*         |
| Wardle & Davenport     | 5½*            | 7½    | ...      | 5½         |
| Waste Heat & Gas       | 2½*            | ...   | Aug. 31  | 2½*        |
| Wickman, A. C.         | 5*             | ...   | ...      | 5*         |
| Witbank Colliery       | 10*            | 17½   | Aug. 31  | 15         |
| <b>UNIT TRUSTS</b>     | Pence          | Pence |          | Pence      |
| Invest. 2nd Gen.       | 2½*            | ...   | Sept. 1  | 2½*        |
| 1st Prov. Reserves     | 3.87           | ...   | Sept. 15 | ...        |

† Free of tax.  
(a) Free of U.K. tax at 4s. 6½d.  
(b) Arrears now \$32.37½ per share.  
(c) On smaller capital.

**D. H. EVANS.**—Interim dividend of 5 per cent. maintained.

**NATIONAL BANK OF EGYPT.**—Interim ordinary dividend maintained at 4 per cent. for 1939.

**R.F.D. COMPANY.**—Interim dividend 6 per cent. In 1938, three 3 per cent. interims and a final of 6 per cent. were paid.

**RYLANDS AND SONS.**—Consideration of interim ordinary dividend deferred until full year's trading results are known. The half-yearly dividend on the 6 per cent. participating preference shares will be paid.

**MANVERS MAIN COLLIERIES.**—Ordinary dividend of 6 per cent. (5 per cent.).

**COLEMAN AND COMPANY.**—Interim ordinary dividend again 4 per cent.

**HUGON AND COMPANY.**—Interim ordinary dividend repeated at 5 per cent.

**JOHN BARKER AND COMPANY.**—Interim dividend again 5 per cent.

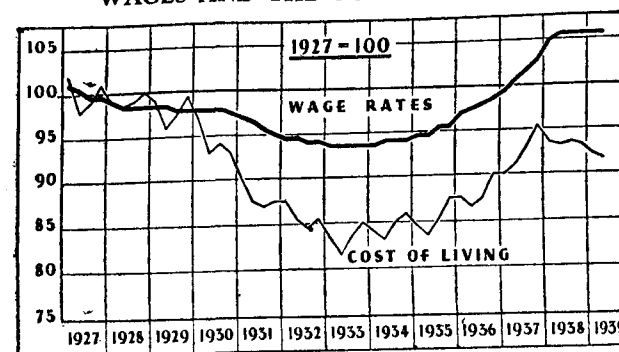
**HARDING, TILTON AND HARTLEY.**—Interim ordinary dividend of 12½ per cent., as the year before.

**BAIRD AND SCOTTISH STEEL.**—Interim ordinary dividend of 3 per cent.

## Industry and Trade

**Growth of Purchasing Power.**—The recovery of the consumption goods trades is due to the combination of the increase in defence expenditure with a reduction in the cost of living, caused by the fall of import prices, especially of foodstuffs. The accompanying diagram, based on the official indices of weekly wage rates and of the cost of living, shows what has happened to the purchasing power of wages since 1927. Between 1929 and 1933 the cost of living fell sharply in relation to wage rates, thus inducing the increase in the real income of persons in employment which was partly responsible for the boom in dwelling-house construction. The

WAGES AND THE COST OF LIVING



improvement in the purchasing power of wages was virtually maintained until 1936; in 1937, however, the cost of living rose faster than wage rates, thus causing the decline in purchasing power reflected in the reduction in purchases of consumption goods. Despite the reduction in 1937, however, the purchasing power of wages remained well above the average for 1927-29. At the beginning of 1938 the cost of living again turned sharply downwards,

and the decline has persisted to the second quarter of this year. Weekly wage rates, on the other hand, continued to rise until the second quarter of 1938 and have since remained unchanged. As a result, the purchasing power of wages is at a higher level than that of a few years ago.

\* \* \*

**German Purchases and British Stocks.**—On Wednesday evening, the Board of Trade issued an order prohibiting the export, except under licence, of a number of essential commodities, including metals, rubber, oil and textiles. This step followed certain purchases by German traders on London commodity markets, which had received wide publicity and considerable criticism in commercial circles and the Press; as the purchases were for immediate delivery, supplies had to be taken from stocks in this country. In fact, these purchases were on a very small scale, compared either with British reserves or Germany's needs. As far as can be ascertained, German buyers have purchased since the beginning of this month about 10,000 tons of copper, a somewhat smaller amount of rubber and 2,000 tons of shellac. Stocks of copper in this country in official warehouses now stand at about 25,636 tons, after a slow decline in recent months due to the restriction of exports by producers; at this level they represent only slightly more than one month's consumption but can quickly be supplemented by stock in the hands of consumers, merchants and the British Government, whose holdings, though unknown, are believed to be considerable and to have increased in recent months. Stocks of rubber in official warehouses have also fallen since the beginning of the year, due again to restriction of supplies, but at 50,708 tons they will supply five months' consumption at peace-time level and can

## SHORTER COMMENTS

(Continued from page 416)

**Pearl Assurance Company.**—Mr A. J. Berry has been appointed deputy controller.

**Oxley Engineering.**—Trading profit year to June 30, 1939, £26,655 (£26,825). Taxation, £6,800 (£6,550). Bad debts, £1,400 (nil). Ordinary dividend repeated at 12½ per cent. Written off preliminary expenses, £2,000 (£1,895). To reserve, £6,000 (same). Carried forward, £5,474 (£4,180).

**E. I. Du Pont de Nemours and Company.**—Company to pay third quarter dividend of \$1.25 per share (same as last quarter) compared with 75c. a year ago. Company is preparing to retire its 6 per cent. debenture stock, \$109,294,800 outstanding, while increase of cumulative preferred stock from 500,000 to 3,000,000 shares is planned, redemption price to be raised from \$115 to \$120.

**Davy and United Engineering Company, Ltd.**—Mr J. B. Talbot-Crosbie and Mr W. Kilpatrick, directors of Duncan Stewart and Company, Ltd., have joined the board of Davy and United Engineering Company, Ltd.

**Industrial Finance and Investment Corporation.**—Ordinary dividend for year ended June 30, 1939. Company reduced capital in July, 1938. Last dividend was 2 per cent. for year 1936-37.

**British-American Tobacco.**—Fourth interim dividend 4½ per cent., tax free, similar to last year.

**Trojan (Holdings).**—Net profits for the year to August 14, 1939, £19,648 (£19,843). Final ordinary dividend 7, maintaining total distribution at 10 per cent.

**Distillers Company.**—Company has concluded an arrangement with the British Xylonite Company to take half-interest in B.X. Plastics, the wholly-owned subsidiary of the British Xylonite Company. Present capital of B.X. Plastics 450,000 ordinary £1 shares and a reserve of £200,000, £150,000 to be utilised out of reserve in payment for 6 per cent. preference £1 shares to be issued at par by B.X. Plastics to the British Xylonite Company. 50,000 of the 450,000 fully paid shares in B.X. Plastics, Ltd., now held by the British Xylonite Company will be converted into 6 per cent. cumulative preference shares to rank equally with the above 150,000 shares. 200,000 ordinary shares will be sold to the Distillers Company for £400,000. To maintain equal holdings of ordinary shares by the two companies, any time the Distillers Company should subscribe further ordinary shares of B.X. Plastics, British Xylonite shall have option to convert at par 6 per cent. cumulative preference shares into ordinary shares of equal amount.

**Brazil Railway Company.**—Variable interest for the year 1938 on the 5 per cent. 1st mortgage 60-year variable income gold bonds (international series) will be paid at ½ per cent. on English issue, and 0.503 per cent. on Belgian issue.

**Western Union Telegraph.**—Net loss for first half of 1939, \$223,388 (\$1,518,701). Aggregate loss for year ended June 30, 1939, \$342,567 (\$325,165).

**Henry Briggs, Son and Company.**—Net profits, year to June 30, 1939, £97,89 (£105,096). Final ordinary dividend, plus bonus of 2½ per cent., making 10 per cent. for the year (on larger capital) a before. To general reserve, £25,000 (£20,000). Carried forward, £38,87 (£36,977).

**Cowans Sheldon.**—Total income £63,952 (£47,042); taxation, £13,00 (£8,500); depreciation, £4,123 (£3,457). Net profit, £43,004 (£34,786). Ordinary dividend maintained at 10 per cent. To reserve, £25,000 (£10,000). Carried forward, £53,440 (£50,436).

**Mincing Lane Properties.**—Mr C. D. Dillon, of Messrs Boston Mayhew and Company, and Mr E. D. Davy, of Messrs Wood Drew and Company, appointed joint liquidators. It was not thought necessary to appoint a committee of inspection.

**Peter Robinson, Ltd.**—The interim ordinary dividend is being maintained at 1 per cent.

**Paterson Engineering Co.**—After depreciation, profits for year to April 30, 1939 are £34,332, an increase of £29. Net balance, £20,962 (£21,690) after £9,370, or £1,475 more, for taxation. Total distribution again 12½%. Carried forward £34,542, or £8,687 more.

again be supplemented by other holdings. The importance of the German purchases can thus be exaggerated, and as German buyers have for some months done little business on British markets, their sudden return was probably nothing but a well-considered move in the "war of nerves."

**Redundant Cotton Looms.**—A few weeks ago the Cotton Spinners' and Manufacturers' Association, which on the employers' side controls the weaving section of the Lancashire cotton industry, approved a scheme for dealing with redundant plant which provided for the scrapping of 60,000 looms at an estimated cost of £700,000. It was decided before taking definite action to consult the nineteen local associations which have recently held special meetings. Although no official announcement has been made, it is understood that the scheme is certain to receive adequate support which will justify the Association in proceeding with the proposals. It is believed that when the Cotton Industry (Reorganisation) Act comes into operation the Cotton Spinners' and Manufacturers' Association will be in a position to put the scheme into force. It is urged that the removal of redundant looms is necessary before any minimum cloth prices can be established.

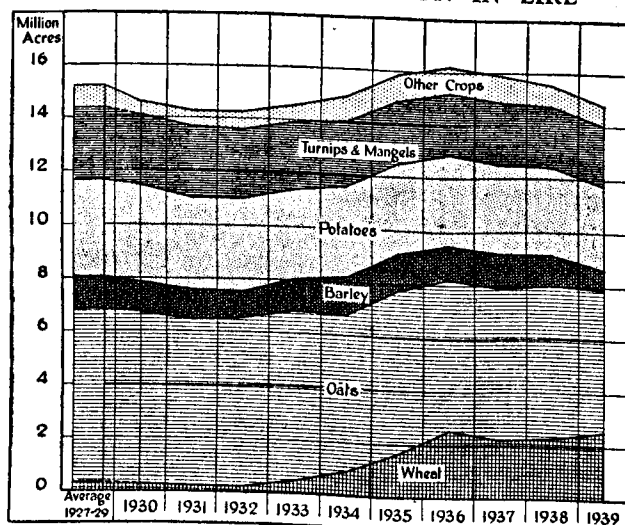
**Milk and Pig Contracts.**—At the last general meeting of the Milk Marketing Board Mr Foster warned producers that they could not expect any further rise in the price of milk sold for liquid consumption. Consumers may be gratified to find that, in the new contract for the year 1939-40 negotiated between the Milk Marketing Board and the Central Distributive Council, this warning was given effect. Retail milk prices are to remain unchanged, which is at least preferable to a further rise from their already high level. The only change in the contract is that milk retailers are to be allowed to provide 25 pints for the price of 24 if paid for in advance, a form of discount which is designed to compete with the dividends of the co-operative societies, who have been capturing an increasing share of the retail milk sales in urban areas. The terms of the new bacon pig contract were also issued last week. The basic price to be paid for bacon pigs sold on contract was laid down in the recent Bacon Industry Act, and was fixed for 1939-40 at 12s. 5d. per score when the price of the standard ration of feeding-stuffs is 8s. 6d. per cwt. This price is 1d. less than that fixed for 1938-39, but in other respects the pig producer has been given more favourable terms. The weight limits of the various classes have been widened and reallocation of pigs from the curers to whom they have been nominated is to be limited to pigs in excess of 60 per cent. of the curers' total allotment, a provision which should considerably reduce the ill-feeling which has arisen in the current season over the large number of pigs transferred from one curer to another. If, however, the number of pigs on contract does not exceed 1.8 millions (as it almost certainly will not; only 1.4

millions were offered last year) the curers will be allowed to buy pigs in the open market at an unregulated price, and farmers can choose whether they will accept a guaranteed price under the contract system or run the risks of the open-market price. It is probable that, as in 1938-39, the larger and more specialised pig feeder will decide for a certain return to be obtained by contract, while the farmer who feeds a few pigs as a side-line and finds it difficult to arrange for a regular supply each month will ignore the contract.

**Profit-Sharing Schemes.**—Arrangements by which employees are given a share in the profits of their firm are not a new invention in industry. A number of schemes existed at the end of last century, but the decade after the War saw the greatest increase. In 1929 there were 526 schemes in operation known to the Ministry of Labour by which employees obtained a pre-arranged share of profits, excluding cases where occasional bonuses were given at the discretion of the shareholders or managers and excluding bonuses given on the basis of commission or sales. Since that year there has been a steady fall in the number of such schemes to 404 at the end of 1938; the number of employees entitled to participate has declined by a smaller proportion—from 267,000 persons in 1929 to 261,000 persons in 1938. Nearly a third of the total number of existing schemes are run by co-operative societies, and a large number of public utility undertakings have also adopted some form of profit-sharing. For obvious reasons such schemes outside the co-operative field are restricted mainly to trades in which profits are fairly stable and to firms employing a large number of persons; according to the *Ministry of Labour Gazette*, there were on the average 6,500 persons per scheme at the end of 1938. The importance of these factors can be seen from the fact that, of the schemes discontinued in recent years, over one-half came to an end owing to lack of profits or to the dissolution or transfer of the business. Although there was a steady expansion in the number of schemes in the years of comparatively good trade up to 1929, it is noteworthy that the recovery from the depression of 1930-32 led only to a slowing up in the fall in the number of individual schemes, though there was an actual increase, checked in 1938, in the three years 1935-6-7 in the number of persons who benefited from some form of profit-sharing.

**Cereal Production in Eire.**—By the schemes begun in 1933 and subsequent years the price of Irish wheat has been fixed at much the same level as that of the

AREA UNDER CULTIVATION IN EIRE



British Wheat Act—10s. per cwt.; there are also fixed selling prices for barley and oats. This system has been responsible for a very considerable increase in the production of these crops in Eire. During the great depression the area sown to wheat sank to barely 21,000

acres; by 1936 it had risen to 254,500 acres, from which level there was a slight decline in the two succeeding years. The preliminary returns for 1939, however, show a further increase to 258,100 acres. Up to 1936 the increase in wheat production was accompanied by an expansion in the total area under cultivation, as is shown by the chart. But last year there was a resumption of the fall in the total area under cultivation, due mainly to the decline in the area under roots. This change has been due partly to the growing use of home-grown cereals as feeding-stuffs and partly to the very sharp rise in the wages of agricultural labourers which has occurred with the introduction last year of legislation on the lines of the English Agricultural Wages Board.

**The Herring Season in Scotland.**—The Scottish herring season has received an unfortunate setback this summer owing to a general scarcity of herring experienced on the north, west and east fishing grounds. When operations began several weeks ago, it was hoped that the fishing would meet with some measure of prosperity as the existing stocks of cured herring had been cleared out and there was also an increased Continental demand for Scottish-caught herring, particularly in Germany. At the end of July, however, it was estimated that the summer catch had dropped 150,000 crans in comparison with the same period of last year. At Lerwick the results proved the worst for a considerable time. For the week ending July 15th, only 2,900 crans were landed, valued at £7,260, compared with 18,871 crans and £222,968 for the same week of the previous year. Aerial spotting of herring shoals off the coast of Shetland last year proved extremely helpful to the drifter-men operating there. When the dearth of fish became apparent at the beginning of the present fishing season, the drifter crews appealed for the assistance of aerial spotting, but none was then readily available. Since then steam drifters and flying boats have been engaged in an exhaustive, systematic search of the northern and north-eastern grounds, but unfortunately without success. No two theories agree as to the cause of the herring scarcity off the Scottish coast. Gulf Stream warmth influences, it is suggested in some quarters, may have lured the herring from their usual whereabouts. Not a few fishermen are convinced that the shoals are in deep water under the drift nets, which at the most are seldom immersed in more than from three to four fathoms of water. The demand for herring during the autumn in East Anglia will no doubt be extremely keen, and larger quantities than usual could probably be disposed of if they were available and of standard quality.

**Lower Tin Stocks.**—The International Tin Research and Development Council has revised its figures for tin stocks. In the past the Council has compiled its estimate of stocks by taking W. H. Garsten's figures of the visible supply, plus the smelter carry-overs in the Straits Settlements and at Arnhem. From the end of June onwards the carry-over figure at Arnhem has been extended to all smelters in Belgium, Holland and the United Kingdom, with the only exception of the British Tin Smelting Company, Ltd.; this company, a young subsidiary of the Straits Trading Company, has refused to release detailed figures of its holdings. In addition, the Council will now publish regular figures on stocks of tin in ore and intermediate products with the smelters in the Straits and in Europe, including the carry-over of the British Tin Smelting Company. On the basis of the new compilation, visible stocks plus the carry-overs aggregated 28,391 tons on July 31st, compared with 28,831 tons a month before and 34,221 tons on the monthly average of 1938. Stocks in ore concentrates, etc., at the smelters fell from 15,221 tons on the average of 1938 to 11,121 tons at the end of July, 1939. The combined total of tin stocks outside the control areas, therefore, has fallen even more sharply in recent months than indicated by the old statistics. The above visible

supply includes, of course, the buffer pool, and as holdings of tin consumers—for which figures have not been compiled—are at present exceedingly small it is not surprising that the pool has the tin market under complete control.

**Steady Wholesale Prices.**—During the last few days, the increasing fears of a European war have brought a rise in the prices of a few staple commodities, such as wheat, sugar, cotton and rubber. This movement has so far been small but it has been sufficient to counteract a fall which took place in some wholesale prices last week. Consequently, *The Economist* index, both of wholesale prices in general and of primary products, has shown little change in the past fortnight:—

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 Nov. 23 | 114.3                             | 132.6                       | 126.0             | 175.7                    | 116.7                 | 148.7                        | 143.8                            | 97.7                             |
| 1938 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                 | 153.5                        | 145.1                            | 97.9                             |
| 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                            | 98.0                             |
| 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                    | 115.9                 | 155.5                        | 146.4                            | 97.6                             |
| May 17       | 116.0                             | 134.7                       | 123.4             | 174.9                    | 115.6                 | 157.3                        | 146.2                            | 97.6                             |
| May 31       | 116.7                             | 134.4                       | 125.0             | 174.9                    | 114.8                 | 156.6                        | 146.5                            | 98.0                             |
| June 14      | 115.4                             | 134.4                       | 124.0             | 174.9                    | 114.8                 | 155.0                        | 146.9                            | 98.3                             |
| June 28      | 115.6                             | 134.4                       | 122.3             | 175.0                    | 114.3                 | 154.8                        | 147.1                            | 98.4                             |
| July 12      | 115.6                             | 135.2                       | 120.2             | 174.9                    | 114.1                 | 153.7                        | 146.2                            | 98.2                             |
| July 26      | 114.7                             | 133.4                       | 118.1             | 174.9                    | 114.0                 | 153.7                        | 147.0                            | 98.5                             |
| Aug. 9       | 114.5                             | 132.5                       | 117.7             | 174.9                    | ...                   | 152.1                        | 146.9                            | 98.7                             |
| Aug. 23      | 114.4                             | 132.9                       | 119.9             | 174.9                    | 112.8*                | 152.3                        | ...                              | 98.6                             |

\* These figures refer to August 19th. † Monthly average.

On the other hand, *The Economist* index of American prices, which have reacted far more than English to fears of war, has risen considerably, while that of Irving-Fisher, which relates to an earlier date, shows a fall.

Details of *The Economist* complete index are given below:—

|                     | BRITISH COMPLETE INDEX |               |              |               |
|---------------------|------------------------|---------------|--------------|---------------|
|                     | Sept. 18, 1931         | Aug. 17, 1938 | Aug. 9, 1939 | Aug. 23, 1939 |
| (1927=100)          |                        |               |              |               |
| Cereals and meat... | 64.5                   | 82.4          | 66.2         | 66.1          |
| Other foods .....   | 62.2                   | 57.5          | 61.4         | 61.3          |
| Textiles .....      | 43.7                   | 53.2          | 52.5         | 52.9          |
| Minerals .....      | 67.4                   | 91.6          | 93.8         | 93.4          |
| Miscellaneous ..... | 65.8                   | 74.7          | 76.1         | 75.6          |
| Complete index      | 60.4                   | 71.4          | 69.2         | 69.1          |
| 1913 = 100 .....    | 83.1                   | 98.3          | 95.2         | 95.0          |
| 1924 = 100 .....    | 52.2                   | 61.7          | 59.8         | 59.7          |

A rise in cotton prices has more than offset a fall in flax prices, while other prices are little changed.

**Tobacco-Growing in Nyasaland.**—The increasing interest in the production of tea in Nyasaland has now ousted tobacco from its position as the leading export of that Protectorate. Although the quantity of tobacco exported from Nyasaland to the United Kingdom, virtually its sole market, has not changed much in recent years, the proportion of the value of total exports provided by tobacco has fallen from 86 per cent. in 1932 to 41 per cent. in 1938. This shift has been accompanied by considerable changes in the internal structure of the Nyasaland tobacco trade, which are described in the latest number of *Tobacco Intelligence*, the quarterly published

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by the Imperial Economic Committee. The fall in tobacco prices in 1928-29 had a disastrous effect on its cultivation by Europeans, as is shown in the table below:—

| DISTRIBUTION OF TOBACCO PRODUCTION<br>(Million lbs.) |          |        |       |
|------------------------------------------------------|----------|--------|-------|
|                                                      | European | Native | Total |
| Average, 1927-29 .....                               | 8.2      | 7.3    | 15.5  |
| Average, 1936-38 .....                               | 2.8      | 14.5   | 17.3  |

One result has been the geographical shift in the industry, away from the highlands in the southern province, where European cultivation predominated, to the newly cleared regions in the northern province, which still have the advantages of fertile soil. The marketing systems have also been recently overhauled. Following the example of Southern Rhodesia, official auctions under the supervision of a Tobacco Control Board were instituted in December, 1937, for European-produced tobacco; the Board also controls the export of tobacco, and licenses both growers and buyers, so that a check is available on excess production. A somewhat similar body has developed from the Native Tobacco Board, which was set up in 1926 to improve the methods of cultivation and marketing of native-grown tobacco. The Board now buys all tobacco grown by natives (except those who are tenants of Europeans, through whom the crop is sold) on the basis of the estimated market price less a deduction for expenses. After grading and repacking, the tobacco is then resold by the Board at the official auctions. As a result of the efforts of the Board over the last decade, there has been a considerable improvement in the quality and grading of the native-grown tobacco, but on the British market the Nyasaland product still meets with severe competition from other Empire tobaccos, particularly from Southern Rhodesia and India.

\* \* \*

**Overseas Trade in July.**—The increasingly high level of industrial activity in Britain is reflected in the continued rise in the imports of most raw materials. Imports of raw textiles (with the exception of cotton), petrol, non-ferrous metals, and iron and steel manufactures were all larger last month than in July, 1938, or in June, 1939, with the exception in this case of flax, hemp and jute. There was a sharp

increase in the imports of wheat, but the fall in price during the last year was such that the value of wheat imports was less in July than a year ago. Exports of coal and of

| RETAINED IMPORTS—MONTH OF JULY       |        |        |        |
|--------------------------------------|--------|--------|--------|
| Items and Measure                    | 1937   | 1938   | 1939   |
| Wheat .....                          | 8,215  | 9,084  | 14,010 |
| Beef and veal .....                  | 1,355  | 1,313  | 1,226  |
| Mutton and lamb .....                | 465    | 786    | 445    |
| Sugar (unrefined) .....              | 2,924  | 5,002  | 4,884  |
| Iron ore and scrap .....             | 668    | 387    | 112    |
| Raw cotton .....                     | 779    | 980    | 764    |
| Sheep's and lambs' wool .....        | 259    | 413    | 647    |
| Flax hemp and jute .....             | 15,407 | 11,614 | 21,481 |
| Crude petroleum .....                | 64,700 | 54,879 | 70,568 |
| Hides, wet and dry .....             | 142    | 111    | 190    |
| Wood pulp .....                      | 152    | 112    | 132    |
| Rubber .....                         | 238    | 284    | 91     |
| Unwrought copper .....               | 38,925 | 33,614 | 38,248 |
| Pig lead .....                       | 30,961 | 34,467 | 36,989 |
| Tin: Ore and concentrates .....      | 2,528  | 5,792  | 2,125  |
| Blocks, ingots, slabs and bars ..... | 787    | 150    | 534    |
| Iron and steel manufactures .....    | 201    | 64     | 220    |
| Machinery .....                      | 13,949 | 10,359 | 9,988  |

| BRITISH EXPORTS—MONTH OF JULY            |         |         |         |
|------------------------------------------|---------|---------|---------|
| Items and Measure                        | 1937    | 1938    | 1939    |
| Coal .....                               | 4,131   | 3,056   | 3,736   |
| Iron and steel scrap .....               | 11,899  | 8,685   | 5,684   |
| Pig-iron and ferro-alloys .....          | 12,462  | 3,512   | 6,117   |
| Railway materials .....                  | 26,550  | 10,412  | 12,895  |
| Total, iron and steel manufactures ..... | 232,171 | 135,109 | 177,226 |
| Textile machinery .....                  | 6,397   | 5,456   | 4,642   |
| Total machinery .....                    | 38,772  | 38,286  | 34,191  |
| Cotton yarns .....                       | 13,421  | 9,371   | 9,267   |
| Cotton piece-goods .....                 | 176,970 | 113,260 | 128,976 |
| Wool tops .....                          | 3,075   | 2,343   | 3,172   |
| Worsted yarns .....                      | 2,308   | 2,043   | 1,821   |
| Woolen tissues .....                     | 7,881   | 5,099   | 5,749   |
| Worsted tissues .....                    | 4,480   | 3,035   | 3,539   |
| Linen piece-goods .....                  | 6,164   | 3,863   | 4,676   |
| Leather boots and shoes .....            | 37,108  | 31,364  | 29,674  |
| Leather .....                            | 23,738  | 16,297  | 16,970  |
| Paper and cardboard .....                | 382,089 | 261,365 | 306,269 |
| Locomotives and parts .....              | 1,442   | 1,838   | 1,735   |
| Motor vehicles and chassis .....         | 9,414   | 6,976   | 8,587   |

textile piece goods continued to improve, while the slight fall in the volume of cotton yarn exports between July, 1938 and 1939 was offset by a rise in value. Exports of pig iron, iron and steel manufactures, and motor vehicles were higher than a year ago, while those of scrap iron and steel, of locomotives and parts and of boots and shoes were noticeably smaller.

## INDUSTRIAL REPORTS

THE sudden political crisis has been met calmly by business men, but there has naturally been a tendency to hold up new civil orders except for urgent requirements. The demand for coal has been well maintained and as output was severely curtailed owing to the widespread suspension of work in Bank Holiday week, supplies are not too plentiful in certain districts. The pressure on the iron and steel industry remains heavy, despite some decline in new civil business, while raw material supplies appear to be none too plentiful despite increased imports. Apart from Government business, the markets in cotton and other textiles have been quiet. Further details of the course of general business activity and of the position of individual industries will be found in the *Trade Supplement* accompanying this week's *Economist*.

### Coal

**Sheffield.**—The inland market is firm, with a good demand for industrial steams and locomotive hards. Household coal is moving quite freely in anticipation of higher prices next month. Small coal is in good supply, and coking coal is in demand at advancing prices. Coke is in steady request for use in furnaces.

Export business continues quiet; demand for prompt shipment is limited. Cobbles and washed trebles are well taken up. The coke trade shows a distinct improvement.

**Newcastle-on-Tyne.**—Apart from the usual periodical inquiries from Scandinavian countries there is not much foreign inquiry for coal, and business on this market is dull. Production, however, moves off very well. Collieries are fully occupied in fulfilling contracts made earlier in the year. Collieries producing Northumberland steam classes are comfortably placed, whilst in Durham manufacturing coal is firm with gas and bunker grades steady. Patent oven coke is in good demand both from consumers abroad and at home.

**Glasgow.**—Apart from the household coal section, the market remains strong with demand active. Both in the case of industrial consumers and the public utility undertakings a strong restocking movement has been in progress. Coastal trade to Ireland and the South has also been good, with the result that a position of stringency is now

developing in certain cases, chiefly in regard to export supplies. In most districts the collieries are now strongly placed for some weeks ahead.

**Cardiff.**—Holiday stoppages at the various mines continued to restrict the amount of coal available on the market, and demand, although still on the slow side, could not easily be satisfied. Practically the whole of production, especially of the more favoured kinds, was earmarked for deliveries which had to be made on account of contracts already on hand and as a result offers of supplies for early shipment remained limited. Prices, consequently, were well maintained at recent steady levels. In the case of more popular brands sellers were not anxious to accept much further business for delivery during the next month or so, while some descriptions, notably bituminous duffs, were almost unobtainable for the rest of the year. New contract business came in very quietly. The Lithuanian Railways, who recently called for quotations for the supply of 65,000 tons during August, 1939-April, 1940, have decided to place business for about 10,000 tons with local shippers. The bulk of this business, as a rule, is secured by North-East Coast producers.

**Workington.**—The coal trade is brisker than in any summer during the past ten years, and that despite the fact that landsale is very quiet. Industrial fuel needs are very substantial and all the smalls are absorbed by the coking plants making for the hematite pig-iron smelters. The Irish trade is good, and weekly shipments to Ulster and Eire are averaging between 12,000 tons and 14,000 tons. Prices are firm.

### Iron and Steel

**Sheffield.**—The iron and steel market remains very firm, although the volume of business in forge and foundry pig iron is of no great dimensions. Consumers are not booking forward to any extent, being content to cover requirements as they arise. Basic pig, on the other hand, is in strong request, with plenty of buying over the next few months. For both East and West Coast hematite there is a steady market, with supplies adequate to consumers' needs. Very little improvement is to be noticed in finished iron, although business in common and marked bars is slightly upward.

Basic steel billets are still difficult to book in full, notwithstanding that imported billets have eased the situation to some extent. Business in small bars is at a high level, and there is a wide demand for structural steel.

In the iron and steel scrap market better supplies of some classes of material are coming forward. Control prices are firmly maintained, and where quotations are not fixed they are fully held. The huge consumption of basic steel scrap is barely met, even with the considerable imports now available.

**Middlesbrough.**—Whilst ordinary business is restricted on account of the political crisis, there is a continued demand for steel from the Government and for constructional and shipbuilding purposes. Most of the blast furnaces locally are producing basic pig iron for which there is a heavy demand from the adjoining steelworks.

Semi-finished and finished steel makers are producing at capacity and whilst larger imports of semis are relieving the position there are still firms which cannot obtain sufficient finished steel for their requirements.

Foreign ore imports are well maintained and are slightly above the previous month's figures. Good Durham blast-furnace coke is plentiful and regular deliveries are being made, prices being based on the official figure of 24s. 2d. per ton at the ovens. Heavy steel scrap is taken from local merchants as it becomes available, at the official control prices, but an additional cargo of steel scrap from America is now being discharged here.

**Glasgow.**—Shipbuilding material is now bulking large in the order books of the steel makers and demand for this continues to increase. Makers are quite unable to meet all the demands made upon them, although plants are running at capacity. In the

sheet trade the position is similar. Despite the fact that output has been increased by every means possible, it is still not equal to the requirements of sheet users and the tonnage at present on books would absorb all the output for the present year. Re-rollers of steel bars are finding new business more plentiful and just recently there has been a marked improvement in the tonnage placed locally. Structural engineers, locomotive builders, and machinery makers in this district are all exceedingly busy and have work on hand to keep them employed for many months to come.

**Cardiff.**—Active conditions ruled in all sections of the iron and steel market of South Wales last week. A fair volume of business was passing on the tinplate market, while galvanised sheets were in demand for defence purposes; ordinary business was quiet and difficult to arrange. Scrap iron and steel continued in good request. The tinplate output has been well maintained at recent improved levels.

**Workington.**—There was some decline in the volume of business on the North-West Coast hematite pig-iron market during the holidays, but trading is increasing again; a considerable turnover in spot buying has been done, and there are prospects of a rush of orders in the autumn. The make of the six furnaces in blast between Workington and Barrow does not now suffice to satisfy needs, and as orders for deliveries against old contracts in the Midlands, Scotland and South Wales are numerous, stocks have practically been cleared out. Prices are firm.

The outlook for the steel trade is excellent. Orders already on the books promise an uninterrupted run of activity until the end of the year. Ordinarily during the summer and autumn there is a diminution of the rolling of rails, but a large production of billets, hoops, sleepers and strip is now required. Large importations of foreign ore, chiefly from Africa, continue to be made. At Workington alone more than a quarter of a million tons have been discharged for the Workington Iron and Steel Company.

**News from Abroad.**—The international steel trade has remained under the influence of the slack season, and the increased political tension has contributed to a dull tone. As far as orders have been placed, the tonnages involved were rather small, and even tentative inquiries were not particularly numerous. The large British requirements for semis have kept Continental steel makers busy, and in addition a quantity of 27,000 tons of joists has recently been placed with the Cartel for delivery to this country. Scandinavia and Holland have been in the market, although for reduced tonnages, plates being in good demand. Demand from Japan, especially for semis, has perceptibly improved, but the difficulties of obtaining payment are considerable. In view of the changed attitude of the United States towards exports to Japan,

Continental exporters hope to improve their position on the Japanese steel market which used to be largely supplied by the American producers. South America and South Africa have of late been less active buyers.

There have recently been discussions in trade circles on the possibility of price alterations in the near future, and although this problem has for a long time been under examination by the Cartel, it appears that no decisive steps are intended for the time being. Delivery times of steel producers working for the export markets have become shorter during recent weeks, and a general advance in prices is not expected to encourage buyers. Concessions on official prices have not undergone alterations during last week and are no longer a conspicuous factor in the trade as a whole. Whereas on products such as merchant bars, sections, thin sheets, galvanised sheets and especially cold rolled strips quite sizeable rebates are granted in some cases, this is not so in regard to thick and medium plates, which is remarkable if it is remembered that some months ago trade in the latter products was particularly depressed.

### Textiles

**Cotton (Manchester).**—All other matters in trading circles have been overshadowed by the political crisis, although traders have remained calm. But the opinion has gained ground that whatever happens lower prices for raw cotton and manufactured goods are improbable. Raw cotton prices in Liverpool have risen. After further favourable reports relating to the crop in the United States complaints have been received of the plants being damaged by heavy rains in certain parts. Stocks in Liverpool are very low.

The yarn market has been firmer, but buying has been patchy. Coarse American counts have again been much sought after, especially for early delivery. Only a limited turnover has taken place in Egyptian descriptions. The Lancashire Cotton Corporation, Limited, has secured a big yarn contract for Roumania amounting to about 2,000,000 lbs.

In the piece-goods section export trade has again been at a low ebb. At a time like the present very few people are prepared to take any risk. Operations for India have been confined to trifling lots to meet urgent requirements. Home trade purchases have not been important, but further Government contracts have been placed in heavy and fine cloths.

**Jute (Dundee).**—It is reported that the Bengal Government will introduce legislation to stabilise jute at a minimum price of 36 rupees for First Marks, or approximately two rupees under the current rate. The present crop is likely to be a large one, probably yielding about 11½ million bales, compared with the last season's crop of 8,912,000 bales, which was short of meeting the requirements of the world by about 500,000 bales. The consumption of raw jute during the current season may be only about 8,500,000 bales, the Indian jute mills requiring about 5,000,000 bales.

Dundee's consumption of the fibre will be reduced, now that intimation has been received from the Government that by about the middle of January the full quota of sandbags will have been delivered if the present delivery rate of four million bags per week is maintained. The Government has been asked, however, if deliveries could not be tapered off so that the trade can become accustomed to the altered order of things. The sudden stoppage of deliveries of sandbags would result in displacement of workers and machinery on a large scale, especially if the ordinary trade kept as quiet as it has done for some months past.

Raw jute prices have advanced on account of the Bengal Government's action, the full group of Daisee-2/3 rising to £20 10s. per ton after £19 had been paid for October-November shipment. The market was rather easier again yesterday, however, with sellers at £20 5s.

Jute yarns are quiet, sellers now quoting 2s. 6d. for common 8-lb. cops for quick delivery and 2s. 4d. for November-December. Cloth rules slow but unchanged at 3.68d. for 10½-oz. 40-in. and 2.86d. for 8-oz. Calcutta goods suffered a distinct fall, but a good recovery has been made.

## THE COMMODITY MARKETS

THE sudden political crisis has been the major factor on the commodity markets, and on Wednesday the Board of Trade issued a long list of raw materials, including textiles, metals, oils and rubber, whose export is to be subject to licence.

The trend of the prices of the principal primary products was upwards, both in this country and in the United States. The advance was led by wheat, as in previous crises, and other cereals as well as raw sugar were also marked up. The markets in vegetable oils and raw cotton were firmer; the advance in the latter was assisted by reports of crop deterioration in the United States. Among non-ferrous metals, copper and lead, after rising in price early in the week, were marked down on Wednesday and Thursday.

## Metals

**Copper.**—After rising on Monday to £45 per ton, the highest level for 1939, standard cash copper declined again to £44 12s. 6d. per ton on Wed-

nesday and to £44 per ton on Thursday. The earlier rise was partly due to certain German purchases for immediate delivery, which helped to raise the cash price for the first time this year above the three months' quotation; greater interest was also shown by British and certain Continental trade buyers. Although home warehouse stocks declined last week by nearly 2,300 tons to the new low level for this year of 25,636 tons, there was by no means a scarcity of supplies; larger arrivals are expected soon as a result of the higher quotas.

**Tin.**—The tin market was very quiet this week and the cash price continued unchanged at £229 17s. 6d. per ton. The reduced interest, however, made itself felt in an expansion of the backwardation from £4 12s. 6d. per ton at the end of last week to £6 7s. 6d. on Wednesday. As consumption is still at a high level, an increase is probable in the tin export quotas for the last quarter of this year. According to the International Tin Research and Development Council, the world's tin output totalled 62,800 (a year ago 82,500) tons in the first half of this year, while consumption reached 74,900 (80,900) tons.

**Lead and Spelter.**—Lead gained 7s. 6d. to close on Wednesday at £16 2s. 6d. per ton, while spelter lost 1s. 3d., thus closing at £14 7s. 6d. per ton. Demand for lead continued to be active, but contrary to certain reports there was no evidence of German purchases. Owing to favourable domestic deliveries, stocks of lead in the United States fell from 129,400 short tons at the end of June to 124,000 short tons at the end of July. The unfavourable British building returns for July did not affect the market. Spelter remained very idle throughout the week, but the easiness of the market was more due to lack of buying than to excess of supplies.

## Grains

UNTIL the week-end, the markets remained dull, under the influence of the large supplies weighing on the markets in Argentine and America. On Monday, however, the increasing gravity of the political tension in Europe brought a firmer tendency which was followed by a definite rise in Liverpool quotations; on Thursday the nearest future on the

standard contract was quoted at 4s. 0½d. per cential, against 3s. 8d. per cential last week. There have been large purchases of Manitoba wheat, to be shipped from North American ports early in September, by United Kingdom buyers, believed to be acting on Government account. The course of the maize market followed that of wheat, and closed on a very firm level. Dealings in feeding barley have been irregular.

## Other Foods

**Provisions.**—Egg prices continue their seasonal rise and there has also been a firmer tone in the butter market. The hot weather has not affected the trade in meat as much as might have been expected, and has led as usual to a rise in bacon prices on the London Provision Exchange.

**Colonial Produce.**—After a quiet market, there was a recovery in the demand for sugar on Tuesday, which led to a small rise in the prices of refined sorts. Raw futures were also firmer, and a better demand was noticed for cocoa and good liquoring Indian teas.

**Fruit and Vegetables.**—English plums and apples are very difficult to clear, and only good quality lots can obtain a satisfactory price. Trade in vegetables remains fair and the large arrivals of the new main crop of potatoes are cleared at unchanged prices.

## Miscellaneous Commodities

**Oils and Oilseeds.**—After a period of quiet conditions, prices of linseed advanced late in the week in sympathy with grain markets. Little new business has been transacted, however, as consumers have well covered their immediate needs and are not willing to buy forward in the present uncertain state of international politics. The United States' crop of linseed is estimated at 400,000 tons, nearly double last year's yield. The exportable surplus of old crop linseed in Argentine and Uruguay has now been reduced to less than 300,000 tons. Trade in other seeds and oils remains quiet, although linseed oil is somewhat dearer in sympathy with linseed.

**Rubber.**—During the week a considerable business was done in nearby rubber, some of it on Continental account. Consequently, spot rubber held a premium over other positions for the first time for several months; quotations for distant futures showed little change. Compared with last week, the price of standard ribbed sheet on the spot closed on Thursday ½d. higher at 8½d. per lb. The export of rubber was prohibited except under licence by the Board of Trade on Wednesday

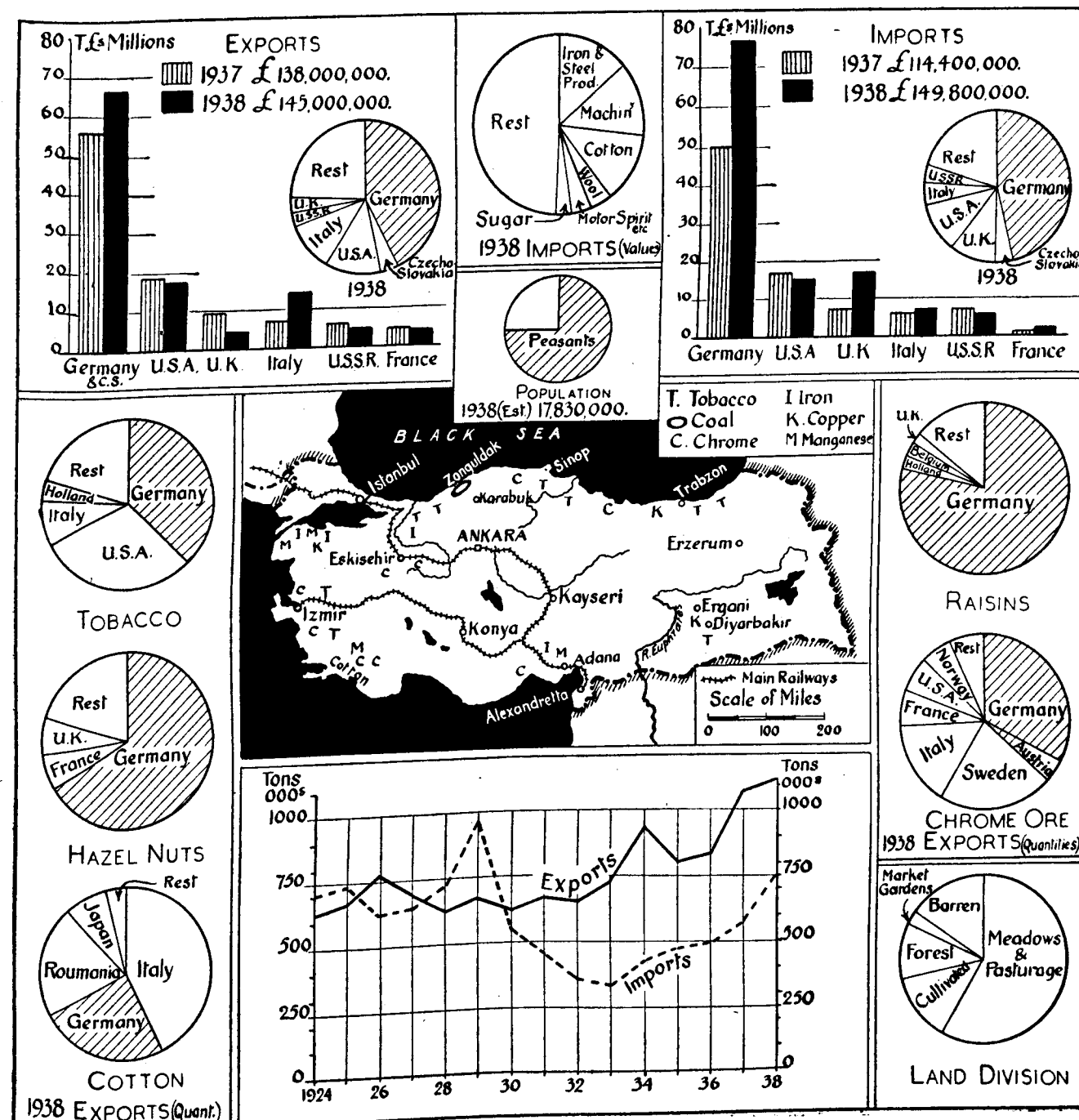
# CURRENT STATISTICS

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## Turkey



## Our Information Service

The Intelligence Branch of *The Economist* has been enlarged to meet the growing demand for economic and statistical information. A special feature of the Department is the preparation of regular or occasional reports, on request, for business men and industrialists anxious to keep abreast of all developments which may affect their branch of activity. Fees are proportionate to the work involved.

Enquiries should be addressed to the Intelligence Branch,  
THE ECONOMIST, 8 Boulevard St., London, E.C.4



## Finance

## GOVERNMENT RETURNS

For the week ended August 19, 1939, total ordinary revenue was £19,583,000, against ordinary expenditure of £17,862,000, and issues from Defence loans of £3,000,000. Thus including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1st last is £145,551,000, against £128,443,000 a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                | Receipts into the Exchequer (£ thousands) |                                 |                                 |                          |                          |
|------------------------|-------------------------------------------|---------------------------------|---------------------------------|--------------------------|--------------------------|
|                        | Estimate, 1939-40                         | April 1, 1938, to Aug. 20, 1938 | April 1, 1939, to Aug. 19, 1939 | Week ended Aug. 20, 1938 | Week ended Aug. 19, 1939 |
| ORDINARY REVENUE       |                                           |                                 |                                 |                          |                          |
| Income Tax             | 327,000                                   | 43,302                          | 42,468                          | 5,385                    | 4,558                    |
| Sur-tax                | 70,000                                    | 7,510                           | 8,290                           | 150                      | 110                      |
| Estate, etc.,          |                                           |                                 |                                 |                          |                          |
| Duties                 | 80,000                                    | 30,970                          | 33,990                          | 1,570                    | 1,320                    |
| Stamps                 | 21,000                                    | 7,030                           | 6,660                           | 230                      | 250                      |
| N.D.C.                 | 25,000                                    | 4,570                           | 9,630                           | 620                      | 410                      |
| Other Inl. Revenue     |                                           |                                 |                                 |                          |                          |
| Duties                 | 1,250                                     | 440                             | 330                             | 30                       | 10                       |
| Total I. Rev.          | 524,250                                   | 93,822                          | 101,368                         | 7,985                    | 6,658                    |
| Cus. oms.              | 232,300                                   | 84,762                          | 96,072                          | 3,776                    | 4,555                    |
| Excise                 | 116,430                                   | 44,500                          | 45,470                          | 6,600                    | 6,979                    |
| Total Cust. and Excise | 348,730                                   | 129,262                         | 141,542                         | 10,376                   | 11,534                   |
| Motor duties           | 43,450                                    | 8,219                           | 8,379                           | ...                      | ...                      |
| P.O. (Net Receipt)     | 7,200                                     | 6,440                           | 6,724                           | 300                      | 500                      |
| P.O. Fund              | 1,600                                     | ...                             | ...                             | ...                      | ...                      |
| Crown Lands            | 1,330                                     | 520                             | ...                             | ...                      | ...                      |
| Rec. from Sun. Loans   | 5,000                                     | 3,838                           | 3,266                           | 619                      | 464                      |
| Misc. Rec.             | 10,750                                    | 2,298                           | 2,296                           | 290                      | 427                      |
| Total Ord. Rev.        | 942,310                                   | 244,399                         | 264,105                         | 19,570                   | 19,583                   |
| SELF-BAL. REVENUE      |                                           |                                 |                                 |                          |                          |
| P.O. and Broadcasting  | 83,449                                    | 27,260                          | 28,076                          | 1,350                    | 1,400                    |
| Total                  | 1,025,759                                 | 271,659                         | 292,181                         | 20,920                   | 20,983                   |

| Expenditure                     | Issues out of the Exchequer to meet payments (£ thousands) |                                 |                                 |                          |                          |
|---------------------------------|------------------------------------------------------------|---------------------------------|---------------------------------|--------------------------|--------------------------|
|                                 | Estimate, 1939-40                                          | April 1, 1938, to Aug. 20, 1938 | April 1, 1939, to Aug. 19, 1939 | Week ended Aug. 20, 1938 | Week ended Aug. 19, 1939 |
| ORDINARY EXPEND.                |                                                            |                                 |                                 |                          |                          |
| Int. & Man. of Nt. Dt.          | 230,000                                                    | 96,542                          | 98,235                          | 347                      | 76                       |
| Pays. to N. Ireland             | 10,000                                                     | 2,568                           | 2,557                           | ...                      | ...                      |
| Other Cons. Fund Ser.           | 7,200                                                      | 1,254                           | 3,304                           | ...                      | 36                       |
| Total                           | 247,200                                                    | 100,364                         | 104,096                         | 347                      | 112                      |
| Supply Serv. Dttio, plus loans* | 670,371                                                    | 270,007                         | 303,003                         | 12,150                   | 17,750                   |
| Total                           | 1,206,141                                                  | 270,007                         | 358,503                         | 12,150                   | 20,750                   |
| Total Ord. Expend.              | 950,911                                                    | 370,371                         | 407,099                         | 12,497                   | 17,862                   |
| Issues from Def. Lns.           | 502,430                                                    | ...                             | 55,500                          | ...                      | 3,000                    |
| SELF-BAL. EXPEND.               |                                                            |                                 |                                 |                          |                          |
| P.O. and Broadcasting           | 83,449                                                     | 27,260                          | 28,076                          | 1,350                    | 1,400                    |
| Total                           | 1,034,360                                                  | 397,631                         | 435,175                         | 13,847                   | 19,262                   |

\* Supply Services, after addition of issues under Defence Loan Acts: (a) after reductions of £290,000 in Finance Act; (b) excluding £502,430,000 to be met from borrowing (£342,500,000 in original estimates, plus £159,930,000 from supplementaries); (c) that is, Budget provision (including margin for supplementaries) of £942,444,000 from revenue, plus supplementaries of £34,631,000, less £25,000,000 margin for supplementaries and £1,164,000 Ordnance Vote now included with Ministry of Supply.

After reducing Exchequer balances by £229,302 to £2,529,178, the other operations for the week (as shown in the next column) raised the gross National Debt by £1,050,000 to about £8,485 millions.

## WEEK'S CHANGES IN DEBT

| NET INCREASES (£ thousands) |       | NET REPAYMENTS, ETC. (£ thousands) |       |
|-----------------------------|-------|------------------------------------|-------|
| Pub. Dept. Adv.             | 1,990 | Treasury bills                     | 634   |
| Nat. Savings Certs.         | 450   | P.O. and Teleg.                    | 350   |
|                             |       | N. At. Shipping                    | 27    |
|                             |       | Overseas Trade                     | ...   |
|                             |       | Guarantees                         | 379   |
|                             | 2,440 |                                    | 1,390 |

## AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to August 19, 1939, are shown below:—

| Ordinary Exp. (£ thousands) |         | Ord. Rev. (£ thousands) |         |
|-----------------------------|---------|-------------------------|---------|
| Issues under Def.           | 407,099 | Gross bor. 201,082      |         |
| Loan Acts                   | 55,500  | Sinking fds. 2,558      |         |
| Inc. in balances            | 30      | Net borrowing           | 198,524 |
|                             | 462,629 |                         | 462,629 |

## FLOATING DEBT (£ millions)

| Date     | Treasury Bills |       | Ways and Means Advances |                 | Total Floating Debt | Floating Assets |
|----------|----------------|-------|-------------------------|-----------------|---------------------|-----------------|
|          | Tender         | Tap   | Public Depts.           | Bank of England |                     |                 |
| 1938     |                |       |                         |                 |                     |                 |
| Aug. 20  | 555.0          | 296.2 | 41.9                    | ...             | 893.1               | 338.1           |
| April 29 | 400.0          | 498.7 | 50.8                    | ...             | 958.5               | 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                    | ...             | 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           |
| " 24     | 479.0          | 540.4 | 45.7                    | ...             | 1065.1              | 586.1           |
| July 1   | 489.0          | 563.0 | 45.3                    | ...             | 1097.3              | 608.3           |
| " 8      | 494.0          | 562.8 | 43.1                    | ...             | 1099.8              | 605.8           |
| " 15     | 499.0          | 558.1 | 43.1                    | ...             | 1100.2              | 601.2           |
| " 22     | 504.0          | 564.9 | 46.3                    | ...             | 1115.2              | 611.2           |
| Aug. 5   | 510.0          | 568.5 | 46.9                    | ...             | 1125.4              | 615.4           |
| " 12     | 510.0          | 570.7 | 45.5                    | ...             | 1126.2              | 616.2           |
| " 19     | 510.0          | 570.1 | 47.5                    | ...             | 1127.6              | 617.6           |

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

## TREASURY BILLS (£ millions)

| Date of Tender | Amount  |             |          | Average Rate % | Per Cent. Allotted minimum Rate |
|----------------|---------|-------------|----------|----------------|---------------------------------|
|                | Offered | Applied for | Allotted |                |                                 |
| 1938           |         |             |          |                |                                 |
| Aug. 19        | 35.0    | 82.2        | 35.0     | 10 1.51        | 32                              |
| April 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                              |
| " 26           | 40.0    | 58.3        | 40.0     | 13 1.91        | 74                              |
| June 2         | 45.0    | 64.0        | 45.0     | 13 1.63        | 73                              |
| " 9            | 45.0    | 66.8        | 45.0     | 14 5.23        | 65                              |
| " 16           | 50.0    | 70.1        | 50.0     | 16 7.81        | 60                              |
| " 23           | 50.0    | 60.7        | 50.0     | 14 6.51        | 77                              |
| July 7         | 40.0    | 63.3        | 37.0     | 16 8.32        | 44                              |
| " 14           | 35.0    | 64.5        | 35.0     | 15 8.99        | 51                              |
| " 21           | 35.0    | 68.6        | 35.0     | 14 8.61        | 39                              |
| " 28           | 40.0    | 73.8        | 36.0     | 14 4.08        | 27                              |
| Aug. 4         | 35.0    | 67.9        | 30.0     | 13 7.9         | 21                              |
| " 11           | 30.0    | 58.6        | 30.0     | 14 0.7         | 39                              |
| " 18           | 30.0    | 63.1        | 30.0     | 15 7.39        | 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 August 18th applications at 99 16s. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 28 per cent. of the amount applied for and applications at higher prices in full. Applications at 99 16s. 1d. for bills to be paid for on Saturday were accepted in full. £30.0 millions of Treasury bills are being offered on August 25th.

## NATIONAL SAVINGS CERTIFICATES

| Sales in              | Number     | Purchase Price |
|-----------------------|------------|----------------|
| Thirty-one weeks to:— |            |                |
| Aug. 6, 1938          | 20,062,721 | 15,047,046     |
| Aug. 5, 1939          | 18,928,916 | 14,196,651     |
| Week to:—             |            |                |
| Aug. 6, 1938          | 486,145    | 364,609        |
| July 29, 1939         | 576,747    | 432,561        |
| Aug. 5, 1939          | 582,313    | 436,735        |

## BANK OF ENGLAND RETURNS

AUGUST 23rd, 1939

## ISSUE DEPARTMENT

| Notes Issued: £           |             | Govt. Debt: £ |             |
|---------------------------|-------------|---------------|-------------|
| In circultn.              | 508,063,708 | Other Govt.   | 11,015,100  |
| In Bnk. De-<br>partment.. | 38,353,257  | Securities .. | 284,219,875 |
|                           |             | Other Secs.   | 4,051,908   |
|                           |             | Silver Coin.. | 713,117     |

| Amt. of Fid. Issue: £ |             | Gold Coin & Bullion: £ |  |
|-----------------------|-------------|------------------------|--|
| Gold Coin ..          | 300,000,000 |                        |  |
| Bullion ..            | 246,416,965 |                        |  |
|                       | 546,416,965 |                        |  |

\* At 148s. 6d. per oz. fine.

## BANKING DEPARTMENT

| Props. cap. £  |             | Govt. secs. £ |             |
|----------------|-------------|---------------|-------------|
| Rest .....     | 14,553,000  | Other Secs.:  | 99,666,164  |
| Public Depts.* | 22,371,358  | Discs. etc.   | 5,711,062   |
|                |             | Securities... | 24,334,312  |
| Other Depts.:  |             |               |             |
| Bankers ..     | 92,132,255  | Notes .....   | 30,045,374  |
| Other Accts.   | 36,228,686  | Gold & Silver | 38,353,257  |
|                |             | Coin .....    | 845,716     |
|                | 128,360,941 |               |             |
|                | 168,910,511 |               | 168,910,511 |

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

## THE WEEK'S CHANGES (£ thousands)

| Both Departments                                           | Amt. Aug. 23, 1939 | Compared with |           |
|------------------------------------------------------------|--------------------|---------------|-----------|
|                                                            |                    | Last Week     | Last Year |
| COMBINED LIABILITIES                                       |                    |               |           |
| Note circulation .....                                     | 508,064            | - 4,325       | + 29,365  |
| Deposits: Public .....                                     | 22,371             | - 5,086       | - 1,588   |
| Bankers' .....                                             | 92,132             | - 2,596       | - 9,428   |
| Others .....                                               | 36,229             | + 512         | + 2,156   |
| Total outside liabilities...                               | 658,796            | - 11,495      | + 20,505  |
| Capital and rest .....                                     | 18,178             | + 34          | + 2       |
| COMBINED ASSETS                                            |                    |               |           |
| Govt. debt and securities                                  | 394,901            | - 13,940      | + 93,708  |
| Discounts and advances                                     | 5,711              | - 198         | - 556     |
| Other securities .....                                     | 28,386             | + 2,752       | + 7,037   |
| Silver coin in issue dept.                                 | 713                | + 2           | + 702     |
| Gold coin and bullion                                      | 247,263            | - 77          | - 80,385  |
| RESERVE                                                    |                    |               |           |
| Res. of notes & coin in banking department...              | 39,199             | + 4,248       | - 9,750   |
| Proportion of reserve to outside liabilities—              |                    |               |           |
| (a) Bank, dept. only ("proportion") ..                     | 26.0%              | + 3.9%        | - 4.6%    |
| (b) Gold stocks to deposits and notes ("reserve ratio") .. | 37.5%              | + 0.6%        | - 13.8%   |

## COMPARATIVE ANALYSIS\* (£ millions)

|                                                                                                                                | 1938    |        |        |         |         | 1939    |        |        |         |         |
|--------------------------------------------------------------------------------------------------------------------------------|---------|--------|--------|---------|---------|---------|--------|--------|---------|---------|
|                                                                                                                                | Aug. 24 | Aug. 2 | Aug. 9 | Aug. 16 | Aug. 23 | Aug. 24 | Aug. 2 | Aug. 9 | Aug. 16 | Aug. 23 |
| Issue Dept.:                                                                                                                   |         |        |        |         |         |         |        |        |         |         |
| Notes in circ.                                                                                                                 | 478.7   | 520.6  | 521.9  | 512.4   | 508.1   |         |        |        |         |         |
| Notes in bank-<br>ing dept. ....                                                                                               | 47.7    | 25.8   | 24.5   | 34.2    | 38.4    |         |        |        |         |         |
| Govt. debt and securities                                                                                                      | 199.2   | 299.3  | 299.2  | 297.2   | 295.2   |         |        |        |         |         |
| Other secs. ....                                                                                                               | 0.7     | 0.0    | 0.1    | 2.1     | 4.1     |         |        |        |         |         |
| Silver coin .....                                                                                                              | 0.0     | 0.7    | 0.7    | 0.7     | 0.7     |         |        |        |         |         |
| Gold, valued at s. per f. oz.                                                                                                  | 84.96   | 148.50 | 148.50 | 148.50  | 148.50  |         |        |        |         |         |
| Deposits:                                                                                                                      |         |        |        |         |         |         |        |        |         |         |
| Public .....                                                                                                                   | 24.0    | 23.3   | 31.8   | 27.5    | 22.4    |         |        |        |         |         |
| Bankers' .....                                                                                                                 | 101.6   | 89.6   | 81.7   | 94.7    | 92.1    |         |        |        |         |         |
| Others .....                                                                                                                   | 34.1    | 36.2   | 35.9   | 35.7    | 36.2    |         |        |        |         |         |
| Total .....                                                                                                                    | 159.6   | 149.1  | 149.4  | 157.9   | 150.7   |         |        |        |         |         |
| Bkg. Dept. Secs.                                                                                                               |         |        |        |         |         |         |        |        |         |         |
| Government ..                                                                                                                  | 101.9   | 112.6  | 114.8  | 111.6   | 99.7    |         |        |        |         |         |
| Discounts, etc.                                                                                                                | 6.3     | 6.9    | 8.0    | 5.9     | 5.7     |         |        |        |         |         |
| Other .....                                                                                                                    | 20.6    | 21.2   | 21.5   | 23.5    | 24.3    |         |        |        |         |         |
| Total .....                                                                                                                    | 128.8   | 140.7  | 144.3  | 141.1   | 129.7   |         |        |        |         |         |
| Banking dept. reserve .....                                                                                                    | 48.9    | 26.5   | 25.2   | 35.0    | 38.4    |         |        |        |         |         |
| "Proportion" %                                                                                                                 | 30.6    | 17.7   | 16.8   | 22.1    | 26.0    |         |        |        |         |         |
| Reserve ratio ..                                                                                                               | 51.3    | 36.9   | 36.8   | 36.9    | 37.5    |         |        |        |         |         |
| * 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 Banks of Australia, India, International Settlements and Portugal appeared in *The Economist* of August 12th; Bohemia and Moravia, Canada, Denmark, Estonia, Iran, Java, Jugoslavia, Latvia, Norway, Roumania and Federal Reserve Reporting Members, of August 19th.

## U.S. FEDERAL RESERVE BANKS

| Million \$'s                                             |               |               |               |               |
|----------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                          | Aug. 25, 1938 | July 27, 1939 | Aug. 17, 1939 | Aug. 24, 1939 |
| 12 U.S.F.R. BANKS                                        |               |               |               |               |
| RESOURCES                                                |               |               |               |               |
| Gold certifi. on hand and due from Treas.                | 10,632        | 13,709        | 13,968        | 14,168        |
| Total reserves.....                                      | 11,038        | 14,089        | 14,319        | 14,522        |
| Total cash reserves....                                  | 397           | 371           | 342           | 345           |
| Total bills discounted....                               | 7             | 5             | 5             | 5             |
| Bills bt. in open mkt. ...                               | 1             | 1             | 1             | 1             |
| Total bills on hand.....                                 | 7             | 5             | 5             | 5             |
| Industrial advances .....                                | 16            | 13            | 12            | 12            |
| Total U.S. Govt. secs.                                   | 2,564         | 2,488         | 2,423         | 2,423         |
| Total bills and secs. ...                                | 2,587         | 2,506         | 2,439         | 2,440         |
| Total resources .....                                    | 14,248        | 17,338        | 17,596        | 17,681        |
| LIABILITIES                                              |               |               |               |               |
| F.R. notes in circn. ...                                 | 4,145         | 4,499         | 4,564         | 4,572         |
| Aggregate of excess int. bank res. of member banks ..... | 2,980         | 4,490         | 4,590         | 4,740         |
| Member-bank reserve account                              | 8,156         | 10,436        | 10,633        | 10,829        |
| Govt. deposits .....                                     | 771           | 742           | 776           | 724           |
| Total deposits .....                                     | 9,242         | 11,869        | 11,974        | 12,157        |
| Cap. paid in and surplus                                 | 309           | 312           | 312           | 312           |
| Total liabilities .....                                  | 14,248        | 17,338        | 17,596        | 17,681        |
| Reserve to depts. and F.R. notes .....                   | 82.5 %        | 86.1 %        | 86.6 %        | 86.8 %        |
| U.S.F.R. BANKS AND TREASURY COMBINED                     |               |               |               |               |
| RESOURCES                                                |               |               |               |               |
| Monetary gold stock ...                                  | 13,079        | 16,227        | 16,335        | 16,501        |
| Treasury and Nat. Bk. currency .....                     | 2,727         | 2,893         | 2,900         | 2,903         |
| Money in circulation....                                 | 6,470         | 7,002         | 7,091         | 7,098         |
| Treasury cash and deposits with F.R. Bks.                | 3,188         | 3,248         | 3,142         | 3,058         |

## BANK CLEARINGS

## LONDON

(£ thousands)

|                          | Month of July |           |        | Week ended    |               | Aggregate from |               |
|--------------------------|---------------|-----------|--------|---------------|---------------|----------------|---------------|
|                          | 1938          | 1939      | Change | Aug. 24, 1938 | Aug. 23, 1939 | Aug. 24, 1938  | Aug. 23, 1939 |
| Number of working days : | 26            | 26        | %      | 6             | 6             | 198            | 197           |
| Town .....               | 2,976,141     | 2,594,921 | -12.9  | 559,910       | 553,311       | 21,976,311     | 19,625,894    |
| Metropolitan ..          | 187,040       | 183,780   | -1.7   | 32,677        | 33,804        | 1,371,158      | 1,336,961     |
| Country .....            | 318,322       | 333,744   | +4.9   | 58,023        | 62,237        | 2,404,089      | 2,428,082     |
| Total .....              | 3,481,503     | 3,112,448 | -10.6  | 650,610       | 649,352       | 25,751,558     | 23,390,937    |

## PROVINCIAL

(£ thousands)

|                       | Month of July |         |        | Week ended    |               | Aggregate from |               |
|-----------------------|---------------|---------|--------|---------------|---------------|----------------|---------------|
|                       | 1938          | 1939    | Change | Aug. 20, 1938 | Aug. 19, 1939 | Aug. 20, 1938  | Aug. 19, 1939 |
| No. of working days : | 26            | 26      | %      | 6             | 6             | 196            | 195           |
| BIRMINGHAM            | 12,210        | 11,754  | -3.7   | 2,072         | 1,565         | 79,795         | 79,084        |
| BRADFORD              | 3,380         | 3,970   | +17.4  | 383           | 444           | 26,335         | 27,630        |
| BRISTOL               | 5,570         | 5,547   | -0.4   | 1,223         | 1,272         | 41,911         | 43,369        |
| HULL                  | 3,701         | 3,589   | -3.0   | 792           | 727           | 28,037         | 26,373        |
| LEEDS                 | 4,468         | 4,414   | -1.2   | 962           | 851           | 32,487         | 32,575        |
| LIVERPOOL             | 3,494         | 3,253   | -6.8   | 525           | 606           | 23,420         | 23,337        |
| MANCHESTER            | 23,865        | 21,242  | -10.9  | 4,693         | 3,886         | 174,625        | 162,013       |
| NEWCASTLE             | 39,618        | 43,315  | +9.3   | 7,503         | 7,764         | 310,024        | 312,392       |
| NOTTINGHAM            | 6,333         | 6,640   | +4.8   | 1,272         | 1,190         | 50,606         | 50,362        |
| SHEFFIELD             | 2,327         | 2,163   | -7.0   | 372           | 364           | 16,760         | 16,219        |
| Total : 11 Towns      | 109,745       | 110,651 | +0.8   | 20,774        | 19,554        | 820,669        | 808,966       |
| DUBLIN                | ...           | ...     | ...    | 4,966         | 5,184         | 204,464        | 201,141       |

† 33 weeks.

## MONEY RATES

## LONDON

|                                                   | Aug. 17, 1939 | Aug. 18, 1939 | Aug. 19, 1939 | Aug. 21, 1939 | Aug. 22, 1939 | Aug. 23, 1939 | Aug. 24, 1939 |
|---------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Bank rate (changed from 2% August 24, 1939) ..... | 2             | 2             | 2             | 2             | 2             | 2             | 4             |
| Market rates of discount                          |               |               |               |               |               |               |               |
| 60 days' b'k's drafts                             | 2 1/2         | 1 1/8         | 1 1/8         | 1 1/8-3/4     | 7/8           | 7/8           | 3 1/4         |
| 3 months' do. ....                                | 3 1/2         | 1 1/8         | 1 1/8         | 1 1/8         | 1 1/4         | 1 1/4         | 3 1/2         |
| 4 months' do. ....                                | 3 1/2         | 1 1/8         | 1 1/8         | 1 1/8         | 1 1/4         | 1 1/4         | 3 1/2         |
| 6 months' do. ....                                | 1-1 1/8       | 1-1 1/8       | 1-1 1/8       | 1-1 1/4       | 1-1 1/4       | 2-2 1/4       | 4 1/4-5       |
| Discount Treasury Bills                           |               |               |               |               |               |               |               |
| 2 months' .....                                   | 5 1/2-2 1/2   | 1 1/8         | 1 1/8         | 1 1/8         | 7/8           | 7/8           | 3 1/4         |
| 3 months' .....                                   | 2 1/2         | 3 1/2-1 1/8   | 3 1/2-1 1/8   | 1 1/8         | 7/8-1         | 7/8-1         | 3 1/2         |
| Loans—Day-to-day...                               | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2         | 3             |
| Short .....                                       | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2         | 3             |
| Deposit allwances : Bk.                           | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2         | 2 1/4         |
| Discount houses at call                           | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2         | 2 1/4         |
| At notice .....                                   | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2         | 2 1/4         |

## Comparison with previous weeks

|           | Short Loans | Bank Bills  |          |          | Trade Bills |             |          |
|-----------|-------------|-------------|----------|----------|-------------|-------------|----------|
|           |             | 3 Months    | 4 Months | 6 Months | 3 Months    | 4 Months    | 6 Months |
| July 1939 | %           | %           | %        | %        | %           | %           | %        |
| Aug. 3    | 1-1 1/8     | 2 1/2-3 1/4 | 1 1/8    | 1-1 1/8  | 3-3 1/2     | 3 1/4-3 1/2 | 3 1/2-4  |
| " 10      | 1-1 1/8     | 1 1/8       | 3 1/4    | 1-1 1/8  | 3-3 1/2     | 3 1/4-3 1/2 | 3 1/2-4  |
| " 17      | 1-1 1/8     | 2 1/2       | 3 1/4    | 1-1 1/8  | 3-3 1/2     | 3 1/4-3 1/2 | 3 1/2-4  |
| " 24      | 3           | 3 1/4-3 1/8 | 4 1/4    | 4 1/4-5  | 4 1/2-5     | 4 1/4-5 1/4 | 5-5 1/2  |

## NEW YORK

| The Irving Trust Company cables the following money and exchange rates in New York :— |               |               |              |              |               |               |  |
|---------------------------------------------------------------------------------------|---------------|---------------|--------------|--------------|---------------|---------------|--|
|                                                                                       | Aug. 24, 1938 | July 26, 1939 | Aug. 2, 1939 | Aug. 9, 1939 | Aug. 16, 1939 | Aug. 23, 1939 |  |
| Call money .....                                                                      | 1 1/4         | 1 1/2         | 1 1/2        | 1 1/2        | 1 1/2         | 1 1/2         |  |
| Time money (90 days' mixed coll.) .....                                               | 1 1/4         | 1 1/2         | 1 1/2        | 1 1/2        | 1 1/2         | 1 1/2         |  |
| Bank acceptances :—                                                                   |               |               |              |              |               |               |  |
| Members—eligible, 90 days                                                             | 1 1/2         | 1 1/2         | 1 1/2        | 1 1/2        | 1 1/2         | 1 1/2         |  |
| Non-mem.—eligible, 90 days                                                            | 1 1/2         | 1 1/2         | 1 1/2        | 1 1/2        | 1 1/2         | 1 1/2         |  |
| Commercial accept., 90 days                                                           | 1             | 1             | 1            | 1            | 1             | 1             |  |

## EXCHANGE RATES

## LONDON—SPOT

## (a) Active Exchanges

(Range of the day's business)

| London on      | Par of Exch. per £ | Aug. 18, 1939       | Aug. 19, 1939       | Aug. 21, 1939       | Aug. 22, 1939       | Aug. 23, 1939       | Aug. 24, 1939       |
|----------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| New York, \$   | 4.862 1/2          | 4.68-4.68           | 4.68-4.68           | 4.68-4.68           | 4.68-4.68           | 4.68-4.68           | 4.68-4.68           |
| Montreal, \$   | 4.862 1/2          | 4.67 1/2-4.67 1/2   | 4.67 1/2-4.67 1/2   | 4.67 1/2-4.67 1/2   | 4.67 1/2-4.67 1/2   | 4.67 1/2-4.67 1/2   | 4.67 1/2-4.67 1/2   |
| Paris, Fr.     | 124.21             | 176 1/2-176 1/2     | 176 1/2-176 1/2     | 176 1/2-176 1/2     | 176 1/2-176 1/2     | 176 1/2-176 1/2     | 176 1/2-176 1/2     |
| Brussels, Bel. | 35.00a             | 27.54-27.54         | 27.54-27.54         | 27.54-27.54         | 27.54-27.54         | 27.54-27.54         | 27.54-27.54         |
| Milan, L.      | 92.46              | 88 1/2-88 1/2       | 88 1/2-88 1/2       | 88 1/2-88 1/2       | 88 1/2-88 1/2       | 88 1/2-88 1/2       | 88 1/2-88 1/2       |
| Zurich, Fr.    | 25.22 1/2          | 88.98 1/2-88.98 1/2 | 88.98 1/2-88.98 1/2 | 88.98 1/2-88.98 1/2 | 88.98 1/2-88.98 1/2 | 88.98 1/2-88.98 1/2 | 88.98 1/2-88.98 1/2 |
| Athens, Dr.    | 375                | 540-555             | 540-555             | 540-555             | 540-555             | 540-555             | 540-555             |
| Amst'd'm, Fl.  | 12.107             | 8.71-8.71           | 8.70 1/2-8.70 1/2   | 8.70 1/2-8.70 1/2   | 8.70 1/2-8.70 1/2   | 8.70 1/2-8.70 1/2   | 8.70 1/2-8.70 1/2   |
| Berlin, Mk.    | 20.43              | 11.65-68            | 11.65-68            | 11.65-68            | 11.65-68            | 11.65-68            | 11.65-68            |
| Br. India Rup. | †18d               | 63 1/2-68 1/2       | 63 1/2-68 1/2       | 63 1/2-68 1/2       | 63 1/2-68 1/2       | 63 1/2-68 1/2       | 63 1/2-68 1/2       |
| Hong Kong, \$  | †...               | 14 1/2-14 1/2       | 14 1/2-14 1/2       | 14 1/2-14 1/2       | 14 1/2-14 1/2       | 14 1/2-14 1/2       | 14 1/2-14 1/2       |
| Shanghai, \$   | †...               | 3-4 1/2             | 3-4 1/2             | 3-4 1/2             | 3-4 1/2             | 3-4 1/2             | 3-4 1/2             |
| Rio, Milreis   | †5.899d            | 20.17               | 20.17               | 20.17               | 20.17               | 20.17               | 20.17               |
| B. Aires, \$   | 11.45              | 17.13 1/2           | 17.13 1/2           | 17.13 1/2           | 17.13 1/2           | 17.13 1/2           | 17.13 1/2           |
| Valparaiso, \$ | 40                 | 17 1/2-18 1/2       | 17 1/2-18 1/2       | 17 1/2-18 1/2       | 17 1/2-18 1/2       | 17 1/2-18 1/2       | 17 1/2-18 1/2       |
| Montevideo, \$ | 17.38              | 24 1/2-25 1/2       | 24 1/2-25 1/2       | 24 1/2-25 1/2       | 24 1/2-25 1/2       | 24 1/2-25 1/2       | 24 1/2-25 1/2       |
| Lima, Sol.     | ...                | 25 1/2-25 1/2       | 25 1/2-25 1/2       | 25 1/2-25 1/2       | 25 1/2-25 1/2       | 25 1/2-25 1/2       | 25 1/2-25 1/2       |
| 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            | 25 1/2-25 1/2       | 25 1/2-25 1/2       | 25 1/2-25 1/2       | 25 1/2-25 1/2       | 25 1/2-25 1/2       | 25 1/2-25 1/2       |
| Moscow, Rbls.  | ...                | 24.81-24.81         | 24.81-24.81         | 24.81-24.81         | 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 8.233 1/2 since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (c) Per cent. discounts. (e) Latest "export" rate. (g) Official rate is \$15 sellers. (h) Average remittance rate for importers. (i) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (j) Nominal.

## (b) Other Exchanges

| London on        | Par of Exch. per £ | August 18, 1939 | August 23, 1939 | August 24, 1939 |
|------------------|--------------------|-----------------|-----------------|-----------------|
| Helsingfors, M.  | 193.23             | 226 1/2-227 1/2 | 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 1/2-42 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              | 24*             | 24*             | 24*             |
| Prague, Kc.      | \$164 1/2          | 136 1/2*        | 136 1/2*        | 136 1/2*        |
| Danzig, Gul.     | 25.00              | 24 1/2-25 1/2   | 25-25 1/2       | 25*             |
| Warsaw, Zl.      | 48.38              | 24 1/2-25 1/2   | 25-25 1/2       | 25*             |
| 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         | 655-675         | 655*            |
| Istanbul, Pst.   | 110                | 590*            | 583*            | 583*            |
| Belgrade, Din.   | 276.32             | 205-215         | 205*            | 205*            |
| 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*            |
| Tallinn, E. Kr.  | 18.159             | 17 1/2-18 1/2   | 17 1/2-18 1/2   | 17 1/2-18 1/2   |
| Oslo, Kr.        | 18.159             | 19.85-95        | 19.85-95        | 19.85-95        |
| Stockholm, Kr.   | 18.159             | 19.35-45        | 19.35-45        | 19.35-45        |
| Copenhagen, Kr.  | 18.159             | 22.35-45        | 22.35-45        | 22.35-45        |
| Alexandria, Pst. | ...                | 97 1/2-98       | 97 1/2-98       | 97 1/2-98       |
| Kobe, Yen        | †24.58d            | 131 1/2-141 1/2 | 131 1/2-141 1/2 | 131 1/2-141 1/2 |
| Singapore, \$    | 12.11              | 8.69-70 1/2     | 8.69-70 1/2     | 8.69-70 1/2     |
| Batavia, Fl.     | ...                | 22 1/2-23 1/2   | 22 1/2-23 1/2   | 22 1/2-23 1/2   |
| Bangkok, Baht    | †21.82d.           | 22 1/2-23 1/2   | 22 1/2-23 1/2   | 22 1/2-23 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. Rate for payments to the Bank of England. (j) Under Anglo-Spanish Agreement. (k) Under Anglo-Turkish Agreement. (l) Official.

## LONDON—FORWARD

(Closing quotations)

| London on       | Aug. 18, 1939           | Aug. 19, 1939             | Aug. 21, 1939             | Aug. 22, 1939             | Aug. 23, 1939             | Aug. 24, 1939             |
|-----------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                 | Per £                   | Per £                     | Per £                     | Per £                     | Per £                     | Per £                     |
| New York cent.  | 1 Month (p) 7 1/2-8 1/2 | 1 Month (p) 13 1/2-14 1/2 | 1 Month (p) 15 1/2-16 1/2 | 1 Month (p) 17 1/2-18 1/2 | 1 Month (p) 19 1/2-20 1/2 | 1 Month (p) 21 1/2-22 1/2 |
| Paris, francs   | 1 Month (p) 5 1/2-6 1/2 | 1 Month (p) 6 1/2-7 1/2   | 1 Month (p) 7 1/2-8 1/2   | 1 Month (p) 8 1/2-9 1/2   | 1 Month (p) 9 1/2-10 1/2  | 1 Month (p) 10 1/2-11 1/2 |
| Amsterdam cent. | 1 Month (p) 1 1/2-1 3/4 | 1 Month (p) 1 1/2-1 3/4   | 1 Month (p) 1 1/2-1 3/4   | 1 Month (p) 1 1/2-1 3/4   | 1 Month (p) 1 1/2-1 3/4   | 1 Month (p) 1 1/2-1 3/4   |
| Brussels, cent. | 1 Month (p) 1 1/2-1 3/4 | 1 Month (p) 1 1/2-1 3/4   | 1 Month (p) 1 1/2-1 3/4   | 1 Month (p) 1 1/2-1 3/4   | 1 Month (p) 1 1/2-1 3/4   | 1 Month (p) 1 1/2-1 3/4   |
| Zurich, cent.   | 1 Month (p) 1 1/2-1 3/4 | 1 Month (p) 1 1/2-1 3/4   | 1 Month (p) 1 1/2-1 3/4   | 1 Month (p) 1 1/2-1 3/4   | 1 Month (p) 1 1/2-1 3/4   | 1 Month (p) 1 1/2-1 3/4   |

(p) Premium.

(d) Discount.

## EXCHANGE RATES—cont.

## NEW YORK

| New York on        | Aug. 17, 1939 | Aug. 18, 1939 | Aug. 21, 1939 | Aug. 22, 1939 | Aug. 23, 1939 |
|--------------------|---------------|---------------|---------------|---------------|---------------|
| London :—          | Cents         | Cents         | Cents         | Cents         | Cents         |
| 60 days            | 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       |
| Demand             | 468           | 468           | 468           | 468           | 468           |
| Paris, Fr.         | 2.64 1/2      | 2.64 1/2      | 2.64 1/2      | 2.64 1/2      | 2.64 1/2      |
| Brussels, Bel.     | 16.99         | 16.99         | 16.99         | 16.99         | 16.99         |
| Switzerland, Fr.   | 22.58         | 22.58         | 22.58         | 22.58         | 22.58         |
| Italy, Lira        | 5.26 1/4      | 5.26 1/4      | 5.26 1/4      | 5.26 1/4      | 5.26 1/4      |
| Berlin, Mark       | 40.13         | 40.13         | 40.13         | 40.13         | 40.13         |
| Amsterdam, Guilder | 53.62         | 53.62         | 53.62         | 53.62         | 53.62         |
| Copenhagen, Kr.    | 20.90         | 20.90         | 20.90         | 20.90         | 20.90         |
| Oslo, Kr.          | 23.52 1/2     | 23.52 1/2     | 23.52 1/2     | 23.52 1/2     | 23.52 1/2     |
| Stockholm, Kr.     | 24.13         | 24.13         | 24.13         | 24.13         | 24.13         |
| Athens, Dr.        | 0.85 1/2      | 0.85 1/2      | 0.85 1/2      | 0.85 1/2      | 0.85 1/2      |
| Montreal, Can. \$  | 100.00        | 100.00        | 100.00        | 100.00        | 100.00        |
| Yokohama, Yen      | 27.31         | 27.31         | 27.31         | 27.31         | 27.31         |
| Shanghai \$        | 6.95          | 7.00          | 7.00          | 7.10          | 7.45          |
| B. Aires, Peso     | 29.04         | 29.04         | 29.04         | 29.04         | 29.04         |



## LONDON ACTIVE SECURITY PRICES AND YIELDS

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

| Prices, Year 1938 |         | Prices, Jan. 1939 to Aug. 23, inclusive |         | Name of Security          | Price, Aug. 23, 1939 | Change since Aug. 16, 1939 | Yield, Aug. 23, 1939 | Prices, Year 1939 Jan. 1 to Aug. 23, inclusive |           | Last two Dividends |         |           | Name of Security             | Price, Aug. 23, 1939 | Change since Aug. 16, 1939 | Yield, Aug. 23, 1939 |
|-------------------|---------|-----------------------------------------|---------|---------------------------|----------------------|----------------------------|----------------------|------------------------------------------------|-----------|--------------------|---------|-----------|------------------------------|----------------------|----------------------------|----------------------|
| High-est          | Low-est | High-est                                | Low-est |                           |                      |                            |                      | High-est                                       | Low-est   | (a) %              | (b) %   | (c) %     |                              |                      |                            |                      |
| 79 1/4            | 64      | 71 1/8                                  | 61      | British Funds             | 63 1/2               | -2 1/2                     | 1 18 9               | 32 1/6                                         | 11 1/3    | 6                  | a       | Nil       | Brit. Overseas A £5          | 12 1/6               | -2/6                       | 1 18 9               |
| 111 1/8           | 90      | 107 1/8                                 | 98      | Consols 2 1/2% .....      | 99 1/2               | -2                         | 4 1 1 1/2            | 97 1/8                                         | 6 1/3     | 5                  | a       | 5 b       | Cred. of India £5            | 6 1/8                | -5 1/8                     | 3 2                  |
| 100 1/4           | 90      | 96 3/4                                  | 90 1/8  | Conv. 2 1/2% 1944-49 ..   | 95                   | -1 1/4                     | 3 3 7                | 12 1/6                                         | 10 7/12   | 3 1/4              | a       | 3 1/2 b   | Com. Bk. of Aus. 10 1/2      | 11 1/3               | ...                        | 4 18 0               |
| 103 1/4           | 92      | 99 1/8                                  | 92 1/8  | Do. 3% 1948-53 .....      | 95                   | -1 1/2                     | 3 9 3                | 52 1/9                                         | 47 1/2    | 5                  | b       | 5 a       | Distric. B. £1 fy. pd.       | 48 1/9               | ...                        | 4 2 1                |
| 104 1/8           | 90 1/2  | 99 1/8                                  | 87      | Do. 3 1/2% after 1961 ..  | 90                   | -2 1/4                     | 3 17 9 1/2           | 75 1/2                                         | 60 1/2    | 10                 | b       | 3 1/2 a   | En. S. & Aust. £5 3/4 p.     | 60 1/2               | -1 1/6                     | 7 0 0                |
| 105 1/4           | 100     | 104 1/4                                 | 100 3/4 | Do. 4 1/2% 1940-44 ..     | 101 1/4              | -1 1/18                    | 3 16 0               | 10 1/4                                         | 8         | 10                 | b       | 8 a       | Hambros £10, £2 1/2 p.       | 8                    | ...                        | 5 12 7               |
| 115 1/8           | 102     | 112 1/8                                 | 105 3/8 | Do. 5% 1944-64 .....      | 106 3/4              | -2 1/2                     | 3 14 11              | 49 3/4                                         | 46 1/2    | 13                 | b       | 6 1/2 a   | Hong, and S. \$125           | 104                  | -8 1/4                     | 11 10 0              |
| 97 1/8            | 81      | 87 1/4                                  | 81 1/4  | Fund. 2 1/2% 1922-57 ..   | 89 1/2               | -2 1/2                     | 3 12 6               | 59 1/4                                         | 47 1/2    | 6                  | b       | 6 a       | Lloyds £5, £1 pd. ....       | 48 1/6               | -7/6                       | 4 19 0               |
| 97 1/8            | 88 1/2  | 93 1/4                                  | 87 3/4  | Fund. 2 1/2% 1922-57 ..   | 89 1/2               | -2 1/2                     | 3 12 6               | 87 1/8                                         | 75 1/2    | 7 1/2              | b       | 7 1/2 a   | Martins £20, £2 1/2 pd.      | 74                   | -2 1/4                     | 4 13 5               |
| 99 1/8            | 90      | 95 1/8                                  | 88 1/2  | Fund. 3% 1959-69 .....    | 89 1/2               | -2 1/4                     | 3 12 6               | 86 1/2                                         | 75 1/2    | 8                  | b       | 8 a       | Midland £1, fy. pd. ....     | 76 1/4               | -2 1/4                     | 4 13 5               |
| 114 1/8           | 98      | 109 1/8                                 | 101 1/2 | Fund. 4% 1960-90 .....    | 103 1/2              | -2                         | 3 16 7               | 86 1/2                                         | 75 1/2    | 8                  | b       | 8 a       | Nat. Dis. £2 1/2 fy. pd.     | 76 1/4               | -2 1/4                     | 4 13 5               |
| 101 1/8           | 90      | 99 1/4                                  | 95 1/2  | Nat. D. 2 1/2% 1944-48 .. | 97                   | -1                         | 2 19 7 1/2           | 30 3/4                                         | 20 3/4    | 11                 | b       | 8 a       | Nat. Dis. £2 1/2 fy. pd.     | 21 1/2               | -1                         | 7 2 2                |
| 100 1/4           | 93      | 96 3/8                                  | 91 1/2  | Do. 3% 1954-58 .....      | 93                   | -1                         | 3 10 8               | 34 1/4                                         | 27 1/2    | 8                  | a       | 8 b       | N. of Ind. £25, £12 1/2 p.   | 27 1/2               | -1                         | 7 2 2                |
| 112 1/8           | 100     | 108 3/8                                 | 102 5/8 | Warley Bonds 4 .....      | 103xd                | -1 1/4                     | 3 15 7 1/2           | 71 1/2                                         | 57 1/2    | 7 1/2              | b       | 7 1/2 a   | N. Prov. £5, £1 pd. ....     | 58 1/6               | -5 1/2                     | 5 2 7                |
| 103 1/8           | 90 1/2  | 98 3/8                                  | 86      | Victor L. 3 1/2% af. 1952 | 89                   | -2 1/4                     | 3 18 7 1/2           | 45 1/2                                         | 41 1/2    | 8 1/2              | b       | 8 1/2 a   | Roy. Bk. of Scotland         | 430                  | ...                        | 3 19 1               |
| 90 1/8            | 78      | 83 3/8                                  | 73      | Local Loans 3% .....      | 75                   | -3 1/4                     | 4 0 0                | 16 1/8                                         | 11 1/8    | 5                  | a       | 9 b       | St. of S.A. £20, £5 pd.      | 12 1/4               | ...                        | 5 14 5               |
| 102 1/8           | 90 1/2  | 99 1/8                                  | 95      | Austria 3% 1933-53 .....  | 92 1/2               | -3                         | 3 14 7               | 46 1/2                                         | 39 1/6    | 6 1/4              | b       | 3 1/2 a   | Union S. £1 .....            | 40 1/2               | -2 1/6                     | 5 0 0                |
| 98 1/2            | 55      | 64                                      | 55 1/2  | India 2 1/2% .....        | 57 1/2               | -2 1/2                     | 4 6 11               | 91 1/9                                         | 72 1/2    | 9                  | b       | 9 a       | West. £4, £1 pd. ....        | 75 1/2               | -5 1/2                     | 4 16 0               |
| 92 1/4            | 68      | 76                                      | 66      | Do. 3% .....              | 68 1/2               | -2 1/2                     | 4 7 7                |                                                |           |                    |         |           | Insurance                    |                      |                            |                      |
| 95 1/4            | 75      | 90                                      | 78      | Do. 3 1/2% 1958-68 ..     | 81 1/2               | -2 1/2                     | 4 7 7                |                                                |           |                    |         |           | Alliance £1, fully pd.       | 22                   | -1                         | 4 1 10               |
| 117 1/8           | 110     | 115 1/4                                 | 105 3/4 | Dom. & Col. Govts.        | 106 1/2              | -1 1/2                     | 4 1 4                | 26 3/4                                         | 21 1/2    | 40                 | a       | 50 b      | Atlas £5, £1 1/2 pd. ....    | 12 1/4               | -5 1/4                     | 3 14 0               |
| 108 1/8           | 97      | 106 1/4                                 | 96      | Austr. 5% 1945-75 .....   | 97 1/2               | -3                         | 5 3 7                | 145 1/8                                        | 121 1/2   | 13 1/6             | a       | 14 1/6 b  | Com. Un. £1, fy. pd. ....    | 8                    | -1 1/2                     | 5 0 0                |
| 104 1/8           | 97      | 103 1/2                                 | 98 1/2  | Canada 4% 1940-60 .....   | 101 1/2              | -2                         | 3 18 10 1/2          | 98 1/2                                         | 82 1/6    | 16                 | a       | 20 b      | Gen. Acc. £1, 5/- pd.        | 85 1/2               | -2 1/6                     | 4 2 2                |
| 115               | 109 1/2 | 112 1/2                                 | 105 1/2 | Nigeria 5% 1950-60 ..     | 105 1/2              | -2                         | 4 7 7                | 29 1/2                                         | 24        | 25                 | a       | 25 b      | Lon. & Lanc. £5 1/2 p.       | 24 1/2               | -1 1/2                     | 3 5 0                |
| 108               | 95 1/2  | 103                                     | 94      | N. Zealand 5% 1946 .....  | 94 1/2               | -6                         | 6 1 7                | 117 1/8                                        | 161 1/8   | 130                | b       | +25 a     | N. Brit. & Mer. £1 1/2 p.    | 31 1/2               | -1 1/2                     | 3 5 10               |
| 107 1/8           | 95      | 102 3/4                                 | 97 5/8  | Queens. 5% 1940-60 ..     | 99 1/2               | -1                         | 5 0 6 1/2            | 153 1/2                                        | 123 1/2   | 6                  | a       | 6 a       | Pearl (£1), fy. pd. ....     | 12 1/2               | -1 1/2                     | 4 16 0               |
| 112 1/8           | 97      | 110                                     | 104     | S. Africa 5% 1945-75 ..   | 104 1/2              | -2                         | 4 4 9                | 357 1/2                                        | 30        | 197 1/2            | a       | 198 1/2 b | Prudential £1 A .....        | 31                   | -3                         | 3 3 7 1/2            |
| 96 1/2            | 78      | 85                                      | 75      | Foreign Governments       | 76                   | -1                         | 5 18 5               | 94 7/12                                        | 76 1/2    | 150                | a       | +50 b     | Do. £1, with 4s. pd.         | 77 1/6               | -2 1/6                     | 2 11 7 1/2           |
| 102               | 23      | 40 1/2                                  | 25      | Arg. 4 1/2% Sg. Bds. .... | 27 1/2               | ...                        | 15 3 0               | 98 1/8                                         | 8         | 11                 | a       | 19 b      | Royal Exchange £1 ...        | 8 1/4                | -1 1/4                     | 3 12 10              |
| 89                | 38      | 65 1/2                                  | 48      | Austria 1930 5% .....     | 49                   | -3                         | 12 3 6               | 88 1/8                                         | 73        | 3 3/3              | a       | 3 1/3 b   | Royal £1, 12 1/2 pd. ....    | 7 1/2                | -5 1/2                     | 4 6 0                |
| 99                | 80      | 95                                      | 75      | Belgian 4% (36) 1970 ..   | 76 1/2               | -6 1/2                     | 5 14 4               | 17 1/8                                         | 13        | 6 1/6              | a       | 6 1/6 b   | S.U. & N.I.A. £20, £1 p.     | 13                   | -5 1/4                     | 5 0 0                |
| 36                | 31      | 31                                      | 15 1/4  | Bulgaria 7 1/2% .....     | 18                   | -2                         | 13 7 10 1/2          | 88 3/8                                         | 70 8 1/4  | 1 1/3              | a       | 1 1/6 b   | Sun. In. £1 with 5/- fy. pd. | 72 1/6               | -3 1/9                     | 3 15 10              |
| 37 1/2            | 12 3/4  | 21 1/2                                  | 12 1/2  | Brazil 5% Fd. 1914 ...    | 15                   | -1 1/2                     | Nil                  | 84                                             | 68 1/2    | 10                 | b       | +10 a     | Sun. Lf. Ass. £1 1/2 fy. pd. | 6 1/4                | -1 1/4                     | 2 19 2 1/2           |
| 195 1/8           | 14      | 16 1/2                                  | 9       | Chile 6% (1929) .....     | 11 1/2               | ...                        | 17 8 0               |                                                |           |                    |         |           | Investment Trusts            |                      |                            |                      |
| 60 1/2            | 37      | 38 1/2                                  | 17      | China 5% (1912) .....     | 19 1/2               | ...                        | ...                  | 230                                            | 210       | 4                  | a       | 8 b       | Anglo-Amer. Deb. ....        | 211                  | ...                        | 5 13 9               |
| 73 1/2            | 40      | 55 1/2                                  | 23      | Czechoslovakia 8% .....   | 26 1/2               | -1                         | 14 11 0              | 47 1/2                                         | 39 1/2    | 31 1/2             | c       | 31 1/2 c  | Anglo-Celtic Ord. ....       | 39 1/2               | ...                        | 8 17 3               |
| 105 1/4           | 20      | 72                                      | 3       | Denmark 3% .....          | 96 1/2               | -5                         | 3 2 2                | 11 3/4                                         | 7 1/6     | 10                 | c       | 10 c      | Brit. Assets Trust 5/-       | 8 11 1/2             | ...                        | 6 3 0                |
| 99                | 94      | 100                                     | 94 1/2  | Egypt Unified 4% .....    | 66 1/2               | -3 1/2                     | 6 0 4                | 15 11 1/2                                      | 8 1/9     | 10                 | c       | 10 c      | Charterhouse Inv. £1         | 8 1/9                | -1 1/9                     | 6 17 2               |
| 104               | 84 1/2  | 86 1/4                                  | 66      | French 4% (British) ...   | 61 1/2               | -3 1/2                     | 4 3 0 1/2            | 214 1/2                                        | 175       | 5                  | a       | 5 a       | Debenture Corp. Stk.         | 174 1/2              | ...                        | 5 14 7               |
| 13                | 9 1/4   | 12 1/2                                  | 10 5/8  | Ger. Dawes Ln. 5% .....   | 28                   | -2 1/2                     | 17 17 2              | 117 1/2                                        | 97 1/2    | 5                  | a       | 5 a       | For. & A. £100, £1 p.        | 97 1/2               | ...                        | 10 0 7               |
| 60                | 20      | 44                                      | 21      | Do. Young Ln. 4 1/2% ..   | 22                   | -2 1/2                     | 10 2 0               | 203                                            | 203       | 4                  | a       | 10 b      | Guardian Investment          | 97 1/2               | ...                        | 5 11 7               |
| 34 1/2            | 25      | 30                                      | 19      | Greek 6% Stab. Ln. ....   | 22                   | -2 1/2                     | 19 11 3 1/2          | 225                                            | 206       | 5                  | a       | 8 b       | Ind. and Gen. Ord. ....      | 215                  | ...                        | 5 11 7               |
| 50 1/2            | 32      | 35 1/2                                  | 24      | Hungary 7 1/2% .....      | 36                   | -1                         | 15 5 6 1/2           | 15 1/6                                         | 12 1/2    | 21 1/2             | a       | 6 1/2 b   | Invest. Trust Def. ....      | 208                  | -5                         | 6 5 0                |
| 60                | 35      | 52                                      | 33      | Japan 5 1/2% 1930 .....   | 36                   | -1                         | 18 15 0 1/2          | 237 1/2                                        | 207 1/2   | 8 1/2              | b       | 3 1/2 a   | Lake View Inv. 10/-          | 13 1/6               | -3d                        | 6 13 9               |
| 64 1/2            | 38      | 53                                      | 31      | Do. 6% (24) red. 1959 ..  | 32                   | -1                         | 18 15 0 1/2          | 118 1/2                                        | 80        | 4 1/2              | b       | 3 a       | Mercantile Inv. ....         | 208                  | -4                         | 5 15 8               |
| 50                | 35      | 46 1/2                                  | 42 1/2  | Peru 7 1/2% 1922 .....    | 45                   | -1                         | 8 17 10 1/2          | 217 1/2                                        | 184 1/2   | 7                  | a       | 5 a       | Merchants Trust Ord. ....    | 86                   | ...                        | 8 14 6               |
| 75 1/2            | 54      | 65                                      | 50      | Poland 7% .....           | 50                   | -1                         | 11 0 0 1/2           | 217 1/2                                        | 184 1/2   | 7                  | a       | 5 a       | Metropolitan Trust ...       | 184 1/2              | ...                        | 6 10 0               |
| 15 1/4            | 9 1/4   | 11 1/2                                  | 7       | Roum. 4% Con. 1922 .....  | 9 1/2                | -1                         | 19 14 0 1/2          | 168 1/2                                        | 149 1/2   | 3 1/2              | a       | 6 b       | Scottish Mort. & C.          | 149 1/2              | -6d                        | 5 14 8               |
| 92                | 75      | 83                                      | 74      | U.K. & Arg. C. 3% .....   | 73                   | -1                         | 4 2 2                | 195                                            | 177 1/2   | 3                  | a       | 7 b       | Trustees Corp. Ord.          | 177 1/2              | -3                         | 5 12 7               |
| 115 1/4           | 101     | 111 1/2                                 | 106     | Corporation Stocks        | 106                  | -3                         | 4 4 9                | 180                                            | 164       | 6                  | b       | 4 a       | United States Deb. ....      | 167 1/2              | ...                        | 5 19 6               |
| 117               | 104 1/2 | 114                                     | 104     | Bir'ham 5% 1946-56 .....  | 104                  | -3                         | 4 9 1                |                                                |           |                    |         |           | Financial Trusts, &c.        |                      |                            |                      |
| 87 1/2            | 77      | 81 5/8                                  | 72      | Bristol 5% 1948-58 .....  | 106 1/2              | -2 1/2                     | 4 2 2                | 27 1/12                                        | 20 1/2    | 13 1/2             | c       | 8 1/2 c   | Brit. S. Afr. 15/- fy. pd.   | 20 1/6               | -9d                        | 6 1 6                |
| 97 1/2            | 90 1/2  | 93 1/8                                  | 88      | L.C.C. 3% .....           | 73                   | -2 1/2                     | 4 2 2                | 13 1/9                                         | 10 1/2    | 2                  | a       | 2 b       | C. of Lond. R. Pty £1        | 11 3/3               | ...                        | 7 2 3                |
| 105 1/4           | 94 3/8  | 102 3/4                                 | 95      | Liverpool 3% 1954-64      | 89                   | -1 1/2                     | 3 16 7               | 26 1/12                                        | 17 1/2    | 16 1/4             | b       | +1 1/2 a  | Daily Mail & Gen. £1         | 17 1/9               | -6d                        | 7 16 0 1/2           |
|                   |         |                                         |         | Midx. 3 1/2% 1957-62 ..   | 96 1/2               | -1 1/2                     | 3 14 0               | 54                                             | 44        | 3                  | b       | 4 a       | Falgety £20 £5 pd. ....      | 44                   | ...                        | 5 18 0               |
|                   |         |                                         |         |                           |                      |                            |                      | 25 1/2                                         | 15 10 1/2 | 3                  | a       | 4 b       | Forest. Land £1 .....        | 16 10 1/4            | -7 1/2 d                   | 8 6 0                |
|                   |         |                                         |         |                           |                      |                            |                      | 17 1/6                                         | 11 1/6    | 4 (a)              | c       | 3 1/2 (a) | Hudson's Bay Co. £1          | 18 1/6               | -10d                       | 3 15 8               |
|                   |         |                                         |         |                           |                      |                            |                      | 2 1/2                                          | 1 1/2     | Nil                | Nil     | Nil       | Java Invest. £1 .....        | 15 1/2               | ...                        | 6 Nil                |
|                   |         |                                         |         |                           |                      |                            |                      | 10 3/3                                         | 6 1/6     | 3 1/2 c            | 3 1/2 c | 3 1/2 c   | Peru Corp. Pref. ....        | 1                    | -9d                        | 10 0 0               |
|                   |         |                                         |         |                           |                      |                            |                      | 31 1/4 1/2                                     | 23 1/2    | 12 1/2 c           | 10      | c         | Primitive Hdw. £1 ...        | 7 1/2                | -1 1/3                     | 8 0 0                |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Sudan Plant. £1 ...          | 23 1/9               | ...                        | 8 0 0                |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Breweries, &c.               |                      |                            |                      |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Ansell's Brewery £1          | 71 1/2               | -1 1/2                     | 4 18 9               |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Bass Ratcliff Ord. £1        | 20 3/3               | -1 1/2                     | 5 18 6               |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Charringtons Co. £1          | 121 1/3              | -10 1/9                    | 4 2 6                |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Courage Ord. £1              | 64 1/2               | -3 1/2                     | 5 6 3                |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Distillers Ord. £1           | 62 1/2               | -1 10 1/2                  | 5 15 6               |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Guinness Ord. £1             | 92 1/2               | -4 1/2                     | 4 17 6               |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Ind. Coops. & All. £1        | 83 1/9               | -4 1/9                     | 5 11 6               |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Meux's Ord. £1               | 27 1/2               | -1 1/6                     | 6 13 6               |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Mitchells & Butlers £1       | 73 1/9               | -4 1/9                     | 5 14 0               |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Simonds (H.&G.) £1           | 61 3/3               | -3 1/9                     | 5 14 0               |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Taylor Walker Ord. £1        | 28 1/9               | -2 1/2                     | 6 5 0                |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Watney Combs & Def. £1       | 60 1/2               | -3 1/6                     | 6 0 0                |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Iron, Coal and Steel         |                      |                            |                      |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Allied Ironfound. £1         | 16 1/9               | -9d                        | 10 15 0              |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Babcock Wilcox £1            | 45 7 1/2             | -1 1/3                     | 5 9 9                |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Baldwins 4/-                 | 26 1/2               | -1 1/3                     | 5 7 7                |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Bolsover Col. Ord. £1        | 42 1/6               | -1 1/3                     | 5 17 7               |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Brown (J.) Ord. 10/-         | 28 11 1/2            | -1 11 1/2                  | 6 4 6 1/2            |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           | Butterley Co. Ord. £1        | 27 1/6               | ...                        | 4 14 6 1/2           |
|                   |         |                                         |         |                           |                      |                            |                      |                                                |           |                    |         |           |                              |                      |                            |                      |

(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (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 payment of 2½%. (m) To redemption at par, in year shown. (n) Yield worked at 8½% of face value. (o) Yield worked on 22½% basis. (p) Yield worked on a 5½% basis. (q) Yield worked on a 14% basis. (r) Yield worked on 2.0925% basis. (s) Yield based on 47% of coupon. (t) 1% paid free of Income Tax. (u) Free of Income Tax.

| Prices, Year 1939 Jan. 1 to Aug. 23, inclusive |           |                  |           | Prices, Year 1939 Jan. 1 to Aug. 23, inclusive |  |                            |           | Prices, Year 1939 Jan. 1 to Aug. 23, inclusive |   |                     |   | Prices, Year 1939 Jan. 1 to Aug. 23, inclusive |           |                            |  |                            |           |                            |   |                     |  |
|------------------------------------------------|-----------|------------------|-----------|------------------------------------------------|--|----------------------------|-----------|------------------------------------------------|---|---------------------|---|------------------------------------------------|-----------|----------------------------|--|----------------------------|-----------|----------------------------|---|---------------------|--|
| Last Two Dividends                             |           | Name of Security |           | Price, Aug. 23, 1939                           |  | Change since Aug. 16, 1939 |           | Yield Aug. 23, 1939                            |   | Last Two Dividends  |   | Name of Security                               |           | Price, Aug. 23, 1939       |  | Change since Aug. 16, 1939 |           | Yield Aug. 23, 1939        |   |                     |  |
| High-est                                       | Low-est   | (a) %            | (b) (c) % | Name of Security                               |  | Price, Aug. 23, 1939       |           | Change since Aug. 16, 1939                     |   | Yield Aug. 23, 1939 |   | Last Two Dividends                             |           | Name of Security           |  | Price, Aug. 23, 1939       |           | Change since Aug. 16, 1939 |   | Yield Aug. 23, 1939 |  |
|                                                |           |                  |           |                                                |  |                            |           |                                                |   |                     |   |                                                |           |                            |  |                            |           |                            |   |                     |  |
| 45/41 1/2                                      | 34/41 1/2 | Nil              | 8c        | Iron, Coal, &c.—cont.                          |  | 37/6                       | —         | —                                              | — | —                   | — | 61 1/2                                         | 51 1/4    | Miscellaneous—cont.        |  | 61 1/4                     | —         | —                          | — |                     |  |
| 87 1/2                                         | 84 1/2    | 1c               | Nil c     | Thornycroft, John £1                           |  | 47                         | -5 1/2    | —                                              | — | —                   | — | 4/9                                            | 2 1/4     | Callahan Ltd. Ord. £1      |  | 3/9                        | +1 1/2    | —                          | — |                     |  |
| 25/5                                           | 20/5      | 7c               | 2 1/2 a   | U. States Steel \$100.                         |  | 23/-                       | -9d       | 8 5 0                                          | — | —                   | — | 12/-                                           | 6/9       | Gaumont-Brit. 100...       |  | 7/3                        | —         | —                          | — |                     |  |
| 16/2 1/4                                       | 12/2 1/4  | 4 a              | 6 b       | Un. Steel Cos. Ord. £1                         |  | 16/10 1/2                  | -1 1/2    | 5 19 0                                         | — | —                   | — | 32/6                                           | 23/6      | Gen. Refract. (D) 100...   |  | 31/3                       | -1 1/3    | 6 8 0                      | — |                     |  |
| 24/3                                           | 21/3      | 12 1/2 c         | 3         | Vickers 10/16                                  |  | 21/10 1/2                  | -1 1/2    | 11 9 0                                         | — | —                   | — | 86/6                                           | 71/10 1/2 | Gestetner (D) 50/-         |  | 80/-                       | -2/6      | —                          | — |                     |  |
| 74 1/2                                         | 58 3/8    | 12 1/2 a         | 12 1/2 b  | Ward (Thos. W.) £1                             |  | 38                         | -14       | 5 3 6                                          | — | —                   | — | 68/-                                           | 50/-      | Harrison & Cros. Df. £1    |  | 51/3xd                     | -3d       | 6 5 0                      | — |                     |  |
| 67/-                                           | 58/9      | 15 c             | 20 c      | Whitehead I & S £1                             |  | 62/6                       | —         | 6 8 0                                          | — | —                   | — | 25/1 1/2                                       | 15/-      | Harrods £1                 |  | 15/-                       | -1/6      | 14 3 0                     | — |                     |  |
|                                                |           |                  |           | Yarrow & Co. £1                                |  |                            |           |                                                | — | —                   | — | 33/6                                           | 25/-      | Hawker Siddeley (5/-)      |  | 33/-                       | -6d       | 4 5 0                      | — |                     |  |
|                                                |           |                  |           | Textiles                                       |  |                            |           |                                                | — | —                   | — | 32/6                                           | 27/6      | Imp. Airways £1            |  | 29/-                       | -10 1/2   | 5 10 3                     | — |                     |  |
| 4 1/4                                          | 2 1/12    | Nil              | Nil       | Bleachers £1                                   |  | 2/3                        | -6d       | Nil                                            | — | —                   | — | 12/7 1/2                                       | 8/6       | Imp. Chem. Ord. £1         |  | 8/9                        | -1/3      | Nil                        | — |                     |  |
| 5/6                                            | 2 1/12    | Nil              | Nil       | Bradford Dyers £1...                           |  | 3 1/4                      | -1/-      | Nil                                            | — | —                   | — | 27/12                                          | 27/6      | Imp. Smelting £1           |  | 27/12                      | -1/3      | Nil                        | — |                     |  |
| 8 1/4                                          | 2/9       | Nil              | Nil       | Brit. Cal. Ord. 10/-                           |  | 4 1/12                     | -6d       | Nil                                            | — | —                   | — | 36/10                                          | 45 1/2    | Imp. Tobacco £1            |  | 44 1/2                     | -1/2      | 4 10 10                    | — |                     |  |
| 39/-                                           | 3/3       | Nil              | Nil       | Brit. Calo Printers £1                         |  | 27/9                       | -10 1/2   | 7 4 0                                          | — | —                   | — | 13/1 1/2                                       | 9/1 1/2   | Inter. Nickel n.p.         |  | 10/6                       | -9d       | 4 15 0                     | — |                     |  |
| 39 1/2                                         | 26/3      | 10               | 10 c      | Coats, J. & P. £1                              |  | 27/7 1/2                   | -2/-      | 3 5 0                                          | — | —                   | — | 38/6                                           | 29/6      | International Tea & S.     |  | 31/3                       | -10 1/2   | 6 7 9                      | — |                     |  |
| 32 1/2                                         | 22/6      | 2 1/2 b          | 2 a       | Courtaulds £1                                  |  | 26/3                       | -6d       | 5 14 6                                         | — | —                   | — | 17/6                                           | 8/9       | Lever & Oilwell £1         |  | 10/6                       | -6d       | Nil                        | — |                     |  |
| 4 5/11                                         | 9/-       |                  |           | English Swg. Cmn. £1                           |  | 27/7 1/2                   | -3d       | Nil                                            | — | —                   | — | 52/3                                           | 30/0      | Lon. & Th. Oilwh £1        |  | 30/-                       | -2 1/2    | 11 13 0                    | — |                     |  |
| 39 1/2                                         | 26/3      | 10               | 10 c      | Fine Cotton Spin. £1                           |  | 23/-                       | -9d       | 5 4 3                                          | — | —                   | — | 66/50                                          | 50/9      | Lyons (J.) Ord. £1         |  | 58/-                       | -14       | 4 3 9                      | — |                     |  |
| 32 1/2                                         | 22/6      | 2 1/2 b          | 2 a       | Linen Thread Sp. £1                            |  | 47/6                       | -6d       | 4 4 0                                          | — | —                   | — | 66/50                                          | 50/9      | Marks & Spen. 'A' 5/-      |  | 57/6                       | -2/6      | 3 14 0                     | — |                     |  |
| 29/9                                           | 20/6      | 3 b              | 3         | Patons & Baldwins £1                           |  | 8/6xd                      | -6d       | 3 10 6                                         | — | —                   | — | 66/50                                          | 50/9      | Murex £1 Ord.              |  | 75/-                       | -5        | 5 6 9                      | — |                     |  |
| 49/3                                           | 44/3      | +10 c            | +10 c     | Whitworth & Mit. £1                            |  |                            |           |                                                | — | —                   | — | 27/9                                           | 20/7 1/2  | Phillips (Godfrey) £1      |  | 32/6                       | -1/10 1/2 | 7 6 0                      | — |                     |  |
| 13/9                                           | 4/6       | Nil              | 12 c      | Electrical Manufact.                           |  | 38/6                       | -2/6      | 5 4 0                                          | — | —                   | — | 40/7 1/2                                       | 29/4 1/2  | Pinchin Johnson 10/-       |  | 21/10 1/2                  | -10 1/2   | 5 14 2                     | — |                     |  |
|                                                |           |                  |           | Associated Elec. £1...                         |  | 83/9                       | —         | 4 15 6                                         | — | —                   | — | 27/9                                           | 20/7 1/2  | Rad. Ord. 5/-              |  | 31/8                       | -1/3      | 6 9 0                      | — |                     |  |
|                                                |           |                  |           | British Insulated £1...                        |  | 61/3                       | —         | 4 18 0                                         | — | —                   | — | 52/5 1/4                                       | 35/4 1/2  | Radiation Ord. £1          |  | 38/9                       | -1/3      | 6 9 0                      | — |                     |  |
|                                                |           |                  |           | Callenders £1                                  |  | 18/9                       | -7 1/2    | 8 8 0                                          | — | —                   | — | 17/10 1/2                                      | 15/3      | Ranks Ord. 5/-             |  | 16/6                       | -1/-      | 5 3 0                      | — |                     |  |
|                                                |           |                  |           | Common Park A 5/-                              |  | 33/6                       | -2/-      | 5 19 0                                         | — | —                   | — | 58 1/2                                         | 4/8       | Reckitt & Sons Ord. £1     |  | 5                          | -1/6      | 4 10 0                     | — |                     |  |
|                                                |           |                  |           | English 10/16                                  |  | 73/6                       | -1/-      | 5 9 0                                          | — | —                   | — | 12/10 1/2                                      | 8/6       | Sears (J.) Ord. 5/-        |  | 11/3xd                     | -1/3      | 6 13 0                     | — |                     |  |
|                                                |           |                  |           | General Electric £1                            |  | 17/6                       | -1/3      | 5 14 3                                         | — | —                   | — | 11/3                                           | 7/-       | Smthfld. & Arg. Mt. £1     |  | 7/3                        | —         | 6 18 0                     | — |                     |  |
|                                                |           |                  |           | Henleys (W. T.) 5/-                            |  | 38/9                       | -1/3      | 6 9 0                                          | — | —                   | — | 62/6                                           | 56/3      | Spillers Ord. £1           |  | 58/-                       | -2/6      | 5 3 6                      | — |                     |  |
|                                                |           |                  |           | Johnson & Phillips £1                          |  | 21/10 1/2                  | -10 1/2   | 6 17 0                                         | — | —                   | — | 29/7 1/2                                       | 22/-      | Swed. Match. B. Kr. 25     |  | 22/6                       | -10 1/2   | 5 14 3                     | — |                     |  |
|                                                |           |                  |           | Siemens £1                                     |  |                            |           |                                                | — | —                   | — | 55/42                                          | 14        | Tate and Lyle £1           |  | 61/3                       | -1/3      | 5 Nil                      | — |                     |  |
|                                                |           |                  |           | Electric Light, &c.                            |  | 77 1/2                     | -7 1/2    | 6 7 0                                          | — | —                   | — | 48/9                                           | 30/7 1/2  | Tilling. Thos. £1          |  | 45/xd                      | -2/6      | 5 19 0                     | — |                     |  |
|                                                |           |                  |           | Brazil Trac., no par.                          |  | 61/3xd                     | -1/3      | 4 18 0                                         | — | —                   | — | 68/6                                           | 52/6      | Tob. Secrs. Ord. £1        |  | 31/8                       | -2/6      | 5 19 0                     | — |                     |  |
|                                                |           |                  |           | Brnmeth & Poole £1                             |  | 27/6                       | -1/-      | 5 1 10                                         | — | —                   | — | 38/9                                           | 25/3      | Triplex Safety G. 10/-     |  | 31/3xd                     | -1/9      | 6 8 0                      | — |                     |  |
|                                                |           |                  |           | British Pow. & Lt. £1                          |  | 29/6xd                     | -10d      | 6 9 0                                          | — | —                   | — | 91/-                                           | 82/9      | Tube Investments £1        |  | 87/6                       | -2/6      | 5 8 6                      | — |                     |  |
|                                                |           |                  |           | City of London £1                              |  | 36/3                       | -1/3      | 4 8 3                                          | — | —                   | — | 82/9                                           | 69/6      | Turner & Newall £1         |  | 77/6                       | -2/-      | 5 3 3                      | — |                     |  |
|                                                |           |                  |           | Clyde Valley Elec. £1                          |  | 41/6                       | -2/-      | 5 1 0                                          | — | —                   | — | 56/-                                           | 49/9      | United Dairies £1          |  | 54/4 1/2                   | -7 1/2    | 3 14 0                     | — |                     |  |
|                                                |           |                  |           | County of London £1                            |  | 25/-                       | -6d       | 4 16 0                                         | — | —                   | — | 27/3                                           | 19/7 1/2  | United Molasses 6/8        |  | 23/12                      | -7 1/2    | 6 10 0                     | — |                     |  |
|                                                |           |                  |           | Edmundsons £1                                  |  | 30/7 1/2                   | -7 1/2    | 4 19 0                                         | — | —                   | — | 35/3                                           | 22/6      | W. Wippar Mrs. Def. £1     |  | 23/9                       | -7 1/2    | 9 13 0                     | — |                     |  |
|                                                |           |                  |           | Lancashire Elec. £1                            |  | 25/11 1/2                  | -5        | 5 12 0                                         | — | —                   | — | 38/9                                           | 31/-      | Willipps, Teepe Ord. £1    |  | 37/6                       | -6d       | 5 6 8                      | — |                     |  |
|                                                |           |                  |           | Lond. Ass. Elec. £1                            |  | 45/11 1/2                  | -1 1/12   | 5 6 3                                          | — | —                   | — | 65/7 1/2                                       | 55/-      | Woolworth Ord. 5/-         |  | 62/6                       | -2/6      | 5 4 0                      | — |                     |  |
|                                                |           |                  |           | Metro. Electric, £1                            |  | 29/6                       | -1/-      | 4 15 0                                         | — | —                   | — | 75/-                                           | 59/4 1/2  | Ashanti Goldfields 4/-     |  | 61/3                       | -5/-      | 6 4 0                      | — |                     |  |
|                                                |           |                  |           | Midland Counties £1                            |  | 29/6                       | -1/-      | 4 15 0                                         | — | —                   | — | 9/7 1/2                                        | 7/4 1/2   | Burma Corp. Rs. 9/-        |  | 7/6xd                      | -9d       | 11 5 0                     | — |                     |  |
|                                                |           |                  |           | North-East. Elec. £1                           |  | 41/3                       | -1/10 1/2 | 4 17 0                                         | — | —                   | — | 69/-                                           | 53/9      | Cons. Glads. of S. Afr. £1 |  | 55/7 1/2                   | -2/6      | 7 3 10                     | — |                     |  |
|                                                |           |                  |           | Palestine £1                                   |  | 21/3                       | —         | 4 14 0                                         | — | —                   | — | 16 1/4                                         | 13 1/2    | Crown Mines 10/-           |  | 15                         | —         | 6 7 0                      | — |                     |  |
|                                                |           |                  |           | Scottish Power £1                              |  | 34/4 1/2                   | -10 1/2   | 4 13 6                                         | — | —                   | — | 88 1/2                                         | 54        | De Beers (Def.) £2 1/2     |  | 57/4                       | -1 1/2    | 14 6 0                     | — |                     |  |
|                                                |           |                  |           | Yorkshire Electric £1                          |  | 35/-                       | -2/6      | 4 11 6                                         | — | —                   | — | 48/5 1/4                                       | 36/4 1/2  | Jo'burg. Cons. £1          |  | 35/-                       | -2/6      | 8 11 5                     | — |                     |  |
|                                                |           |                  |           | Gas                                            |  | 19/-                       | -2/6      | 5 18 0                                         | — | —                   | — | 41/-                                           | 33/1 1/2  | Randfontein £1             |  | 36/3                       | -1/3      | 12 8 0                     | — |                     |  |
|                                                |           |                  |           | Gas L. & C. £1                                 |  | 103                        | -10 1/2   | 9 13 0                                         | — | —                   | — | 12 1/2                                         | 9 1/2     | Rhokana Corp. £1           |  | 11/8                       | -8        | 5 12 7                     | — |                     |  |
|                                                |           |                  |           | Imp. Cont. Stk.                                |  | 20/6                       | —         | 5 4 3                                          | — | —                   | — | 14 1/2                                         | 9 1/2     | Rio Tinto £5               |  | 99 1/2                     | -14       | Nil                        | — |                     |  |
|                                                |           |                  |           | Newc.-on-Tyne £1                               |  | 77 1/2                     | -4        | 7 2 0                                          | — | —                   | — | 17/7 1/2                                       | 14/4 1/2  | Roan Antelope Cpr. 5/-     |  | 15/-                       | -1        | 6 5 0                      | — |                     |  |
|                                                |           |                  |           | S. Metropolitan Stk.                           |  |                            |           |                                                | — | —                   | — | 12 1/2                                         | 10 1/4    | Sub Nigel 10/-             |  | 10 1/8                     | -8        | 7 0 2                      | — |                     |  |
|                                                |           |                  |           | Motors and Cycle                               |  | 46/3                       | -3/9      | 6 10 0                                         | — | —                   | — | 8 1/2                                          | 7         | Union C. 12 1/2 fy pd      |  | 7/16                       | -9 1/2    | 5 0                        | — |                     |  |
|                                                |           |                  |           | Albion Motors Ord. £1                          |  | 33/9                       | -9 10 1/2 | 5 8 10                                         | — | —                   | — | 69 1/2                                         | 45 1/2    | Witwatersrand 10/-         |  | 4 1/8                      | -9d       | Nil                        | — |                     |  |
|                                                |           |                  |           | Assoc. Equip. Ord. £1                          |  | 26/6                       | -1/3      | 7 11 0                                         | — | —                   | — | 13/-                                           | 6/9       | Wiluna Gold £1             |  | 7/6                        | -9d       | Nil                        | — |                     |  |
|                                                |           |                  |           | Austin 5/-                                     |  | 16/3                       | -1/3      | 6 3 0                                          | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | City of London Arms £1                         |  | 16/1 1/2                   | -1 1/4    | 6 4 0                                          | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Dennis 1/-                                     |  | 60/-                       | —         | 5 0 0                                          | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Ford Motors £1                                 |  | 87/6                       | -5/-      | 5 14 3                                         | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Lucas, J. (£1)                                 |  | 30/-                       | -7 1/2    | 7 10 0                                         | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Leyland Motors £1                              |  | 40/-                       | -2/6      | 10 0 0                                         | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Morris Motors 5/- Od.                          |  | 16/3                       | -4        | 6 18 3                                         | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Ral. Cycle Hold. £1                            |  |                            |           |                                                | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Rolls-Royce £1                                 |  |                            |           |                                                | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Stand. Autom. £1                               |  |                            |           |                                                | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Tobacco                                        |  |                            |           |                                                | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Clan Line Steam. £1                            |  | 54                         | -14       | 3 16 2                                         | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Cunard £1                                      |  | 2/-                        | -1 1/2    | Nil                                            | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Furness, Withy £1                              |  | 15/-                       | -6d       | 5 3 2                                          | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | P. & O. Def. £1                                |  | 17/6                       | -1/6      | 8 11 5                                         | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Royal Mail Lines £1                            |  | 15/6                       | -1/6      | 6 9                                            | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Union Castle & Ind. £1                         |  | 6/3                        | -6d       | Nil                                            | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Allied Sumatra £1                              |  | 14/9                       | -1/6      | 5 8 2                                          | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Anglo-Dutch £1                                 |  | 22/6                       | -2/6      | 4 8 10                                         | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Bah Lias £1                                    |  | 26/10 1/2                  | 1/10 1/2  | 5 19 0                                         | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Jhanzie Tea £1                                 |  | 21/3                       | —         | 6 11 7                                         | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Jorhaut Tea £1                                 |  | 30/-                       | -2/6      | 6 13 5                                         | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Jokai (Assam) £1                               |  | 30/-                       | -2/6      | 6 13 5                                         | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Langgi Plant. 2/-                              |  | 2/0 3/4                    | -4d       | Nil (0)                                        | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | London Asiatic 2/-                             |  | 26/6                       | -2/6      | 7 11 0                                         | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Rubber Trust £1                                |  | 26/6                       | -2/6      | 7 11 0                                         | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | United Serding 2/-                             |  | 2/11 1/4                   | -3 1/4    | 6 2 0                                          | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Oil                                            |  |                            |           |                                                | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Anglo-Iranian £1                               |  | 67/6                       | -5/-      | 5 18 5                                         | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Apex (Trinidad) 5/-                            |  | 23/3                       | -9d       | 8 12 2                                         | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           | Attock £1                                      |  | 50/-                       | -4 1/4    | 3 0 0                                          | — | —                   | — |                                                |           |                            |  |                            |           |                            | — |                     |  |
|                                                |           |                  |           |                                                |  |                            |           |                                                |   |                     |   |                                                |           |                            |  |                            |           |                            |   |                     |  |

\* Bid and offered prices are free of Commission and Stamp Duty. (a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends.  
(m) Including bonus of 5% free of tax. (g) 8½% paid free of Income Tax. (f) Yield on 17½% basis. (n) Free of Income Tax.  
(n) Yield on 18-95% basis. (h) Yield on 12½% basis. (e) Allowing for rate of exchange. (w) Yield on 30% basis.  
(d) High and low record from Aug. 8, 1939.

## THE WEEK'S COMPANY RESULTS

| Company                          | Year<br>Ending | Balance<br>from<br>Last<br>Account | Net Profit<br>After<br>Payment<br>of<br>Deben-<br>ture<br>Interest | Amount<br>Available<br>for<br>Distri-<br>bution | Appropriation     |          |      |                                                   |                    | Corresponding<br>Period Last<br>Year |               |
|----------------------------------|----------------|------------------------------------|--------------------------------------------------------------------|-------------------------------------------------|-------------------|----------|------|---------------------------------------------------|--------------------|--------------------------------------|---------------|
|                                  |                |                                    |                                                                    |                                                 | Dividend          |          |      | Carried to<br>Reserve,<br>Deprecia-<br>tion, etc. | Balance<br>Forward | Net<br>Profit                        | Divi-<br>dend |
|                                  |                |                                    |                                                                    |                                                 | Prefce.<br>Amount | Ordinary |      |                                                   |                    |                                      |               |
|                                  |                |                                    |                                                                    |                                                 |                   | Amount   | Rate |                                                   |                    |                                      |               |
| Financial, Land, etc.            |                | £                                  | £                                                                  | £                                               | £                 | £        | %    | £                                                 | £                  | £                                    | %             |
| Chaplin Holdings .....           | Mar. 31        | 21,708                             | 17,100                                                             | 38,808                                          | 5,000             | 12,500   | 5    | ...                                               | 21,308             | 23,780                               | 5             |
| Shipping                         |                |                                    |                                                                    |                                                 |                   |          |      |                                                   |                    |                                      |               |
| Tyne-Tees Shipping .....         | June 30        | 8,725                              | 41,827                                                             | 50,552                                          | ...               | 20,461   | 5    | 25,000                                            | 5,091              | 47,496                               | 5             |
| Tea                              |                |                                    |                                                                    |                                                 |                   |          |      |                                                   |                    |                                      |               |
| Talliar Estates.....             | June 30        | 925                                | 4,839                                                              | 5,764                                           | ...               | 3,062    | 6    | 1,744                                             | 958                | 2,428                                | 3             |
| Textiles                         |                |                                    |                                                                    |                                                 |                   |          |      |                                                   |                    |                                      |               |
| Fulton (William) and Sons...     | June 30        | 1,010                              | Dr. 4,153                                                          | Dr. 3,143                                       | ...               | ...      | ...  | Dr. 4,500                                         | 1,357              | Dr. 768                              | ...           |
| Wardle and Davenport .....       | June 30        | 26,041                             | 29,318                                                             | 55,359                                          | 3,300             | 18,759   | 7½   | 6,000                                             | 27,300             | 21,318                               | 5½            |
| Other Companies                  |                |                                    |                                                                    |                                                 |                   |          |      |                                                   |                    |                                      |               |
| Armstrong Shock Absorbers        | June 30        | 2,598                              | 4,323                                                              | 6,921                                           | ...               | 3,625    | 5(a) | 1,000                                             | 2,296              | 12,141                               | 20            |
| Cambury Coffee, etc.....         | Dec. 31        | 2,955                              | 25,915                                                             | 28,870                                          | ...               | ...      | ...  | ...                                               | 28,870             | 24,590                               | 6             |
| Illovo Sugar Estates .....       | Mar. 31        | 9,864                              | 37,444                                                             | 47,308                                          | ...               | 16,500   | 5    | 18,197                                            | 12,611             | 31,778                               | 5             |
| Oxley Engineering .....          | June 30        | 4,180                              | 14,544                                                             | 18,724                                          | ...               | 7,250    | 12½  | 6,000                                             | 5,474              | 16,430                               | 12½           |
| Toogood and Sons.....            | June 30        | 17,876                             | 8,948                                                              | 26,824                                          | ...               | 6,562    | 3½   | 1,553                                             | 18,709             | 8,291                                | 3½            |
| Total Profits, 1939, in £000's : | No.ofCos.      |                                    |                                                                    |                                                 |                   |          |      |                                                   |                    |                                      |               |
| To August 19 .....               | 1,689          | 71,679                             | 215,936                                                            | 287,615                                         | 41,797            | 115,418  | ...  | 54,725                                            | 75,674             | 233,834                              | ...           |
| To August 26 .....               | 1,700          | 71,800                             | 216,137                                                            | 287,937                                         | 41,808            | 115,516  | ...  | 54,780                                            | 75,832             | 234,043                              | ...           |

(a) On larger capital.

## TRANSPORT RECEIPTS

## BRITISH RAILWAY TRAFFICS

|                | Gross Receipts, week ended Aug. 20 (£'000) |              |             |             |                | Aggregate Gross Receipts, 33 weeks (£'000) |              |             |             |                |
|----------------|--------------------------------------------|--------------|-------------|-------------|----------------|--------------------------------------------|--------------|-------------|-------------|----------------|
|                | Pass-enger                                 | Merch-andise | Coal & Coke | Total Goods | Total Receipts | Pass-enger                                 | Merch-andise | Coal & Coke | Total Goods | Total Receipts |
| L.M. & S.—     |                                            |              |             |             |                |                                            |              |             |             |                |
| 1938 .....     | 646                                        | 416          | 236         | 652         | 1,298          | 17,595                                     | 14,872       | 8,242       | 23,114      | 40,709         |
| 1939 .....     | 718                                        | 487          | 255         | 742         | 1,460          | 17,392                                     | 15,470       | 8,697       | 24,167      | 41,559         |
| L. & N.E.(a)—  |                                            |              |             |             |                |                                            |              |             |             |                |
| 1938 .....     | 443                                        | 286          | 219         | 505         | 948            | 11,314                                     | 10,474       | 7,763       | 18,237      | 29,551         |
| 1939 .....     | 466                                        | 340          | 263         | 603         | 1,069          | 11,258                                     | 10,599       | 8,263       | 18,862      | 30,120         |
| Great Western— |                                            |              |             |             |                |                                            |              |             |             |                |
| 1938 .....     | 291                                        | 174          | 104         | 278         | 569            | 7,394                                      | 6,068        | 3,537       | 9,605       | 16,999         |
| 1939 .....     | 320                                        | 209          | 101         | 310         | 630            | 7,386                                      | 6,614        | 3,673       | 10,287      | 17,673         |
| Southern—      |                                            |              |             |             |                |                                            |              |             |             |                |
| 1938 .....     | 420                                        | 61           | 31          | 92          | 512            | 11,013                                     | 1,981        | 997         | 2,978       | 13,991         |
| 1939 .....     | 464                                        | 62           | 30          | 92          | 556            | 11,073                                     | 2,029        | 1,048       | 3,077       | 14,150         |
| Total—         |                                            |              |             |             |                |                                            |              |             |             |                |
| 1938 .....     | 1,800                                      | 937          | 590         | 1,527       | 3,227          | 47,316                                     | 33,395       | 20,539      | 53,934      | 101,250        |
| 1939 .....     | 1,968                                      | 1,098        | 649         | 1,848       | 3,715          | 47,109                                     | 34,712       | 21,681      | 56,393      | 103,502        |

(a) Week ended August 19.

## CUMULATIVE AND WEEKLY COMPARISONS

(000's omitted)

|                                                               | L.M.S.   | L.N.E.R. | Great Western | Southern |
|---------------------------------------------------------------|----------|----------|---------------|----------|
| Cumulative Figures                                            |          |          |               |          |
| Gross decrease, second half 1938, over second half 1937 ..... | - 2,423  | - 1,812  | - 926         | - 54     |
| Gross increase, first half 1939, over first half 1938 .....   | + 110    | + 7      | + 309         | + 57     |
| Gross increase, second half 1939, over second half 1938 ..... | + 740    | + 562    | + 365         | + 102    |
| 7 weeks to Aug. 20, 1939 .....                                | + 105.71 | + 80.28  | + 52.14       | + 14.57  |
| Av. weekly increase, 2nd half 1939 .....                      | + 162    | + 121    | + 61          | + 44     |
| Latest week compared with 1938 .....                          | - 103    | - 87     | - 49          | + 3      |

## IRISH RAILWAY TRAFFICS

| Company             | Gross Receipts, week ended Aug. 18, 1939 (£'000) |       |       | Aggregate Gross Receipts 33 weeks (£'000) |         |         |
|---------------------|--------------------------------------------------|-------|-------|-------------------------------------------|---------|---------|
|                     | Pass.                                            | Goods | Total | Pass.                                     | Goods   | Total   |
| Belfast & Co. Down— |                                                  |       |       |                                           |         |         |
| 1938 .....          | 4.0                                              | 0.4   | 4.4   | 86.2                                      | 14.1    | 100.3   |
| 1939 .....          | 4.2                                              | 0.4   | 4.6   | 88.6                                      | 14.4    | 103.0   |
| Great Northern—     |                                                  |       |       |                                           |         |         |
| 1938 .....          | 17.3                                             | 9.1   | 26.4  | 364.1                                     | 290.2   | 654.3   |
| 1939 .....          | 18.7                                             | 9.6   | 28.3  | 374.4                                     | 329.9   | 704.3   |
| Great Southern—     |                                                  |       |       |                                           |         |         |
| 1938 .....          | 55.1                                             | 36.9  | 92.0  | 1,208.5                                   | 1,278.4 | 2,486.9 |
| 1939 .....          | 58.2                                             | 37.5  | 95.7  | 1,207.5                                   | 1,317.7 | 2,525.2 |

## LONDON TRANSPORT BOARD

|                                                             | Receipts   | Compared with prev. Year |
|-------------------------------------------------------------|------------|--------------------------|
| Week ending Aug. 19, 1939, before pooling .....             | £ 570,500  | + £ 31,000               |
| Total, 7 weeks to date .....                                | 4,066,600  | + 166,400                |
| L.P.T.B. receipts, 52 weeks to June 24, 1939 .....          | 29,736,000 | + 347,000                |
| L.P.T.B. receipts, 52 weeks to June 25, 1938 .....          | 29,388,200 | + 657,100                |
| L.P.T.B. receipts, 52 weeks to June 26, 1937 .....          | 28,732,000 | + 255,000                |
| L.P.T.B. receipts, year to June, 1938, after pooling .....  | 30,923,828 | + 676,450                |
| London Transport Pool receipts, year to June 30, 1938 ..... | 42,120,179 | + 742,250                |

## OVERSEAS WEEKLY TRAFFIC RECEIPTS

## INDIAN

| Name                | Weeks Ending | Gross Receipts for Week |            | Aggregate Gross Receipts |             |
|---------------------|--------------|-------------------------|------------|--------------------------|-------------|
|                     |              | 1939                    | + or -     | 1939                     | + or -      |
| Bengal & N. Western | 17 July 31   | Rs. 18,64,304           | - 83,679   | Rs. 1,21,81,921          | - 12,47,716 |
| Bengal-Nagpur ..... | 17 Aug. 31   | 125,90,000              | + 3,17,136 | 3,46,21,037              | + 28,07,548 |
| Bombay, Bar. & C.I. | 17 Aug. 31   | 22,78,000               | - 2,97,000 | 4,14,86,000              | - 8,68,000  |
| Madras & S. Mah.    | 17 July 31   | 20,42,000               | + 55,476   | 2,73,53,125              | + 12,06,982 |
| S. Indian .....     | 17 Aug. 31   | 16,15,681               | + 1,10,019 | 1,88,82,664              | + 1,82,574  |

‡ 10 days.

† 11 days.

## CANADIAN

|                        | 32 Aug. 14   | 32 Aug. 14 | 32 Aug. 14     | 32 Aug. 14  |
|------------------------|--------------|------------|----------------|-------------|
| Canadian National      | \$ 3,496,774 | + 233,158  | \$ 110,147,523 | + 6,732,623 |
| Canadian Pacific ..... | 2,624,000    | + 166,000  | 78,704,000     | + 1,313,000 |

## SOUTH &amp; CENTRAL AMERICAN

|                        | 33 Aug. 20 | 33 Aug. 20 | 33 Aug. 20 | 33 Aug. 20  |
|------------------------|------------|------------|------------|-------------|
| Antofagasta .....      | £ 12,370   | + 670      | £ 421,740  | - 92,860    |
| Argentine N.E. ....    | 186,700    | + 9,200    | 1,305,700  | - 63,100    |
| B.A. and Pacific ..... | 11,582     | + 571      | 80,998     | - 3,915     |
| B.A. Central .....     | 1,200,000  | + 27,000   | 8,841,000  | + 166,000   |
| B.A. Gt. Southern ..   | 74,442     | + 1,675    | 548,450    | + 10,297    |
| B.A. Western .....     | 106,800    | - 14,800   | 516,400    | - 10,400    |
| Central Argentina ...  | 1,904,000  | - 102,000  | 13,666,000 | - 1,083,000 |
| Central Uruguay ...    | 1,118,114  | + 6,328    | 847,767    | + 67,184    |
| Leopoldina .....       | 643,000    | + 74,000   | 4,854,000  | + 383,000   |
| Mexican Railway ...    | 39,888     | + 4,590    | 301,117    | + 23,761    |
| Nitrate .....          | 1,946,500  | + 286,250  | 15,171,250 | + 2,986,850 |
| United of Havana ...   | 120,751    | + 17,758   | 941,145    | + 179,705   |
| Transit Receipts ...   | 141,587    | - 1,252    | 994,553    | - 62,271    |
| Leopoldina .....       | 14,904     | - 1,744    | 104,690    | - 3,968     |
| Mexican Railway ...    | 229,700    | + 62,000   | 56,948,000 | + 990,000   |
| Nitrate .....          | 24,597     | + 1,292    | 649,534    | + 9,590     |
| United of Havana ...   | 240,800    | + 10,400   | 1,717,100  | - 21,200    |
| Transit Receipts ...   | 4,881      | + 971      | 75,199     | + 21,158    |
| United of Havana ...   | 15,638     | - 1,275    | 113,156    | - 6,171     |

\* 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

|                      | 31 Aug. 10 | 31 Aug. 10 | 31 Aug. 10  | 31 Aug. 10 |
|----------------------|------------|------------|-------------|------------|
| Transit Receipts ... | £ 219,600  | - £ 32,600 | £ 5,573,200 | - 307,100  |

‡ 10 days.

## Industry and Trade

## COMMODITY STATISTICS

## Coal

| District                               | COAL OUTPUT ('000 tons) |               |           |           |
|----------------------------------------|-------------------------|---------------|-----------|-----------|
|                                        | Week ended              |               | Jan.-June |           |
|                                        | Aug. 5, 1939            | Aug. 12, 1939 | 1938      | 1939      |
| Northumberland .....                   | 287.9                   | 184.2         | 7,649.8   | 7,804.5   |
| Durham .....                           | 625.5                   | 262.5         | 18,773.8  | 18,631.8  |
| Yorkshire .....                        | 760.4                   | 565.2         | 25,237.0  | 25,898.7  |
| Lancs, Cheshire and N. Wales .....     | 332.6                   | 152.2         | 10,006.6  | 10,046.5  |
| Derby, Notts & Leicester .....         | 588.6                   | 349.5         | 18,692.6  | 19,803.9  |
| Staffs, Worcs, Salop and Warwick ..... | 388.4                   | 13.6          | 11,557.5  | 12,098.6  |
| South Wales & Monmouth .....           | 693.1                   | 237.8         | 21,456.6  | 20,984.8  |
| Other English districts* .....         | 121.2                   | 39.1          | 3,171.1   | 3,282.1   |
| Scotland .....                         | 557.9                   | 600.3         | 17,284.4  | 17,650.3  |
| Total .....                            | 4,355.6                 | 2,404.4       | 133,829.4 | 136,201.2 |

\* Including Cumberland, Gloucester, Somerset and Kent.

## Cotton

## RAW COTTON delivered to Spinners ('000 bales)

| Variety               | Week ended    |               | Total Deliveries  |                   |
|-----------------------|---------------|---------------|-------------------|-------------------|
|                       | Aug. 11, 1939 | Aug. 18, 1939 | Aug. 1, 1938-1939 | Aug. 1, 1938-1939 |
| American .....        | 13.2          | 14.8          | 57                | 38                |
| Brazilian .....       | 6.7           | 6.3           | 9                 | 18                |
| Peruvian, etc. ....   | 3.4           | 3.9           | 5                 | 10                |
| Egyptian .....        | 3.7           | 5.5           | 14                | 12                |
| Sudan Sakel .....     | 3.8           | 4.3           | 13                | 10                |
| East Indian .....     | 7.4           | 6.0           | 42                | 17                |
| Other countries ..... | 4.8           | 4.3           | 7                 | 12                |
| Total .....           | 43.0          | 45.1          | 154               | 117               |

## Metals

## SALES ON LONDON METAL EXCHANGE

|               | Week ended    |               | From Jan. 1 to |               |
|---------------|---------------|---------------|----------------|---------------|
|               | Aug. 16, 1939 | Aug. 23, 1939 | Aug. 24, 1938  | Aug. 23, 1939 |
| Copper .....  | Tons 4,850    | Tons 9,500    | Tons 306,525   | Tons 200,285  |
| Tin .....     | 725           | 1,285         | 56,290         | 45,245        |
| Lead .....    | 6,450         | 7,800         | 226,150        | 199,300       |
| Spelter ..... | 2,200         | 1,750         | 193,475        | 116,695       |

## U.K. STOCKS

|                                  | Aug. 12, 1939 | Aug. 19, 1939 |
|----------------------------------|---------------|---------------|
| Copper (Br. official w/houses):  | Tons 5,157    | Tons 4,745    |
| Refined .....                    | 22,762        | 20,891        |
| Rough .....                      | 10,028        | 9,857         |
| Tin (London and Liverpool) ..... |               |               |

## METALS—(cont.)

## TINPLATE INDUSTRY

|                                        | Week ended    |               |               |
|----------------------------------------|---------------|---------------|---------------|
|                                        | July 30, 1938 | July 22, 1939 | July 29, 1939 |
| Production—per cent. of capacity ..... | 46.41         | 70.22         | 72.98         |
| Shipments .....                        | Aug. 4, 1938  | July 27, 1939 | Aug. 3, 1939  |
| Stocks—warehouse and in vans .....     | 5,151         | 4,983         | 4,603         |
| Shipments .....                        | 1,439         | 4,932         | 5,294         |
| Thirty weeks ended Aug. 4, 1938 .....  | 151,349       | Aug. 3, 1939  | 142,753       |

## Foods

## WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

| From—                 | Week ended    |               | From Apr. 1 to |               |
|-----------------------|---------------|---------------|----------------|---------------|
|                       | Aug. 12, 1939 | Aug. 19, 1939 | Aug. 20, 1938  | Aug. 19, 1939 |
| N. America .....      | 607           | 729           | 1,607          | 1,826         |
| Argentina .....       | 443           | 334           | 344            | 1,182         |
| Australia .....       | 110           | 145           | 852            | 365           |
| Russia .....          | 32            | ...           | 1,115          | 32            |
| Danube and dist. .... | 61            | 92            | 193            | 213           |
| India .....           | ...           | ...           | 284            | ...           |
| Other countries ..... | 43            | 62            | ...            | 166           |
| Total .....           | 1,296         | 1,362         | 4,395          | 3,784         |
| To—                   |               |               |                |               |
| U.K. .....            | 345           | 495           | 1,032          | 1,166         |
| Orders .....          | 179           | 193           | 1,414          | 587           |



## BRITISH WHOLESALE PRICES

| Aug. 16, Aug. 23, 1939           |       |       |  |
|----------------------------------|-------|-------|--|
| CEREALS AND MEAT                 |       |       |  |
| <b>RAIN, etc.—</b>               |       |       |  |
| Wheat—                           | s. d. | s. d. |  |
| No. 2, N. Man. 496 lb.           | 24 3  | 24 6  |  |
| Eng. Gaz. av., per cwt.          | 4 6   | 4 6   |  |
| Liv., Oct., per cental           | 3 8   | 3 9   |  |
| four, per 280 lb.—               |       |       |  |
| Straights, d/d London            | 20 6  | 20 6  |  |
| Manitoba, ex store               | 21 0  | 21 0  |  |
| arley, Eng. Gaz., av. per cwt.   | 6 11  | 6 4   |  |
| ats,                             | 5 11  | 6 0   |  |
| laize, La Plata, landed, 480 lb. | 22 9  | 23 9  |  |
| ice, No. 2 Burma, per cwt.       | 8 0   | 8 0   |  |
| <b>MEAT</b>                      |       |       |  |
| Beef, per 8 lb.—                 |       |       |  |
| English long sides               | 4 4   | 4 2   |  |
| Argentine chilled hinds          | 4 6   | 4 7   |  |
| Mutton, per 8 lb.—               | 5 0   | 4 10  |  |
| English wethers                  | 5 4   | 5 0   |  |
| N.Z. frozen wethers              | 2 4   | 2 4   |  |
| Lamb, per 8 lb.—                 | 4 4   | 4 4   |  |
| N.Z. frozen                      | 5 6   | 5 4   |  |
| Pork, English, per 8 lb.         | 5 10  | 5 8   |  |
| <b>LACON (per cwt.)—</b>         |       |       |  |
| English                          | 98 0  | 100 0 |  |
| Danish                           | 98 0  | 100 0 |  |
| Dutch                            | 95 0  | 97 0  |  |
| Irish                            | 89 0  | 91 0  |  |
| <b>LAMS (per cwt.)—</b>          |       |       |  |
| Canadian                         | 94 0  | 90 0  |  |
| United States                    | 84 0  | 80 0  |  |
| <b>OTHER FOODS</b>               |       |       |  |
| <b>BUTTER (per cwt.)—</b>        |       |       |  |
| Australian                       | 107 0 | 113 0 |  |
| New Zealand                      | 117 0 | 120 0 |  |
| Danish                           | 125 0 | 126 0 |  |
| <b>CHEESE (per cwt.)—</b>        |       |       |  |
| Canadian (new)                   | 63 0  | 62 0  |  |
| New Zealand                      | 56 0  | 58 0  |  |
| English Cheddars                 | 78 0  | 82 0  |  |
| Dutch                            | 46 0  | 48 0  |  |
| <b>OOOA (per cwt.)—</b>          |       |       |  |
| Accra, g.f.                      | 20 0  | 20 6  |  |
| Trinidad                         | 42 0  | 42 0  |  |
| Grenada                          | 38 0  | 38 0  |  |
| <b>OFFEE (per cwt.)—</b>         |       |       |  |
| Santos sup. c. & f.              | 31 0  | 30 6  |  |
| Costa Rica, medium to good       | 60 0  | 60 0  |  |
| Kenya, medium                    | 70 0  | 70 0  |  |
| <b>GGG (per 120)—</b>            |       |       |  |
| English (15-15½ lb.)             | 16 6  | 17 0  |  |
| Danish (15½ lb.)                 | 12 6  | 12 6  |  |
| <b>FRUIT—</b>                    |       |       |  |
| Oranges, Brazilian (Peras) boxes | 13 6  | 11 0  |  |
| „ S. African (Navels) boxes      | 9 0   | 9 0   |  |
| Lemons, Naples boxes             | 13 0  | 14 0  |  |
| „ Sicilian, Verdilli, boxes 300  | 29 0  | 33 0  |  |
| „ Murcia, I. cases               | 6 0   | 3 0   |  |
| Apples, N. Zealand (var.) boxes  | 15 0  | 14 3  |  |
| „ W. Australian                  | 16 3  | 16 3  |  |
| Grapefruit, S. Afrn. (M.S.) bxs. | 8 6   | 8 6   |  |
| „ Brazilian (M.S.) bxs.          | 12 0  | 12 0  |  |
| Pears (Californian) Bartletts    | 19 3  | 12 9  |  |
| <b>ARD (per cwt.)—</b>           |       |       |  |
| Irish, finest bladders           | 40 0  | 40 0  |  |
| U.S.                             | 32 0  | 34 6  |  |
| <b>PEPPER (per lb.)—</b>         |       |       |  |
| Black Lampong (in Bond)          | 0 2½  | 0 2½  |  |
| White Muntok (f.a.q.) (in Bond)  | 0 3   | 0 3   |  |
| „ (Duty paid)                    | 0 3½  | 0 3½  |  |
| <b>OTATOES (per cwt.)—</b>       |       |       |  |
| English, King Edward, Siltland   | 5 6   | 5 0   |  |
| Wisbech Majestic (per ton)       | 67 6  | 60 0  |  |
| <b>JGAR (per cwt.)—</b>          |       |       |  |
| Centrifugals, 96°, prpt. shipm.  | 6 6   | 6 9   |  |
| Refined London                   | 22 0  | 22 1½ |  |
| Yellow Crystals                  | 26 0  | 26 1½ |  |
| Cubes                            | 27 0  | 27 1½ |  |

\* Week ended Aug. 17th.

† 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.

| Aug. 16, Aug. 23, 1939                          |          |          |  |
|-------------------------------------------------|----------|----------|--|
| <b>SUGAR (per cwt.)—cont.</b>                   |          |          |  |
| Crushed                                         | 24 9     | 24 10½   |  |
| Granulated                                      | 22 7½    | 22 9     |  |
| Home Grown                                      | 22 6     | 22 7½    |  |
| TEA* (Auction Average) (per lb.)—               | d.       | d.       |  |
| N. India                                        | 16 46    |          |  |
| S. India                                        | 12 85    |          |  |
| Ceylon                                          | 14 69    |          |  |
| Java                                            | 13 93    |          |  |
| Sumatra                                         | 10 82    |          |  |
| Africa                                          | 11 52    |          |  |
| Total                                           | 14 94    |          |  |
| <b>TOBACCO (per lb.)—</b>                       |          |          |  |
| 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                                     | 0 3½     | 0 3½     |  |
| Unstemmed                                       | 1 0      | 1 0      |  |
| <b>TEXTILES</b>                                 |          |          |  |
| <b>COTTON (per lb.)—</b>                        |          |          |  |
| Raw, Mid-American                               | 5 13     | 5 25     |  |
| Giza, F.G.F.                                    | 6 42     | 6 80     |  |
| Yarns, 32's Twist                               | 8 7½     | 9 18     |  |
| 40's Twist (Egyptian)                           | 9 4      | 10       |  |
| 60's Twist (Egyptian)                           | 16 4     | 16 14    |  |
| Cloth, 32 in. Print, 4½ yds.                    | 16 8     | 16 10    |  |
| 36 in. Shirtings, 75 yds.                       | 23 3     | 23 6     |  |
| 19 x 19, 32's & 40's                            | 9 9      | 9 10     |  |
| 18 x 16, 10 lb.                                 | 8 10     | 8 11     |  |
| 39 in. ditto, 37½ yds.                          | 8 10     | 8 11     |  |
| 16 x 15, 8½ lb.                                 | 8 10     | 8 11     |  |
| <b>FLAX (per ton)—</b>                          |          |          |  |
| Livonian ZK                                     | 83 0     | 81 0     |  |
| Pernau HD                                       | 83 0     | 82 0     |  |
| Slanetz Medium, 1st sort                        | 90 0     | 90 0     |  |
| <b>HEMP (per ton)—</b>                          |          |          |  |
| Italian PC                                      | 71 0     | 71 0     |  |
| Manilla, Aug.-Oct. "J2"                         | 17 10    | 17 10    |  |
| <b>JUTE (per ton)—</b>                          |          |          |  |
| Native 1st mks., c.i.f. H.A.R.B.                | 20/10/0  | 20/17/6  |  |
| Aug.-Sept.                                      | 20/5/0   | 20/12/6  |  |
| Daisee 2/3, c.i.f. Dundee, Oct.-Nov.            | 20/5/0   | 20/12/6  |  |
| <b>SISAL (per ton)—</b>                         |          |          |  |
| African, Aug.-Oct.                              | 13/0/0   | 13/5/0   |  |
| SILK (per lb.)—                                 | s. d.    | s. d.    |  |
| Canton                                          | 10 6     | 10 6     |  |
| Japan                                           | 12 6     | 12 6     |  |
| Italian, raw, fr. Milan                         | 12 6     | 12 6     |  |
| <b>WOOL (per lb.)—</b>                          |          |          |  |
| English, Southdown, greasy                      | 12½      | 12½      |  |
| „ Lincoln hog, washed                           | 12       | 12       |  |
| Queensland, scd. super combg.                   | 21½      | 21½      |  |
| N.S.W. greasy, super combg.                     | 13       | 13       |  |
| N.Z. greasy, half-bred 50-56                    | 12½      | 12½      |  |
| „ Crossbred 40-44                               | 11½      | 11½      |  |
| Tops—                                           |          |          |  |
| Merinos 70's average                            | 27       | 27       |  |
| „ 64's                                          | 25½      | 25½      |  |
| Crossbred 48's                                  | 18       | 18½      |  |
| „ 46's                                          | 17½      | 17½      |  |
| <b>MINERALS</b>                                 |          |          |  |
| <b>COAL (per ton)—</b>                          |          |          |  |
| Welsh, best Admiralty                           | 19 6     | 19 6     |  |
| Durham, best gas, f.o.b. Tyne                   | 19 3     | 19 3     |  |
| Sheffield, best house, at pits                  | 22 0     | 22 0     |  |
| <b>IRON AND STEEL (per ton)—</b>                |          |          |  |
| Pig, Cleveland No. 3, d/d                       | 99 0     | 99 0     |  |
| Bars, Middlesbrough                             | 245 0    | 245 0    |  |
| Steel rails, heavy                              | 190 0    | 190 0    |  |
| Tinplates                                       | 20 3     | 20 3     |  |
| <b>NON-FERROUS METALS (per ton)—</b>            |          |          |  |
| Copper—                                         |          |          |  |
| Standard cash                                   | 44/6/3   | 44/12/6  |  |
| Three months                                    | 44/7/6   | 44/13/9  |  |
| Tin—                                            | 44/8/9   | 44/8/9   |  |
| Standard cash                                   | 229/17/6 | 229/17/6 |  |
| Three months                                    | 230/0/0  | 230/0/0  |  |
| Lead, soft foreign                              | 225/5/0  | 223/10/0 |  |
| Cash                                            | 225/10/0 | 223/15/0 |  |
| English, pig                                    | 15/15/3  | 16/2/9   |  |
| Spelter, G.O.B.—                                |          |          |  |
| Spot                                            | 14/8/9   | 14/7/6   |  |
| Aluminium, ingots and bars                      | 14/10/0  | 14/10/0  |  |
| „ rolling billets                               | 94/0/0   | 94/0/0   |  |
| Nickel, home and export                         | 102/0/0  | 102/0/0  |  |
| Antimony, Chinese                               | 180/0/0  | 180/0/0  |  |
| „ 185/0/0                                       | 185/0/0  | 185/0/0  |  |
| „ 55/0/0                                        | 55/0/0   | 55/0/0   |  |
| Wolfram, Chinese                                | 46 6     | 47 0     |  |
| Platinum, refined                               | 48 6     | 49 0     |  |
| Quicksilver                                     | 7/10/0   | 7/10/0   |  |
| per 76 lb.                                      | 16/10/0  | 16/10/0  |  |

| Aug. 16, Aug. 23, 1939                                                                                    |         |         |  |
|-----------------------------------------------------------------------------------------------------------|---------|---------|--|
| <b>GOLD, per fine ounce</b>                                                                               |         |         |  |
| 148 7                                                                                                     | 148 6½  |         |  |
| <b>SILVER, (per ounce)—</b>                                                                               |         |         |  |
| Cash                                                                                                      | 1 5½    | 1 6½    |  |
| <b>MISCELLANEOUS</b>                                                                                      |         |         |  |
| <b>CEMENT, best Eng. Portland, d/d site, London area, in paper bags 20 to ton (free, non-returnable)—</b> |         |         |  |
| 4-ton loads and upwards per ton                                                                           | 41 0    | 41 0    |  |
| <b>CHEMICALS—</b>                                                                                         |         |         |  |
| Acid, citric, per lb., less 5% ...                                                                        | 1 0½    | 1 0½    |  |
| „ Nitric                                                                                                  | 0 2½    | 0 2½    |  |
| „ Oxalic, net                                                                                             | 0 5¼    | 0 5¼    |  |
| „ Tartaric, English, less 5% ...                                                                          | 1 1½    | 1 1½    |  |
| Alcohol, Plain Ethyl, per proof gal.                                                                      | 1 1     | 1 1     |  |
| Ammonia, carb. per ton                                                                                    | 20/0/0  | 20/0/0  |  |
| „ Sulphate                                                                                                | 7/3/6   | 7/3/6   |  |
| Borax, gran. per cwt.                                                                                     | 13 6    | 13 6    |  |
| „ powder                                                                                                  | 15 0    | 15 0    |  |
| Nitrate of soda per ton                                                                                   | 8/5/0   | 8/5/0   |  |
| Potash, Chlorate, net per ton                                                                             | 37/0/0  | 37/0/0  |  |
| „ Sulphate per ton                                                                                        | 10/10/0 | 10/10/0 |  |
| Soda Bicarb. per ton                                                                                      | 11/0/0  | 11/0/0  |  |
| Crystals per ton                                                                                          | 5/5/0   | 5/5/0   |  |
| Sulphate of copper per ton                                                                                | 19/0/0  | 19/0/0  |  |
| <b>COPRA (per ton)—</b>                                                                                   |         |         |  |
| S.D. Straits, c.i.f.                                                                                      | 10/11/3 | 10/6/3  |  |
| <b>HIDES (per lb.)—</b>                                                                                   |         |         |  |
| Wet salted, Australian                                                                                    | 0 4½    | 0 4½    |  |
| West Indian                                                                                               | 0 3     | 0 3     |  |
| Cape                                                                                                      | 0 4½    | 0 4½    |  |
| Dry and Drysalted Cape                                                                                    | 0 6½    | 0 6½    |  |
| Market Hides, Manchester—                                                                                 |         |         |  |
| Best heavy ox and heifer                                                                                  | 0 6½    | 0 6½    |  |
| Best cow                                                                                                  | 0 5½    | 0 5½    |  |
| Best calf                                                                                                 | 0 5½    | 0 5½    |  |
| <b>INDIGO (per lb.)—</b>                                                                                  |         |         |  |
| Bengal, gd. red-vio. to fine                                                                              | 5 0     | 5 0     |  |
| <b>LEATHER (per lb.)—</b>                                                                                 |         |         |  |
| Sole Bends, 8/12 lb.                                                                                      | 1 2     | 1 2     |  |
| Bark-Tanned Sole                                                                                          | 2 4     | 2 4     |  |
| Shoulders from DS Hides                                                                                   | 0 8     | 0 8     |  |
| „ Eng. or WS do.                                                                                          | 0 11    | 0 11    |  |
| Bellies from DS do.                                                                                       | 0 6½    | 0 6½    |  |
| „ Eng. or WS do.                                                                                          | 0 8     | 0 8     |  |
| Dressing Hides                                                                                            | 0 10    | 0 10    |  |
| Ro. Eng. Calf, 20/35 lb. per doz.                                                                         | 3 6     | 3 6     |  |
| <b>PETROLEUM PRODUCTS (per gall.)—</b>                                                                    |         |         |  |
| Motor Spirit No. 1, London                                                                                | 1 7½    | 1 6     |  |
| Petroleum, Amer. rid. brl. Lond.                                                                          | 0 10    | 0 10    |  |
| Fuel oil, in bulk, for contracts, ex. instal. Thames—                                                     |         |         |  |
| Furnace                                                                                                   | 0 3½    | 0 3½    |  |
| Diesel                                                                                                    | 0 4½    | 0 4½    |  |
| <b>ROSIN (per ton)—</b>                                                                                   |         |         |  |
| American                                                                                                  | 15/5/0  | 15/5/0  |  |
| <b>RUBBER (per lb.)—</b>                                                                                  |         |         |  |
| St. ribbed smoked sheet                                                                                   | 0 8½    | 0 8½    |  |
| Fine hard Para                                                                                            | 0 7½    | 0 7½    |  |
| <b>SHELLAC (per cwt.)—</b>                                                                                |         |         |  |
| TN Orange                                                                                                 | 34 0    | 36 0    |  |
| TALLOW (per cwt.)—                                                                                        |         |         |  |
| London town                                                                                               | 15 6    | 15 6    |  |
| <b>TIMBER—</b>                                                                                            |         |         |  |
| Swedish u/s 3 x 8 ... per std.                                                                            | 22/0/0  | 22/10/0 |  |
| „ 2 x 4 ...                                                                                               | 21/10/0 | 22/0/0  |  |
| Canadian Spruce, Deals                                                                                    | 20/10/0 | 21/0/0  |  |
| Pitchpine                                                                                                 | 26/0/0  | 26/10/0 |  |
| Rio Deals                                                                                                 | 13/10/0 | 13/10/0 |  |
| Teak                                                                                                      | 35/0/0  | 37/0/0  |  |
| Honduras Mahogany logs c. ft.                                                                             | 24/0/0  | 24/0/0  |  |
| English Oak Planks                                                                                        | 0/10/0  | 0/10/0  |  |
| English Ash Planks                                                                                        | 0/6/0   | 0/6/0   |  |
| „ 0/7/0                                                                                                   | 0/7/0   | 0/7/0   |  |
| <b>VEGETABLE OILS (per ton net)—</b>                                                                      |         |         |  |
| Linseed, naked                                                                                            | 24/7/6  | 24/15/0 |  |
| Rape, refined                                                                                             | 32/5/0  | 32/5/0  |  |
| Cotton-seed, crude                                                                                        | 15/15/0 | 16/10/0 |  |
| Coconut, crude                                                                                            | 15/12/6 | 15/10/0 |  |
| Oil Cakes, Linseed, Eng.                                                                                  | 12/5/0  | 12/5/0  |  |
| Oil Seeds, Linseed                                                                                        | 8/10/0  | 8/10/0  |  |
| La Plata                                                                                                  | 11/5/0  | 11/8/9  |  |
| Calcutta                                                                                                  | 12/12/6 | 12/13/0 |  |
| Turpentine                                                                                                | 32 9    | 33 0    |  |

## THE ECONOMIST

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and began to argue. When the Prime Minister met Parliament on Tuesday, he was unable to reveal very much of the diplomatic exchanges that were then going on. As a result the German version broadcast on Thursday night was the first to gain the public ear. But this German version was disingenuous to a degree. What appears to have been the actual sequence of events was as follows. On Tuesday, August 29th, the German Government consented to engage in direct negotiation with Poland, but only provided that a Polish plenipotentiary presented himself in Berlin, without previous definition of the agenda, within 24 hours. This was, of course, an attempt to repeat the technique practised on Herr von Schuschnigg and President Hacha, and the Poles naturally refused to negotiate on such unequal terms. At midnight on Wednesday, the 30th, after this offer had lapsed, the sixteen points of the public broadcast were informally communicated to the British Ambassador. They were not revealed to the Press until 8 p.m. on the 31st, two hours before the broadcast statement that, after waiting for two days for an answer, the German Government considered that the proposals had been rejected. What had been outstanding for two days was not the 16-point plan but the offer to receive a plenipotentiary for undefined and uncircumscribed "negotiations." The sixteen points, in fact, were never intended as a genuine offer, but merely as a propaganda device to establish Germany's "reasonableness" after there was no risk of its being put to the test.

In these circumstances, the nature of the terms is of little more than documentary interest. In brief, they provided for the immediate incorporation of Danzig in the Reich, for a plebiscite in the Corridor after twelve months (the Polish army and police being meanwhile withdrawn and "sovereignty" exercised by an international Commission, and the vote being restricted to persons resident in the Corridor on January 1, 1918) and, in case the Corridor voted for Poland, an extra-territorial "corridor across the Corridor" from Germany to East Prussia. As is very properly observed in London, it is for the Poles to pronounce on the acceptability of these terms, and the only comment that can be offered before they have spoken is that the terms are markedly less favourable than those of

the demand made in March, the making and rejection of which immediately preceded the British guarantee to Poland.

It is possible to regard this peculiar episode as the first evidence of German willingness to find a peaceful solution. The more probable interpretation, however, is that it is a clumsy attempt to put a more favourable appearance on what even the Nazis themselves regard as a dastardly business to which they are now all but irrevocably committed. With manoeuvres such as this in the air, we must be doubly careful to keep the issues clear. For example, there is much talk of the virtues of negotiation. To negotiate is, indeed, better than to snatch. But unjustified demands do not become right merely because they are the subject of negotiation. We must not grant Germany what she wants in return for nothing but her promise to negotiate. That is the method of Munich. We must be very careful not to slip into the fatal error of a year ago, when Germany was begged, not to abandon her unjustified claims, but merely to advance them by negotiation rather than by force. The real issue is that Germany is demanding, with no warrant other than her ambition, territory predominantly inhabited by Poles, which Herr Hitler himself freely admitted to be Polish when he concluded the Non-Aggression Treaty of 1934. Germany cannot be allowed to take this Polish territory either by threats or by force. To that resolution we must cling at all costs.

Not, of course, that Poland is the fundamental issue. Many of us wish that this final showdown were coming on the Czech rather than the Polish issue. But since it is in Poland that the line has been drawn, it is in Poland that we must take our immovable stand. German aggression and robbery, whether by force or by the threat of force, must stop here and now and stop for ever. That is the inflexible condition for any negotiations with Nazi Germany. It is undoubtedly a hard condition for Hitler to swallow. But he must swallow it whole if he wants peace. For the British people, with a quiet and unfurled resolution as strong as anything in their history, have determined that it is better to fight a war than to yield an inch on a principle that has become one of national honour and national safety.

## War and Post-War Economics

THE world has stared war so closely in the face this week that the time has come to pass over from discussion of the economics of preparedness to the economics of war itself.

It is a commonplace nowadays (though it was but dimly realised in 1914) that wars are won and lost in the workshop rather than on the battlefield. This war, if it comes, will be the first major conflict in the world's history which has been recognised from its first day to be a struggle of mobilised industrial power as well as of trained and regimented man-power. The Industrial Revolution has now been fully applied to the process of killing.

The table on the opposite page assembles a number of the statistical data which are most relevant to an assessment of the economic war potentials of the nations that now confront each other. The table is self-explanatory and well worth a detailed study. But some of its more obvious morals may well be pointed out. The alignment of the new war with which we are threatened is not yet certain. But it seems probable that the main allies on the one side would be the British Empire, France, Poland and Turkey, opposing Germany and Italy. The following table shows

some of the more important totals for the two sides so grouped:—

|                             | British Empire,<br>France and Colonies,<br>Poland, Turkey | Greater Germany,<br>Italy |
|-----------------------------|-----------------------------------------------------------|---------------------------|
| Total population...         | 685,000,000                                               | 142,000,000               |
| of which, white..           | 166,000,000                                               | 134,000,000               |
| Merchant shipping           | 23,900,000 gross tons                                     | 7,500,000 gross tons      |
| Iron ore production         | 23,600,000 tons                                           | 4,500,000 tons            |
| Steel production....        | 26,300,000 tons                                           | 27,300,000 tons           |
| Coal production....         | 403,100,000 tons                                          | 201,000,000 tons          |
| Automobile production ..... | 926,000                                                   | 439,000                   |

In white population and in steel production there is substantial equality between the two sides. But the white population of the Allies is backed up by many millions of citizens of other colours, while the steel production is based on a much greater output of domestic iron ore and coal. In the other respects, the democratic Allies are far in advance of their opponents.

The allied group would, in addition, be able to call, to a greater or less extent, on the resources of almost the whole world. The Axis Powers, on their side, would obtain some supplies from their near neighbours, Hungary, Roumania,

## The Economic Alignment

### SOME RELEVANT STATISTICS

(In order to show the maximum productive capacity of the different countries, the production figures in the table below are, in nearly every case, those of the highest annual output achieved in the period 1936-38. Where several countries are grouped, the year taken is that of the highest output of the largest producer in the group. The year used is indicated by a footnote except for minor producers.)

| Description                             | U.K.   | Rest of Br. Empire (a) | France and French Empire (a) | Poland and Turkey | Roumania and Greece (b) | Germany (b) | Italy | Spain | Hungary | U.S.S.R. (c) | Oslo States (c) | Baltic States (d) | U.S.A.  | World   |
|-----------------------------------------|--------|------------------------|------------------------------|-------------------|-------------------------|-------------|-------|-------|---------|--------------|-----------------|-------------------|---------|---------|
| Population.....                         | 47.4   | 24.9e                  | 42.0                         | 51.3              | 26.7                    | 90.7f       | 43.0  | 25.0  | 9.0     | 169.0        | 33.9            | 5.7               | 129.8   | 2125.6  |
| " of dependencies .....                 | ..     | 449.6                  | 70.0                         | ..                | ..                      | ..          | 8.6   | 1.0   | ..      | ..           | 81.6a           | ..                | 16.0    | ..      |
| Tonnage of merchant vessels .....       | 17.8p  | 2.9p                   | 2.9p                         | 0.3               | 2.0                     | 4.2         | 3.3p  | 1.2i  | ..      | 1.3p         | 11.2p           | 0.4               | 11.9p   | 67.8p   |
| Rlys.: goods carried ..                 | 28.4p  | 96.5h                  | 35.1h                        | 20.4h             | 5.2                     | 84.0h       | 11.1h | ..    | 2.6     | 354.8h       | 16.6h           | 1.2               | 525.7   | ..      |
| Mot. vehicles in use, end 1938 (r)..... | 2,542  | 3,241                  | 2,461                        | 51                | 42                      | 1,773       | 389   | 182   | 22      | 678          | 976             | 16                | 29,212  | 42,912  |
| Production                              |        |                        |                              |                   |                         |             |       |       |         |              |                 |                   |         |         |
| Motor cars (r) .....                    | 493h   | 207h                   | 223p                         | 3p                | ..                      | 364p        | 75h   | ..    | ..      | 215p         | 3               | ..                | 4,809h  | 6,362h  |
| Crude petroleum.....                    | ..     | 6.8p                   | ..                           | 0.5               | 7.2h                    | 1.2         | ..    | ..    | ..      | 28.9p        | 7.4p            | ..                | 172.9h  | 279.7h  |
| Petrol production:—                     |        |                        |                              |                   |                         |             |       |       |         |              |                 |                   |         |         |
| Motor spirit .....                      | 0.5    | 2.5h                   | 2.2h                         | 0.1               | 1.6h                    | 1.4         | 0.4   | ..    | 0.1     | 6.3h         | 5.6p            | ..                | 60.7h   | ..      |
| Heavy (fuel) oil ....                   | 1.1    | 4.9h                   | 2.5h                         | 0.1               | 3.6h                    | 0.5         | 0.7   | ..    | 0.1     | 10.0i        | 20.8p           | ..                | 65.9h   | ..      |
| Coal and anthracite ...                 | 244.3h | 68.9p                  | 49.2p                        | 40.7p             | 0.3                     | 200.0p      | 1.0   | 7.0k  | 1.0     | 132.9p       | 46.8h           | ..                | 448.4h  | 1307.4h |
| Lignite .....                           | ..     | 7.9i                   | 1.1                          | 0.1               | 2.2                     | 206.6p      | 1.3p  | 0.3   | 8.3p    | ..           | 0.2             | ..                | ..      | 237.0p  |
| Iron ore (metal content)                | 4.3h   | 5.7h                   | 13.3h                        | 0.3               | 0.3                     | 4.0h        | 0.5   | 1.2p  | 0.1     | 14.0i        | 12.2h           | ..                | 37.3h   | 98.0h   |
| Pig iron and ferro-alloys               | 8.6h   | 3.9h                   | 7.9h                         | 1.0p              | 0.1                     | 19.8p       | 0.9   | 0.5   | 0.4     | 14.7p        | 7.5h            | ..                | 37.7h   | 104.0h  |
| Steel (ingots, etc.) ....               | 13.2h  | 3.7h                   | 7.9h                         | 1.5               | 0.2                     | 25.0p       | 2.3p  | 0.5   | 0.7     | 18.1p        | 7.5h            | ..                | 51.4h   | 135.0h  |
| Copper (smelter prod.) ..               | 12.6k  | 457.2h                 | 1.0                          | 2.2               | 1.4                     | 70.6p       | 2.9p  | 12.0p | ..      | 95.5p        | 268.9h          | ..                | 820.3h  | 2338.0h |
| Lead (smelter primary)                  | 22.4k  | 494.3h                 | 67.5p                        | 18.2h             | 16.0h                   | 190.0p      | 43.3p | 70.6k | 0.1     | 55.0h        | 85.0h           | ..                | 423.9h  | 1689.0h |
| Wool (greasy) .....                     | 50.0p  | 770.6h                 | 67.1h                        | 37.5p             | 37.5k                   | 21.2p       | 13.6  | 29.9i | 7.5     | 137.6p       | 6.4             | 4.6               | 207.6p  | 1780.0p |
| Wheat .....                             | 20.0p  | 255.8p                 | 120.2p                       | 64.2p             | 58.0k                   | 78.1p       | 80.9p | 43.0k | 26.9p   | 442.4h       | 25.8p           | 5.3               | 253.3p  | ..      |
| Rye .....                               | 0.1    | 3.0                    | 8.1p                         | 77.0p             | 5.8p                    | 108.8p      | 1.4   | 4.9k  | 8.0     | 213.6k       | 20.1p           | 11.9p             | 14.0p   | ..      |
| Butter .....                            | 54.4i  | 606.6i                 | 214.7h                       | ..                | 18.2k                   | 606.0h      | 45.0i | 7.1m  | 11.3h   | 187.8i       | 465.9h          | 54.7h             | 1041.8p | 3350.0h |
| Margarine .....                         | 211.6p | 18.1i                  | ..                           | 2.9k              | ..                      | 422.5q      | 2.5   | ..    | ..      | 69.2i        | 339.8p          | ..                | 179.9h  | 1350.0p |
| Beet sugar (ref. equiv.)                | 5.3i   | 1.4                    | 8.7h                         | 5.6h              | 1.4                     | 28.0h       | 3.6p  | 2.3i  | 1.3     | 24.0k        | 10.6h           | 0.7               | 15.3p   | 101.7h  |
| Cane sugar (ref. equiv.)                | ..     | 50.0p                  | 1.9                          | ..                | ..                      | ..          | ..    | 0.1   | ..      | ..           | 15.8p           | ..                | 4.9pt   | 179.9i  |

(a) Including mandated territories. (b) Germany, Austria and Czechoslovakia (1937 territory). (c) Belgium, Denmark, Finland, Luxembourg, Netherlands, Norway and Sweden; also Belgian Congo and Netherlands dependencies where statistics are available. (d) Estonia, Latvia, Lithuania. (e) Dominions, excluding coloured population of S. Africa, which is included with dependencies. (f) Including Danzig. (g) 1936. (h) 1937. (i) 1938. (j) 1939. (k) 1935. (l) 1934. (m) 1933. (n) 1932. (o) 1931. (p) 1930. (q) 1929. (r) 1928. (s) 1927. (t) 1926. (u) 1925. (v) 1924. (w) 1923. (x) 1922. (y) 1921. (z) 1920. (aa) 1919. (ab) 1918. (ac) 1917. (ad) 1916. (ae) 1915. (af) 1914. (ag) 1913. (ah) 1912. (ai) 1911. (aj) 1910. (ak) 1909. (al) 1908. (am) 1907. (an) 1906. (ao) 1905. (ap) 1904. (aq) 1903. (ar) 1902. (as) 1901. (at) 1900. (au) 1899. (av) 1898. (aw) 1897. (ax) 1896. (ay) 1895. (az) 1894. (ba) 1893. (bb) 1892. (bc) 1891. (bd) 1890. (be) 1889. (bf) 1888. (bg) 1887. (bh) 1886. (bi) 1885. (bj) 1884. (bk) 1883. (bl) 1882. (bm) 1881. (bn) 1880. (bo) 1879. (bp) 1878. (bq) 1877. (br) 1876. (bs) 1875. (bt) 1874. (bu) 1873. (bv) 1872. (bw) 1871. (bx) 1870. (by) 1869. (bz) 1868. (ca) 1867. (cb) 1866. (cc) 1865. (cd) 1864. (ce) 1863. (cf) 1862. (cg) 1861. (ch) 1860. (ci) 1859. (cj) 1858. (ck) 1857. (cl) 1856. (cm) 1855. (cn) 1854. (co) 1853. (cp) 1852. (cq) 1851. (cr) 1850. (cs) 1849. (ct) 1848. (cu) 1847. (cv) 1846. (cw) 1845. (cx) 1844. (cy) 1843. (cz) 1842. (da) 1841. (db) 1840. (dc) 1839. (dd) 1838. (de) 1837. (df) 1836. (dg) 1835. (dh) 1834. (di) 1833. (dj) 1832. (dk) 1831. (dl) 1830. (dm) 1829. (dn) 1828. (do) 1827. (dp) 1826. (dq) 1825. (dr) 1824. (ds) 1823. (dt) 1822. (du) 1821. (dv) 1820. (dw) 1819. (dx) 1818. (dy) 1817. (dz) 1816. (ea) 1815. (eb) 1814. (ec) 1813. (ed) 1812. (ee) 1811. (ef) 1810. (eg) 1809. (eh) 1808. (ei) 1807. (ej) 1806. (ek) 1805. (el) 1804. (em) 1803. (en) 1802. (eo) 1801. (ep) 1800. (eq) 1799. (er) 1798. (es) 1797. (et) 1796. (eu) 1795. (ev) 1794. (ew) 1793. (ex) 1792. (ey) 1791. (ez) 1790. (fa) 1789. (fb) 1788. (fc) 1787. (fd) 1786. (fe) 1785. (ff) 1784. (fg) 1783. (fh) 1782. (fi) 1781. (fj) 1780. (fk) 1779. (fl) 1778. (fm) 1777. (fn) 1776. (fo) 1775. (fp) 1774. (fq) 1773. (fr) 1772. (fs) 1771. (ft) 1770. (fu) 1769. (fv) 1768. (fw) 1767. (fx) 1766. (fy) 1765. (fz) 1764. (ga) 1763. (gb) 1762. (gc) 1761. (gd) 1760. (ge) 1759. (gf) 1758. (gg) 1757. (gh) 1756. (gi) 1755. (gj) 1754. (gk) 1753. (gl) 1752. (gm) 1751. (gn) 1750. (go) 1749. (gp) 1748. (gq) 1747. (gr) 1746. (gs) 1745. (gt) 1744. (gu) 1743. (gv) 1742. (gw) 1741. (gx) 1740. (gy) 1739. (gz) 1738. (ha) 1737. (hb) 1736. (hc) 1735. (hd) 1734. (he) 1733. (hf) 1732. (hg) 1731. (hh) 1730. (hi) 1729. (hj) 1728. (hk) 1727. (hl) 1726. (hm) 1725. (hn) 1724. (ho) 1723. (hp) 1722. (hq) 1721. (hr) 1720. (hs) 1719. (ht) 1718. (hu) 1717. (hv) 1716. (hw) 1715. (hx) 1714. (hy) 1713. (hz) 1712. (ia) 1711. (ib) 1710. (ic) 1709. (id) 1708. (ie) 1707. (if) 1706. (ig) 1705. (ih) 1704. 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the Scandinavian and Baltic States. They might also be supplied by Soviet Russia—a contingency that is examined in another article in this week's issue of *The Economist*. Neither side would therefore be restricted to its own domestic supplies. But the democratic Allies would derive an enormously greater advantage from imports, in addition to their greater domestic resources. In short, their advantage for a totalitarian war in which full economic strength can be deployed, is overwhelming.

A bare comparison of statistics, moreover, fails to tell the full story. What is relevant to a calculation of a nation's war potential is not its total labour force or industrial capacity, but the margin that it has available after supplying the bare essentials of living at a subsistence level—the margin that is devoted in peace-time to building up a higher standard of living and can be diverted in war to the purposes of pursuing the conflict. In the old conceptions of grand strategy, war was thought of in terms of man-power. Even by 1914, this fundamental idea had been surprisingly little modified. An army had to be equipped, it is true, with its establishment of artillery. But how little even the most highly-organised military machine had realised the implications of industrial warfare can be seen from the fact that Walter Rathenau found at the German War Ministry in August, 1914, that no consideration had been given to the problem of assuring supplies of essential materials.

The nature of the new war is now widely realised. What is perhaps not so fully appreciated is the immense advantages that it confers on a wealthy nation. So long as man-power was predominant, a man was a man, whether rich or poor. But when the industrial power of a nation can be deployed in the line of battle, the importance of a man is not measured by his ability to tote a rifle, but by his ability to produce. The point can be most aptly illustrated by a comparison of the National Incomes of the United Kingdom and of Germany. The German National Income in 1937 (the 1938 figures are confused by the territorial changes) has been estimated by the world's most copious and authoritative statistician, Adolf Hitler, at Rm. 67 milliards. Since the population of the Reich in that year was 67 millions, the *per capita* income was Rm. 1,000 per annum. If the rate of exchange between the Reichsmark and the pound be taken at Rm. 16=£1 (which is about halfway between the official rate and the most important "blocked" rates and roughly corresponds to the purchasing power parity), this represents £62½ per head per annum. In the same year the corresponding British figure was about £110 per head per annum. The first charge on any national income, in war or peace, is the minimum subsistence of the population. It may very well be that the cost of what can be made to pass for minimum subsistence in Germany is less than in England, in spite of the higher cost of food resulting from agricultural protection. But on any reasonable estimate of minimum requirements, it is obvious that the margin that could in case of need be mobilised for war purposes is considerably larger in England than in Germany. The average Englishman, in other words, can, if he must, devote a greater proportion of his efforts to fighting a war than the average German. Or, to put the argument in still another way, the aggregate present National Incomes of Greater Germany and Great Britain are very nearly the same. But twice as many people have to be fed, clothed and maintained out of the German income before war production can begin.

This argument leads straight to the conclusion that the potential war effort of the wealthy democracies is far greater than that of their adversaries—but only on two rigorous conditions. The first is that their armed forces are, from the start, strong enough to protect their industrial machines from disruption by armed attack. That is the task of the Maginot Line, of air defence and of the British Navy. The second is that the democracies are prepared to mobilise their margin of superiority by reducing to a

minimum the resources of labour and equipment required for ordinary peace-time consumption. That is the task, only dimly realised as yet, of domestic economic policy. But if these two conditions are fulfilled, there is hardly room for doubt about the victorious outcome for the industrial democracies of an industrial struggle.

What, however, of the world after the fighting is over? If these are the economics of war, what are post-war economics? If the struggle is long, will not the world be left impoverished, with its present standards of living merely a bitter memory? There is no subject in which emotionalism has done more damage to cool reasoning, or in which careful analysis is more necessary. A war causes heavy loss of life and property and the post-war community is poorer by the wealth that would have been produced by the labour and equipment that have gone. But a community lives to only a small extent on accumulations of wealth from the past; much the greater part of a community's current consumption is what it currently produces, and war can permanently impoverish a country only to the extent that it harms its power to produce. There are three main ways in which war can affect post-war productive capacity. The first is by the physical destruction of capital equipment—the demolition of factories or the sinking of ships. But unless aerial bombardment is infinitely more destructive than seems arithmetically possible, the extent of damage to productive equipment is unlikely to be more than could be restored by one or two years' hard work. The devastation will certainly not be as severe as that wrought by artillery in the battlefields of Northern France, which was restored very quickly after the Armistice. Secondly, there is a risk of a permanent loss of the income from foreign assets sold. But the total income from overseas investments of the United Kingdom is only about 4 per cent. of the National Income. Thirdly and most seriously, there is a risk of permanent loss of export markets. This possibility should combine with the wartime need for foreign exchange to ensure that a determined effort is made throughout the war to give export trade a priority over all but the most vital war industries.

Thus it is possible for war, not merely to exact untold sacrifices of blood and treasure while it lasts, but also to leave the community less able to create wealth when it has passed. But the risks of this more permanent damage are, on a cool analysis, not very large. The history of the last war serves to buttress this conclusion. According to Mr Colin Clark's estimates, the net output of the United Kingdom per worker employed (that is, the production, and therefore the consumption, of the average Englishman) was a fraction higher in 1924 than in 1913. In other words, in the fifth year after the Armistice, the average Englishman had got back to the pre-war level, *even though his hours of work had in the meantime been reduced by one-tenth.*

This calculation, however, applies to the average worker in work. The most serious aftermath of war is not any substantial decline in the productive capacity of the economic system, but a legacy of disorganisation showing itself in unemployment and a reduction of actual production below capacity. But this difficulty carries its own encouragement, for there is no organic obstacle to its cure. The minimising of dislocation and preparations for a tapering off of abnormal demands should form part of any policy of war economics.

There seems, accordingly, to be little justification for the more exaggerated fears of what would follow a war. The exact words of Lord Baldwin's famous phrase are usually forgotten: "another war in the West would mean the end of civilisation as we know it." Undoubtedly a war would generate unpredictable turmoil, in which many of the characteristics of that moneyed Society from which Lord Baldwin sprang might well vanish. But those who fear anarchy can console themselves with the reflection that the world has never known a bloody revolution (as

distinct from a mere change of administration by unconstitutional means) except when two conditions were present: severe and long-standing class injustice and a well-entrenched revolutionary party. Neither is present in Britain. Even starving and defeated Germany in 1918-19 had very little disorder and the revolutionary ferment of the Nazis stems, by universal testimony, from the post-war inflation rather than from the war itself.

War would bring its political changes. The tide of State control, being once advanced, would never fully ebb, but to prophesy either Communism or Fascism is baseless hysteria. Great Britain would probably emerge from another war ordered and organised, but still a democracy. Moreover, war brings its good as well as its bad results. In Great Britain, the war of 1914-18 brought a great increase in democracy, both formally in the final extension of the franchise and informally in a wide blurring of class distinctions. It brought an immense freeing of social manners and customs which, though it had its less pleasant aspects, served in the main as a regenerating breath of fresh air. It brought great advances in social

progress, which would otherwise have required decades for their consummation: the emancipation of women, the establishment of a comprehensive educational code, the triumph of trade unionism, sweeping reductions in hours of work and a general raising of the conditions of life and labour for the worst-paid workers. War is undoubtedly bad in its effects for those whose interests are securely vested in the pre-existing social order. But it is highly doubtful whether the ordinary man has not had gains in wealth and welfare to offset against the greater insecurity of the post-war world.

It would be obvious folly to carry this train of thought so far as to suggest that, in the balance sheet of war, the assets exceed, or even equal, the debits. The anguish and the heartbreak and the destruction of war while it lasts are such that nothing can ever wipe them out. There are no net gains in war, only the avoidance of still greater disasters. But the facts and the arguments that have been advanced in this article may serve as an antidote to defeatism. There is no need to despair either of the outcome of the war or of its after-effects.

## Nazi Needs and Russian Resources

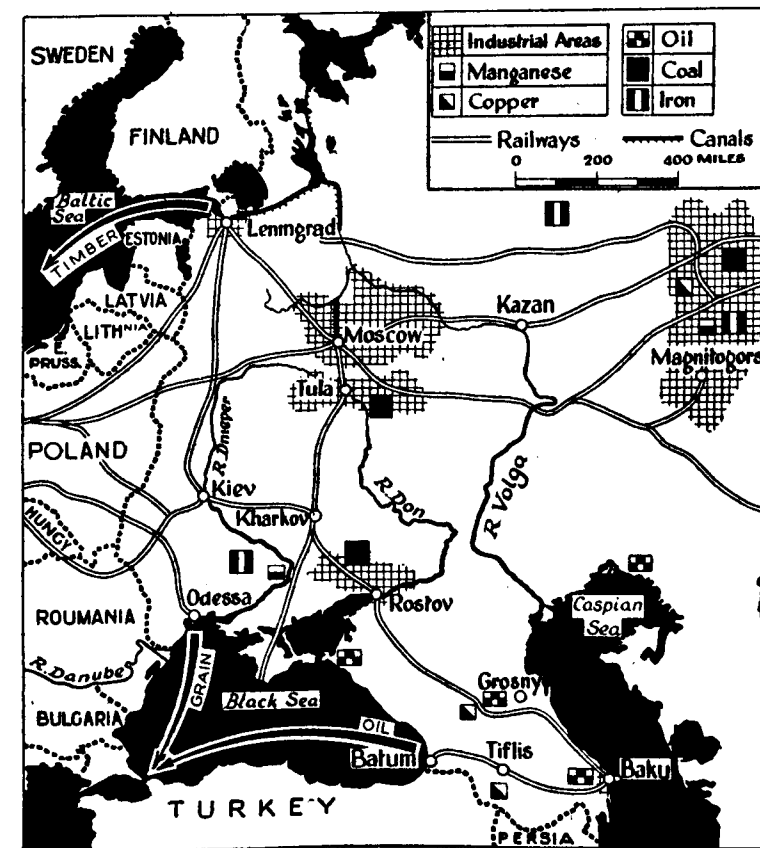
VISIONS of Russia as a large reservoir of man power and of foodstuffs and raw materials have long haunted and attracted the German general staff. On a superficial view, the Russo-German non-aggression pact has not only neutralised Russia's fighting machine but has opened the door to the treasures coveted by Germany. But this is only the superficial view. The political reactions to the pact in Japan and elsewhere have already shown it to be a double-edged sword; and Germany's economic gains through access to Russian resources can easily be exaggerated. It is hoped to include in next week's issue of *The Economist* a Supplement giving full details of the possibilities of Russian supplies to Germany. But any intentions in these hectic days must be subject to the very large possibility that they may remain no more than intentions. And, in any case, a general review of the subject can usefully be given in advance.

Four obstacles stand in the way of the German dream coming true. The first is the political obstacle—the reluctance that Russia, Soviet or not, must always feel to help a militaristic Germany towards the mastership of Europe. This might well rank as a permanent and unchanging interest of Russian policy. But, like other political principles, it is subject to the aberrations of politicians. Russia's interest might possibly be interpreted, for example, as being in favour of supplying Germany with just enough materials to fight a long and exhausting war,

provided she were defeated at the end—and that would be hardly more comforting to the Western democracies than a full alliance. The political obstacle must not therefore be regarded as entirely insurmountable.

The second obstacle is the financial. Russian materials will presumably not be provided as a free gift. A loan is possible, but hardly likely; indeed, in last week's commercial treaty it was Russia, not Germany, that was accorded a credit. The probability is, then, that Germany's purchases from Russia would be limited to what Germany could pay for; as she has neither gold nor foreign exchange, payment would have to be made in goods. Germany has no surplus available for export of the raw materials Russia needs to buy, so that the volume of trade would be limited by the quantity of machinery that a war-laden German industry could provide for export. The difficulties that German exporters are experiencing even now in fulfilling their export contracts suggest that the volume would not be large.

The third obstacle is that of transport. The chief possible means of communication between Germany and Russia are three. There is first the Baltic Sea, which they jointly dominate, but which is frozen at the Russian end for part of the year. Moreover, Leningrad is a long way from most of the sources of raw materials. Secondly, there is the Black Sea-Danube waterway, which can be cut by Roumania, Yugoslavia, Hungary or any nation whose fleet



has access to the Black Sea by way of Turkey. Thirdly, there are the railways, the most direct of which cross Poland. But even if the Polish obstruction is cleared, the problem is by no means solved. Russia's communications have been developed in the interests of domestic trade, not of exports. As the accompanying map of Russian industrial centres and communications shows, the distances from Germany to the chief sources of supply of materials are enormous. So far as railway equipment is concerned, the capacity of the lines has not kept pace with the traffic to be carried, in spite of the considerable progress that has been made between 1929 and 1937. The length of railway lines has been increased only from 77,000 kilometres to 85,000 kilometres, but the number of goods trucks rose from 475,500 to 645,900 and their loading capacity from 8.7 million tons to 15.7 million tons. If one-tenth of these trucks were to be placed at the exclusive disposition of the Germans and each truck was loaded once a month (an optimistic estimate in view of the distances) the total annual carrying capacity would be less than Germany's peace-time imports of iron ore alone. Nevertheless, the strain on the railways has been very considerable in recent years, despite the extension of the canal system, and provision has therefore been made in the third Five-Year Plan for heavy capital expenditure on the railways. In fact, Russia can hardly put many additional railway trucks at the disposal of Germany either for export by land or from her Baltic or Black Sea ports. Moreover, owing to the difference in gauge, German equipment would be useless. This transport difficulty could only be solved by years of expensive work on the Russian railways.

The fourth obstacle is that of the quantities available, which requires more detailed consideration. In recent years Russia has undoubtedly made rapid progress in the development of her raw material supplies, and her potential output is enormous. The output of coal, for example, rose from 41 million metric tons in 1929 to 133 millions in 1938, while the production of crude oil advanced from 14½ million metric tons to nearly 29 millions in the same period. Equally striking is the expansion in the output of iron ore, pig iron, crude steel and non-ferrous metals. The production of pig iron rose from 4.3 million metric tons in 1929 to 15.0 millions in 1938, and that of crude steel from 4.9 million metric tons to 18.2 millions. Industrial production has been quadrupled. Agricultural output has also been increased, though at a slower rate.

But this array of statistics is no measure of the extent to which Germany could make good her deficiencies in war by drawing supplies from Russia. It has been Russia's policy to render herself as independent as possible of foreign supplies, and to achieve a balance between the production of raw materials and foodstuffs and her domestic requirements. Thus, while Russia is one of the leading producers of grains, fats, iron ore, manganese ore, oil, timber and other materials, her exports form a comparatively small and declining proportion of total production. In fact, Russia has been in the habit of exporting only sufficient to pay for her imports of essential raw materials and capital equipment.

Russia is scarcely producing enough foodstuffs for herself and the standard of nutrition of her population is still comparatively low. In recent years the policy of the Russian Government has been designed to raise the standard of living rather than to expand exports. Her shipments of cereals have tended to decline, but the actual quantity exported each year has varied with the size of the crop. In an average year Russia's wheat crop yields about 30 million metric tons, but during the five years from 1933 to 1937 exports varied from 236,000 metric tons to 920,000 metric tons. Germany's import requirements are equally variable; in 1936 she was actually a net exporter to the extent of 12,000 metric tons, while in 1937 she imported 1,278,500 metric tons. In barley the position is very much

the same. A good Russian crop yields about 8 million metric tons, but exports between 1933 and 1937 varied between 105,000 and 567,000 metric tons, and Germany's import surplus between 58,000 and 552,000 metric tons. But as the chief grain-producing areas in Russia are in the south, shipments are made mainly from Odessa, the Black Sea port, and any large-scale diversion of exports by land or through the Baltic would therefore impose a very heavy additional strain on the transport system. Apart from wheat and barley, Russia is an exporter of butter, oilseeds and oil cake. The 1937 figures of Germany's total imports and Russia's total exports of these commodities are as follows:

|                | Germany's<br>imports from<br>all countries<br>(000 metric tons) | Russia's<br>exports to all<br>countries<br>(000 metric tons) |
|----------------|-----------------------------------------------------------------|--------------------------------------------------------------|
| Butter .....   | 87                                                              | 15                                                           |
| Oilseeds ..... | 1,471                                                           | 41                                                           |
| Oil cake ..... | 109                                                             | 38                                                           |

Thus the assistance that Russia could give would be of minor proportions.

So far as industrial raw materials are concerned, Russia has at present little to spare, except manganese, asbestos, oil, timber, and a little cotton (which is important for the manufacture of explosives). She exports only small quantities of iron ore, and the deposits are located in regions from which it would be impossible with present transport facilities appreciably to relieve Germany's shortage in the event of war. Pig iron takes less space, but, as in the case of iron ore, a sudden expansion in exports to Germany is impracticable, and, in any case, Russia has at present no exportable surplus. Russia has always been a leading producer and exporter of manganese and, if transport were available, she could easily supply Germany's import requirements. On the other hand, Russia is short of other steel alloys and of most of the non-ferrous metals, despite the enormous expansion in production.

It is very unlikely that Germany would be able to obtain vast quantities of oil from Russia, whose output has not kept pace with her own requirements. Russia has been compelled to curtail exports substantially, from about 6 million tons in 1932 to 1,100,000 tons last year. Moreover, Russia exports her oil through the Black Sea; owing to the shortage of railway tank cars—in addition to the general strain on the railways—it would be quite impossible to send large quantities overland. Despite Germany's efforts to reduce her dependence on foreign oil supplies, her peace-time import requirements are still about 5 million tons per annum and would be very much greater in war. In timber, on the other hand, Germany could probably secure her full requirements from Russia through the Baltic Sea.

The extent to which Germany could supplement her raw material resources from Russia is therefore strictly limited. So long as Russia maintains an attitude of strict neutrality, it might be possible for Germany to cover her deficiency in timber and, provided transport is available, in grains, manganese and a few minor commodities. And, since Russia's industrial equipment has been largely supplied by Germany, she would probably be willing to exchange these commodities for machinery and, possibly, the assistance of industrial experts.

The position might be different if Russia were anxious actively to assist Germany in the event of war, but apart from being compelled to give Germany credit, Russia could only supply Germany on a large scale if she were willing to reduce her own consumption of raw materials and foodstuffs—that is, to increase Germany's war potential at the expense of her own. But, even then, the volume of trade between the two countries would be severely limited by lack of transport facilities. In sum, it would take years of preparation before Russia could make good some of Germany's principal deficiencies, and it would then be possible only if she would grant large credits to her voracious new friend.

## Defence Measures

THE progress of civil defence in Great Britain was indicated until Monday of last week by a steady stream of detailed instructions and progress reports implementing the provisions of legislation already passed. The emergence of crisis with the announcement of the Russo-German Pact on Monday night, August 21st, was immediately followed by a quickening of the tempo of the bringing into action of such measures. The main civil defence events, culminating in the passing of the Emergency Powers (Defence) Act on Thursday, August 24th, were recorded in the last issue of *The Economist*, pages 390 and 391.

### DEPARTMENTAL INSTRUCTIONS

In continuation of the process of routine preparation instructions were issued to householders to get into touch with wardens and prepare to screen lights, museums were closed for preparations to remove valuable objects, the Board of Trade announced the designated persons authorised to receive applications for registration under the commodity insurance scheme.

By the end of last week preparation had almost reached the peak possible under ordinary legal conditions, that is, until Emergency Orders were issued. The Observer Corps ceased to be special constables and were placed under the Air Ministry; the completion was announced of the new system of A.R.P. communications in London whereby individual undertakings will communicate with wardens instead of with the central control; and preliminary warning to hospitals to prepare to accommodate war casualties was issued by the Ministry of Health. The public began to feel the pressure of individual obligations with the issue of instructions for the construction of light-locks at shop entrances, with official notice to attend to such details as the care of pet animals, and with the announcement of school evacuation rehearsals to take place on Monday, 28th. Parallel preparations in Government departments were indicated by the appointment of an agriculture adviser-designate to the Ministry of Agriculture and Fisheries; by the issue of the code for shelter in factories, mines and commercial buildings, together with the announcement of the commencement of the three months' period during which progress must be reported; by the publication of the rates of pay and allowances for the Auxiliary Territorial Service; by the announcement of the formation of an accountant branch of the R.A.F. volunteer reserve; and by the issue of the first Treasury Order under the Defence (Financial) Regulations, prohibiting the sale or transfer of certain foreign securities.

### EMERGENCY POWERS

On Monday, August 28th, the whole process of civil defence preparation entered a new phase with the issue of the first batch of 96 Regulations under the *Emergency Powers (Defence) Act*. Quicker and more drastic action by Order in Council was made possible by the Act, and its details were provided for in the new Regulations, a summary of which is printed below.

### THE DEFENCE REGULATIONS 1939

#### Part I. Provisions for the Security of the State

##### *Interference with Essential Services*

1-2. Misleading acts or misrepresentation concerning essential services, property, information or defence signals, and intentional interference with telegraphic communications are forbidden.

##### *Safeguarding Information useful to an enemy*

No person may

3. Without authorisation obtain, record or communicate information which might directly or indirectly be useful to an enemy.

4. Communicate with enemy agents.

5. Without authority be in possession of a camera or make photographs or sketches in areas to which restrictions are applied.

##### *Control of Means of Communication*

7. No unauthorised person may make signals to enemy vessels or aircraft, or make any signal for a purpose prejudicial to the defence of the realm.

8. The possession or control of wireless transmitters may by order be made subject to the issue of a permit by the Postmaster General. The use of transmitters may be prohibited or regulated. Force may be used to secure compliance with the regulation.

9. The use of homing or racing pigeons may be controlled and constables may enter premises to enforce the regulation.

10. Unauthorised persons are forbidden to possess or send outside the United Kingdom any means of secret communication (e.g. a code or cipher) or instructions for using such means.

11. The despatch by post or otherwise of packets or substances containing or recording information may be forbidden by order. Suspected travellers or consignments of goods entering or leaving the United Kingdom may be searched.

##### *Access to certain Premises or Areas*

12. Premises may be declared by order a protected place to which only authorised persons are admitted, and these may be subject to conduct regulations. Any persons in a protected place may be searched, detained or expelled.

13. Protected areas may be similarly indicated and aliens and non-residents excluded. Unauthorised persons may be removed by constables or members of the forces.

14. Byelaws may be made for protected places or areas or any other places in which they may be considered necessary.

15. Trespassing or loitering near premises, vehicles, vessels, or aircraft used in His Majesty's service is forbidden.

16. Highways and waterways over or near defence works and protected places may be stopped or diverted.

##### *Restrictions on Movements and Activities of Persons*

17. British subjects or British protected persons may not enter enemy territory, vessels or aircraft. The maximum penalties for breach of this regulation are five years' penal servitude or a fine of £500 or both.

18. British subjects may be forbidden to enter or leave Great Britain except at approved ports. Leave of an immigration officer may be required and regulations for the establishment of identity may be made.

19. Ships and aircraft may be prohibited from leaving port. Directions given under this regulation must be confirmed by the Secretary of State or the Admiralty within twenty-four hours.

### Part II. Public Safety and Order

##### *Public Safety (Evacuation, Billeting, Air Raids, etc.)*

21. Evacuation of any area may be ordered and arrangements for putting the order into effect may be prescribed in detail.

22. Billeting notices may be served on occupiers of premises requiring them to provide lodging, food and attendance. The price payable shall be determined by the Minister of Health. The maximum penalty for non-compliance may be a £50 fine or three months' imprisonment or both. Tribunals constituted by the Minister of Health will hear complaints about billeting notices.

23. Premises may be required by authorised persons for the protection of persons from hostile attack. Chief officers of the police may restrict the use of places of public resort.

24. Local or general orders may be made for the control of lights and sounds. These may include prohibition of the use of roads by certain classes of traffic, prevention of glare or noise, and the use of sirens as warning signals. Compliance may be enforced by constables or members of the forces.

25. Premises may be closed, isolated or demolished when they have been rendered dangerous by war operations, e.g. through gas contamination or unexploded bombs.

26. Suppliers may cut off electricity, gas or water from unoccupied premises.

27-8. Auxiliary firemen have the same powers as members of fire brigades. They may be required to serve outside the area of their particular local authorities.

29. Special fire brigade areas may be defined and other provision made for the co-ordination of brigades in a given area.

32. The Minister of Health may direct or take over the management of hospitals to secure adequate treatment for war casualties.

34. Local orders may be made prohibiting the keeping of explosives, ammunition or firearms. In areas to which such orders do not apply the chief officer of police may direct the safe custody or removal of such articles.

35. Persons and property in the vicinity of the production and transport of dangerous articles may be protected by order.

36. Special precautions must be taken for the storage of certain inflammable and other liquids.

##### *Public Order*

39. Chief officers of police may be required to carry out transfers of constables to enable one police force to assist another.

### Part III. Shipping and Aircraft

43. The Admiralty may by order assume general control of the movements, navigation, pilotage, anchorage, mooring, berthing and lighting of vessels, including seaplanes.

44. The Admiralty may control the use of lights, buoys and other aids to navigation, and no alteration may be made to these except by the Admiralty's permission.



45. The Admiralty may by order require the alteration of the structure or appearance of ships or the installation of apparatus considered necessary for the safety of ships and persons on board.

46. The Board of Trade may provide by order that ships may only sail under licence, which may limit classes of trade, voyages, cargoes, passengers, hiring and conditions of carriage. Coasting voyages may be regulated by licence. The Board may direct where ships may go and what they carry.

47. It shall be unlawful, except under Board of Trade authority, to transfer or mortgage or transfer any mortgage of any British ship or share in such a ship.

48. The provisions of the Air Navigation Act, 1920, are extended to prohibit the navigation of British aircraft outside (as well as inside) the United Kingdom. Commissioned officers of His Majesty's forces may order aircraft which contravene this order to be fired upon.

#### Part IV. Essential Supplies and Work

*General Provisions (Powers over land, property and undertakings).*

50. Any member of His Majesty's forces or other authorised person may do work on or place anything in any land. The doing of work includes the demolition or destruction of anything on the land concerned.

51. For the purposes specified in Regulation 50 the competent authority may take possession of land, do anything which a person having an interest in the land would be entitled to do, and require the owner or occupier to furnish information.

52. The use of land for the purposes of His Majesty's forces may be authorised by order.

53. A competent authority may requisition property other than land in or outside the United Kingdom, dispose of it as if the competent authority were the owner, and forbid the removal of requisitioned property. The Regulation does not apply to currency, gold, securities or negotiable instruments.

54. A competent authority may requisition British ships and aircraft, and transfer to itself the rights of third parties.

55. A competent authority may by order provide—

(a) for regulating or prohibiting the production, treatment, keeping, storage, movement, transport, distribution, disposal, acquisition, use or consumption of articles of any description, and in particular for controlling the prices at which they may be sold; (b) for regulating any undertaking engaged in essential work and controlling charges; (c) for requiring the keeping of particular records by undertakings; (d) for requiring the production of records and estimates; for any incidental matters including the entering and inspection of premises. Any competent authority may suspend or modify such a scheme, authorise charges in excess of other legal limitations, and carry on an undertaking as if an agent of the undertaker.

56. A competent authority may direct the operation of public utility undertakings, relax existing regulations, and require full information.

57. A Minister or other authority holding stocks under the Essential Commodities Reserves Act, 1938, has full disposal of those stocks.

#### *Agriculture and Fisheries*

The Minister of Agriculture and Fisheries may—

61. By order direct the preservation of agricultural land.

62. Control the cultivation of land to increase or maintain the production of essential commodities, and terminate licences for non-compliance with orders or misuse of land.

63. Authorise persons to enter upon land to kill game and ermine for the prevention of damage and increasing the food supply.

64. Control fisheries.

65. Vest existing fishing rights in himself.

68. The Board of Trade may by order restrict the felling and sale of trees, control prices of sale of trees for felling, and cause trees to be felled.

#### *Transport (Railways, Roads and Ports)*

The Minister of Transport may by order—

69. Take control of railways, require that property shall be placed at his disposal and that the undertaking shall be carried on as he directs.

70. Regulate traffic on highways, prescribe routes and prohibit the use of vehicles in certain classes or on certain roads.

71. Direct the maintenance and improvement of highways, bridges and tunnels by the competent authorities.

72. Modify existing vehicle licence regulations.

73. Modify existing legislation relating to Northern Ireland.

The Minister of Transport or the Board of Trade may—

74. By order control traffic at ports.

75. Order the removal of goods to relieve congestion at ports and on railway premises.

76. The Minister of Transport may by order regulate the movement and storage of ammunition, explosives and inflammable substances.

#### *Supplementary Provisions*

77. A competent authority may direct and make all necessary provision for the holding of an enquiry, and by summons require any person to attend and give evidence, and take evidence on oath.

78. A prosecution in respect of offences under Part IV may be instituted by the competent authority.

#### Part V. General and Supplementary Provisions

These include the following matters. False statements, obstruction and restrictions on disclosing information; entry upon and inspection of land, use of force in entering premises; attempts to commit offences and assisting offenders, offences by corporations, penalties, legal proceedings; revocation and variation of order, etc., interpretation, application to Scotland, Northern Ireland and Scilly Isles, and special provisions as to India, Burma and Southern Rhodesia.

#### *Penalties*

Regulation 92 provides that any person contravening or failing to comply with the Regulations or orders, etc., shall, subject to any special provisions contained in the Regulations

(a) on summary conviction be liable to a maximum penalty of three months' imprisonment or a fine of £100 or both, or

(b) on conviction on indictment to a maximum penalty of two years' imprisonment or a fine of £500 or both.

#### FURTHER DEPARTMENTAL INSTRUCTIONS

Monday, August 28th, was a day of impressive activity in civil defence. The Mediterranean and Baltic were temporarily closed to merchant shipping, and very shortly after the appearance of the Defence Regulations the Admiralty issued its first list of Orders for the control of shipping. At the same time the rehearsal of the evacuation of school children was successfully carried out; Army billeting regulations were issued; the announcement was made of grants payable for shelters in factories, mines and commercial buildings; the previous advice to buy reserve stocks of food was withdrawn to relieve pressure on shops; and a set of Finance Regulations under the Emergency (Defence) Act was issued. A point of detail concerning evacuation was the publication of emergency arrangements for the withdrawal of cash from trustee savings banks.

Announcements on Tuesday covered educational arrangements for evacuated children, the clearing of roads in the Metropolitan Police area, the obliteration of place name inscriptions visible from the air, the setting up of a Building Technical Advisory Committee to advise the Home Office on questions of camouflage, and arrangements for theatres and cinemas in war. The Prime Minister's speech in the House of Commons gave a summary of all the measures taken and revealed the fact that the whole A.R.P. organisation was standing by.

On Wednesday detailed instructions by the Ministry of Health for the equipment and management of hospitals in war time were issued; an appeal was made for volunteer midwives in reception areas; it was announced that wireless transmitters would be dismantled in war time under powers given in the Defence Regulations; and the construction of trenches for inhabitants of L.C.C. flats commenced. Activity in non-official quarters was indicated by the publication of instructions for railway passengers in air raids and the announcement of progress on the National Council of Social Service's scheme for citizens' advice bureaux.

#### EVACUATION AND MOBILISATION

Thursday's decision to evacuate three million people, including 1,300,000 school children, from vulnerable areas, produced a whole crop of subsidiary measures, the chief of which concerned the restriction of London's usual traffic facilities. On the same day came the largest single collection of effective emergency measures issued at one time; including the full mobilisation of the Fleet; the calling up of Army reservists and a number of R.A.F. Volunteer Reserve; the restriction of civil aviation over all territory east of a line from Poole past the west of Birmingham to Stonehaven and in certain areas west of that line; the issue of an important body of A.R.P. measures involving the calling up of 20 per cent. of the full-time personnel and including the requisitioning of public shelter, the opening up of trenches and the establishment of first-aid posts; and the prohibiting of the acquisition of more than a week's food supply.

## NOTES OF THE WEEK

**The Time for Evacuation.**—The impressive programme of civil defence measures which have come into operation, item by item, each day since war became likely is summarised on page 439. Outstanding have been the arrangements made for the swift evacuation from vulnerable areas of three million schoolchildren, teachers, children of pre-school age with mothers or other escorts, expectant mothers and blind or crippled persons—the so-called priority classes in the Government's completed scheme. For five days they were kept standing by; all the schools were opened daily; and the needed rail and road facilities were held ready. There was no cause at all for complaint about the country's preparedness here. But, as the days passed by without any resolution of the crisis, the actual time to begin evacuation became an issue of controversy. On Tuesday, in the Commons, Mr Greenwood made a strong plea on behalf of the Labour Party for evacuation of the priority classes to start at once; and, on Thursday, it was announced that transfer would begin on Friday. There were good grounds for the Government's reluctance to act precipitately. To take away well over a third of the evacuating areas' population at a single stroke, and to raise the population of the reception areas by something like a sixth in the space of some ninety-six hours, means dislocation and hardship. It will involve sweeping improvisations in the distribution of food and the direction of transport; and it was not certain that it might not engender some panic or unjustified dread. It will take four days in all to finish.

Nevertheless, none of these arguments could alter in the slightest degree the contrary contention (which has been held by the best unofficial A.R.P. experts for a long time) that evacuation is essentially a measure to be executed before hostilities begin—one which, therefore, should be taken even when the chances of avoiding war are still perceptible. The fears that premature evacuation might arouse are negligible beside those that might grow and spread in unevacuated districts if war came suddenly; and the hardship of families split asunder and of overcrowding counts for nothing beside the needless loss of life and limb that might then ensue. This is, indeed, the twilight hour between peace and war, to use the Home Secretary's phrase, and, if only because the roads and railways out of London and other cities are still free of abnormal traffic demands, it is a time well suited to the dispersal of the populations that stand in danger. It is true that some evacuation was already under way before the welcome decision was made to move the children; businesses were moving out of London; official records and treasures had been taken away; banks and financial institutions were all set to leave on the

instant. The "breathing space" was not being wasted. But it was hard to feel that this was enough: the evacuation that was going on only threw into relief the fact that the children and the disabled were still with us; and it reminded us of the further fact (again often urged in the past by experts) that it may well be needful for a time in war to expand the roster of evacuated persons (as has been done already by request in Paris) to include all those, adults as well as children, whose presence is not absolutely needed in specially vulnerable places. Such defects as remain in the provision of shelter underline the possibility that the total volume of needed evacuation may be swollen in the event of war; and already nine roads from London have been freed for private as well as public flight. It was simple sense to do what had already been arranged for the children sooner rather than later.

\* \* \*

**Defence of the Realm.**—It is a commonplace that no war is like any previous one. In the military sphere, even though the broad principles of strategy may remain unaltered from generation to generation, this is largely true. The generals who conducted the early operations of the last war according to premises derived from the experience of the Boer War were courting failure. But it is a generalisation that can be carried much too far. The Defence Regulations which were put out on Monday (see page 439) very properly echo, in their arrangement and in much of their substance, the various Orders issued between 1914 and 1918 under successive Defence of the Realm Acts. Now, as then, the Government has taken wide powers to maintain public safety and internal order, to suppress and prevent acts that might interfere with the successful conduct of war and to regulate civil activities in the national interest; the new Regulations repeat in many cases the very words and phrases of DORA and her offspring. Here, in great measure, the experience of 1914-1918 is clear gain. Twenty-five years ago, defence of the realm was improvised piece by piece; several Acts and a whole series of revised codes of regulation were needed to bring the scope of the Government's emergency authority to the stage it has reached this time at a bound. And a number of steps that were then proved unwise have been avoided; in 1914, for instance, it was enacted that offenders against the regulations should be tried by courts-martial; now, the right of civilians to trial by jury, which was in fact restored in 1915, is retained at the outset; and, if this right is restricted in future Regulations, it is only likely to be in the improbable contingency of invasion or in the exceptional instance of a district wholly devastated and disorganised by bombing.

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**War-time Regulation.**—The thesis of the preceding Note does not prove that this week's Defence Regulations have any finality. In 1914 the period before war began was marked by five sets of regulations; the first two, on August 1st and 2nd, regulated (surprisingly perhaps to us who regard the achievements of modern science as specifically post-war) wireless and aircraft; the other three, on August 2nd and 3rd, came under Royal Proclamations declaring a partial financial moratorium, appointing August 4th, 5th and 6th as Bank Holidays and prohibiting the export of war-like stores. The Proclamation giving wide powers for defence of the realm did not appear until August 4th, when war was certain. This time the precautionary measures taken have been much more sweeping; but there can be small doubt that, if war comes, they will need drastic additions. As it is, the authority given to control persons and property in the event of air raids, for compulsory evacuation and billeting, for forcible obscuring of lights and so on, already exceeds the powers conferred upon police and other officials in 1915 when the last war's A.R.P. began. On the other hand, several steps which were taken in the last war under DORA and other Acts, and which will certainly be needed again in some form, have still to come, in addition to the expansion and strengthening of those already in force. The restriction, registration and, in the case of enemy citizens, the internment of aliens is inevitable in war; the institution of a Censorship (without the inefficient and delaying faults of the 1914 system when the War Office and Admiralty had separate censors and the services of professional journalists were firmly refused) will come at once; control of the liquor traffic, with the mixed motives of conserving food supplies, limiting drinking and restricting public assemblies, is probable; this week's announcement of the possible war-time closing of cinemas and theatres in London (which was not done in the last war, when public entertainment was an important bulwark of public morale) is a pointer to the rigid control of hours of opening in shops and businesses that air raids will make necessary; measures to expedite the transfer of persons, especially women, thrown out of work in luxury trades will be imperative. We are only on the threshold of a new order. The last war transformed Britain's social, political and economic life and organisation very radically. If war comes again an even greater transformation is likely; and it is in the interests of the defence of the realm, and largely by Government regulation, that the change will take place.

**Diplomatic Diary.**—It may be helpful in following the news to have a diary of the bewilderingly swift movement of diplomacy since the news of the German-Soviet non-aggression pact. At 8.30 on Tuesday evening, August 22, a Cabinet communiqué was issued announcing that Parliament would meet on Thursday and pass an Emergency Powers Act. On Wednesday, as a result of a Cabinet meeting on the previous day, the British Ambassador to Germany, Sir Neville Henderson, handed to Herr Hitler a Note in which the British determination to stand by Poland in case of aggression was most firmly reiterated. Two days later, on Friday, Herr Hitler handed Sir Neville Henderson a written communication (and also a good deal of verbal information, since Sir Neville was apparently asked to present the communication to his Government in person, and did in fact fly to London in a German aeroplane). In this the Fuehrer set out his claims on Poland, seasoning them with a number of hopeful comments on the future of Anglo-German friendship. It is gathered that in this communication (as in the one simultaneously conveyed to the French Government) Herr Hitler pointed out that his demands on Poland were not restricted to Danzig. On Saturday the British Cabinet considered this communication, and on Sunday they prepared a reply reaffirming their support for Poland. This was taken to Herr Hitler on the following day by Sir Neville Henderson. In the last hours of Monday a summary of Herr Hitler's verbal reply was received in London, and on the evening of Tuesday the written reply was available in London. In the small hours of Wednesday morning

Lord Halifax sent a preliminary answer to the British Embassy in Berlin for conveyance to Herr Hitler, and after a meeting of the Cabinet at mid-day a full reply was sent off. Those are the bare bones of what has been going on between London and Berlin. The same sort of timetable is applicable to the Quai d'Orsay, with the addition of personal letters exchanged between M. Daladier and Herr Hitler. The German Note to the French Government of August 25th (Friday of last week) made it known that Herr Hitler would "no longer tolerate the existing situation in Poland, and that he deplored that German blood and French blood might be spilt as the result of measures he might be compelled to take to settle the situation." M. Daladier, as one "front fighter" to another, then sent a letter to Herr Hitler "in favour of a mutual recourse to methods of free conciliation." To this Herr Hitler replied on Saturday that he could not accept these proposals as he saw "no possibility of being able to bring any influence to bear on Poland to make her adopt a reasonable attitude . . ." In the same letter he said: "I therefore raised a clear demand. Danzig and the Corridor must return to Germany."

**The French Make Ready.**—The French nation is now on a full war footing. The transformation has been carried out, swiftly and efficiently, in less than a week. Its text was given by M. Daladier on Friday of last week, when he broadcast to the nation: "French women and French men, I have no need to tell you your duty. I know that you are determined to ensure the safety of the country with every sacrifice." That sacrifice has been amply made. Over the week-end, in a spirit of grave determination, the men of categories 1, 5 and 6 joined their regiments, to bring the total number of Frenchmen under arms to about 3,000,000. Alongside this response the civil authorities have been putting through measure after measure for the amplification of home defence in all its manifold fields. On August 24th the requisitioning of cars and other vehicles became general, the municipal authorities began to replace street lamps with small blue electric globes, private individuals fell in with new lighting regulations; in Paris evacuation was begun; throughout the country a great many defence regulations went into force. On Saturday, the 26th, the whole of France east of a line drawn from Calais through Paris to the Mediterranean was declared out-of-bounds for all aircraft, and all civil aeroplanes, except those of regular air lines, were forbidden to fly over any part of French territory, metropolitan or African. An example of prompt attention to detail was the removal on that day of the stained glass from the windows of Chartres Cathedral. On Monday censorship of the Press, of broadcasting, and of films was decreed, the main object being to prevent the passing of information likely to be useful to an enemy. The Communist newspapers, *Humanité* and *Ce Soir*, had already been banned. At Strasbourg the Franco-German frontier was closed; in the Paris area all electric signs were prohibited. On Tuesday, for the third time, the Paris authorities appealed to everyone whose presence was not indispensable to leave the city; wartime control of telephones and telegraphs came into force; most of the daily newspapers appeared in reduced size so as to save on newsprint. A general decree was published prohibiting the export of essential foodstuffs, materials used in the munition industries or in the manufacture of medical supplies. On Thursday the railways came under military control; and the evacuation of school children from Paris, which in contrast to London had begun on the previous day, was already complete. And all this, of which the above is a mere outline of the more important measures, has been done with certainty that there is no other way, and with confidence that, if the worst comes, no one in France will fail.

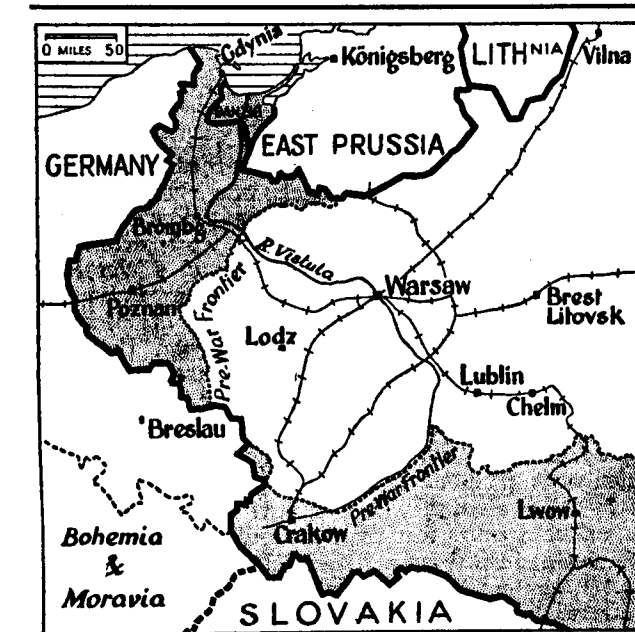
**The Anglo-Polish Treaty.**—The Anglo-Polish Agreement for Mutual Assistance was signed at the Foreign Office on Friday of last week by Lord Halifax and the

Polish Ambassador. It consists of eight articles, the most important of which is the first. Article 1 states that, "Should one of the Contracting Parties become engaged in hostilities with a European Power in consequence of aggression by the latter against that Contracting Party, the other Contracting Party will at once give the Contracting Party engaged in hostilities all the support and assistance in its power." Subsequent articles develop the meaning of this statement of mutual assistance, Article 2 in particular stating that Article 1 shall apply in cases where a direct or indirect threat to one or other of the Contracting Parties is considered by the party threatened to be of such importance as to make it vital to resist the threat with armed force. Similarly, Article 1 shall apply whenever hostilities break out between one or other Contracting Party and a European Power which has "threatened the independence or neutrality of another European State in such a way as to constitute a clear menace to the security of that Contracting Party." In other words, if Poland goes to war with Germany over a small bordering State such as Lithuania, or if Britain fights for the independence of the Low Countries, mutual assistance is assured. In either case the decision is left with the Party threatened: the case of Slovakia shows nicely the kind of judgments which will have to be made. Article 3 refers to the mutual resistance which any attempt to undermine their independence "by processes of economic penetration" will meet from the two Powers. Other articles deal with the exchange of information. Article 7 states that no separate armistice or treaty of peace will be concluded by either of the Powers if they go to war. Article 8 stipulates that the Agreement shall remain in force for a period of five years, and that unless denounced six months before the expiry of this period, it shall continue in force indefinitely with the usual provisions for termination. The outstanding feature of the Agreement is the wide scope within which mutual assistance is to be given, and the fact that each of the two Powers is to be its own judge.

**The Patience of Poland.**—Of all the nations which now face the prospect of going to war, none can know with more clarity and precision the price they will have to pay than the Poles. Whatever the fortunes of war may be, the Poles will suffer first and worst, at least in terms of physical suffering. It might be thought that their knowledge of this would affect their spirit, would infect them with hysteria and urge them into the unreasoning and provocative actions to which hysteria leads. The German Press, with a wealth of detail, asserts that the Poles have lost their nerve. But the detail is spurious and the assertion untrue. For it ought to be recorded solemnly that the Poles, both their Government and the mass of their people, have accepted during the past weeks countless German provocations, by word and deed, official and unofficial, without the least attempt at reprisal. That is not a matter of opinion: it is a matter of observed and proven fact. The truth is not that the Poles have lost their nerve, but that under a withering fire of lies and threats their nerve has been tempered to a pitch that only a month ago few would have believed possible. During this week German provocations have taken an increasingly serious form, beginning with Herr Forster's assumption of dictatorial powers in Danzig on Thursday of last week and culminating on Tuesday with the complete military occupation of Slovakia. But it was not until the Government in Warsaw had received intimation of the contents of Herr Hitler's third note to the British Government, an intimation conveyed on Wednesday, that all Polish reservists were called to the colours. This means to say that, as far as mobilisation is concerned, the Poles took action after the Germans, for by Wednesday the older classes of German reservists had already joined the colours. Throughout the week the Polish Government has maintained its readiness to negotiate with Berlin, provided that negotiation would take place as between equals and without the threat of force. Its attitude has been wholly admirable, and in striking contrast to the arbitrary and belligerent tone understood to

have been adopted by the Fuehrer. In the war of nerves the Poles, unshielded by their rulers, have shown themselves doughty fighters.

**The Population of the Corridor.**—The map on this page shows the present frontiers of Poland and, shaded over, the portions of Polish territory which lay in Germany and Austria-Hungary before the war. It is not easy to determine accurately the number of Poles living in pre-war Germany. According to the *History of the Peace Conference*, the total number of Poles inhabiting the territories which were ceded outright by Germany to Poland were 1,844,000, and to this must be added 16,000 Poles in Danzig and a proportion of the



1,540,000 Poles inhabiting the areas which were subject to plebiscite. The Marienwerder and Allenstein plebiscite was decided in favour of Germany, and concerned a negligible number of Poles. The Silesian boundaries represented a far more complicated problem. It would appear that out of 1,245,000 Poles in Upper Silesia, 572,000 remained in Germany and 673,000 went to Poland. On the basis of these figures, counting all heads, the number of Poles in the areas which became Polish would be between three and four million. The *History's* figures are, however, based on German population returns; these were subject to considerable manipulation, and it is not surprising that the Polish estimate is a good deal higher. The Polish estimate of the present Polish minority in Germany is about 1,500,000; the German figure is smaller than this. On Polish official figures (census of 1931) the German minority in Poland is 741,000 (this does not include about 360,000 Germans in the Free City of Danzig); the German figure is larger than this. In the same way, there are no precise figures for the Polish areas of Galicia and Volhynia governed by Austria before the War. The Poles estimate the number of Polish-speaking inhabitants to have been between four and four-and-a-half millions; it is probable

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that the Vienna authorities would have scaled down this figure. Even if the Danzig Germans are counted in, which, since they govern themselves, obviously they should not be, it is the fact that under the Versailles settlement many more Poles remained in Germany than Germans in resurrected Poland.

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**The American Attitude.**—The development of the European crisis has been followed in the United States with all the American public's latter-day absorption in diplomatic news, but, as in other democratic countries, with none of the hysteria of eleven months ago. President Roosevelt has sent appeals to the King of Italy, asking him to use his good offices, and to Germany and Poland, urging both countries to accept a peaceful method of settlement. At home, the efforts of the Administration have been directed, as they must, towards the preservation of neutrality. But the sympathies of the United States have peeped through the neutrality measures. Thus, while British, French and German liners have been forbidden to leave New York until they have been searched for possible offensive weapons, the German liners, whose haste was the greatest, have been subjected to the most rigorous search. The coincidence of "neutrality" with "preparedness" has also been emphasised by the creation of a War Resources Board under Mr Stettinius, the chairman of the United States Steel Corporation and son of the Morgan partner who held a similar post in the last war. The attitude of the public, as exemplified in the newspapers, has been unanimously in favour of the stand being made by Britain and France; not a voice has been raised in any contrary sense. There are still, however, great divisions of opinion when the practical form that this sympathy should take is under discussion. It has been asserted in well-informed newspapers that the Senate, if summoned now, would not hesitate to amend the Neutrality Act. But Mr Roosevelt has not issued the summons to Congress, and there is no direct evidence from the isolationists that they have changed their mind. As for the wider issue, the latest "public opinion surveys" show a widespread conviction that America would in fact be drawn into a general war. The number of those holding this opinion has risen, according to one survey, from 38 per cent. in January, 1937, to 76 per cent. to-day. But less than half of those polled favoured helping Britain and France with materials and only a quarter would send troops. Indeed, all that can be said with certainty is that American opinion is changing, that it is changing rapidly, and that it is moving in a sense favourable to the democracies. But it would be difficult to assess exactly how far it has already travelled along that road or how long it will take to reach any fixed point upon it.

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**Japan Changes Her Policy.**—With the first shock of the German-Soviet Pact over it is clear that the gains are not all on Germany's side. On Friday of last week the Japanese Government protested to Berlin that the pact was "a flagrant violation of the spirit of the Anti-Comintern Pact"; over the week-end it was known that Japan's whole foreign policy was to be refashioned. The Government resigned, and General Abe formed a Cabinet to do the refashioning, his aim apparently being to continue with the "creation of a new order in eastern Asia"—but without European engagements of any kind. Following on this change of policy, which is bound to have a certain demoralising effect on those Japanese whose ambitions have swallowed up their good sense, tension in China between British residents and the Japanese authorities is noticeably relaxed; it is even said that Japanese sentries are saluting British subjects where before they were more likely to strip them.

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Once given the fact of a German-Russian understanding the change need surprise no one. The Anti-Comintern Pact, hatched in Berlin, was never aimed so much at the Russians as at the British and French, and this the

German-Italian military alliance which has developed from it, and the Japanese military alliance that was hoped for, may be taken to prove. The line-up with Japan rested on shallow sympathies. While the Italians, through impotence to do anything else, may have adhered to the ostensibly anti-Russian spirit of the undertaking (though even they have built warships for the Soviets as recently as 1938, and their policy in Spain was never primarily anti-Communist), the Germans have never been at pains to conceal their true purpose. If the Anti-Comintern Pact was really designed as a basis for getting Japan into an anti-Russian alliance, the Berlin Government would scarcely have hindered the Japanese in their war with China by supplying Chiang Kai-Shek with arms and military advice. Up to a point, the Germans have managed to make the best of both worlds. That point was passed the moment that Herr von Ribbentrop went back on all his known public and private principles (except, perhaps, those peculiar to the Nazi moral code) in signing a pact with the Soviets. For the moment, Japan may be expected to lie low. But it would be a mistake to think that Japanese "isolation" means a new era of collaboration with Britain. There are no facts to support this thesis. The news that the blockade of Hong Kong is being intensified shows that dislike of Germany will not be exchanged for love of Britain. Japan's paramount aim is still to win her war in China; all that should be looked for at the moment is a modification of method and a renewal of Oriental patience.

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**Turkey Stands Firm.**—Turkey is fast becoming the small Power with a Great-Power reputation. While most of the small States have hastened to reaffirm their neutrality in all circumstances except a direct attack on their independence, Turkey has not hesitated to let it be known that the German-Soviet pact in no way weakens her allegiance to the Peace Front. For this the Turkish Government deserves our sincere thanks, all the more when it is realised in what a difficult position the pact placed them. The Germans at least have not been slow in realising the difficulty of that position, and one of Herr Hitler's first acts after the signing of the pact last week was to send Herr von Papen, German Ambassador to Turkey, hotfoot to Istanbul, presumably with the intention of pointing out to the Turkish Government that, in the interests of their Russian friendship as much as out of regard for Germany's growing strength, they should now break with the Western Powers. The argument is not without its barbs. The Soviet Union was the first State to treat with the Turkish Republic, and her non-aggression pact with Turkey was signed, in 1921, when the Republic was still struggling for independence. By continuing in the Peace Front, would Turkey risk offending Russia? Again, by the Middle Eastern Pact signed at the Saad-Abad Palace in Teheran in July, 1937, Turkey guaranteed her safety from aggression with Iran, Iraq, and Afghanistan; in Europe her only immediate fear is Bulgaria, and the Turkish army can easily cope with that. Germany has secured a leading place in Turkey's foreign trade, and is already supplying her with armaments. The temptation to withdraw within the framework of this security system might have been strong. But the arguments against withdrawal are decisive. For none of Turkey's international agreements gives her any *positive* security, *except* those she has signed with Britain and France. Another important factor in the balance of forces may have been the fact that the Soviet Union, as far as is known, has not supported the German argument, or given any sign that Turkey's present policy is displeasing to the Kremlin. That policy, indeed, is calculated to allay much of the Kremlin's anxiety for the continuance of the *status quo* in and around the Black Sea. By showing to what lengths the Germans are prepared to go to obtain their ends, the German-Soviet pact seems only to have reinforced Turkey's decision.

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**The Situation in Hungary.**—If the Communist International is hard put to it to explain last week's composition with Germany, then the Nazi "International" is

in no better case. The Nazis in Hungary have for long fought beneath the anti-Communist flag, and many of the seats they won in last May's elections were won on the strength of memories of Bela Kun. Pro-German sentiment in Hungary, already rare, is likely after last week's *coup* to become more than ever the generally accepted badge of poor patriotism. This does not mean—rather the contrary—that the Government itself will be allowed by the Germans more freedom of movement, though it may mean a more tactful application of the restriction which already exists. Count Csaky's sojourn in the Austrian Alps has brought no change to Hungarian policy: but the reason for that may after all only be that no change was desired by the German Government. Hungary is already a member of the Axis group—and even if it were intended to force Hungary's permission to the passage of German troops it would be bad strategy to make that permission public, or to force it before it was absolutely necessary. The Hungarian Government may in the meantime be expected to keep as much as possible to itself, but to miss no chance of improving Hungary's position *vis-à-vis* her neighbours, especially Roumania. In this connection it is significant that they have rejected a Roumanian proposal for a non-aggression pact—that is very natural, for to have accepted it would have weakened Hungary's position in a day of revisionist reckoning which, as far as they know in Budapest, may be still to come. At the same time, it is only fair to add that the Hungarian Government has safeguarded itself against a charge of being completely chauvinist by offering to negotiate a treaty with Roumania for the mutual protection of minorities. Roumanians point out that any such treaty, given the large Hungarian minority in Roumania and the negligible Roumanian minority in Hungary, would have a decidedly one-sided application. A minorities treaty would be worth concluding, it would seem, only if a large-scale exchange of populations were possible, or, conceivably, if the Hungarians would offer worthwhile guarantees of their respect for the integrity of a frontier which had been modified only slightly in their favour. And with Germany paramount in Budapest, it is hard to see what guarantees would be of the slightest value.

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**The Mediterranean Reaction.**—Both in Italy and Spain the Russo-German pact was received by official commentators as a brilliant tactical move "on the side of peace," but this did not hide the obvious embarrassment with which these two Catholic countries heard the news. Now that the Anti-Comintern Pact is ridiculously outmoded, and there can no longer be any excuse for "crusading against Bolshevism" in company with the Nazis, disillusion will be widespread among the idealists. In practical terms, too, the effects have been striking. There is, for instance, no denial either from Paris or Madrid of reliable reports that Colonel Beigbeder, the Spanish Foreign Minister, has assured General Pétain that Spain would remain neutral, and that the Spanish Ambassador in Paris has given M. Bonnet a similar assurance. It would seem that a corresponding assurance was given to the British Ambassador on Wednesday. Even if those assurances have not been given, the chances of Spain playing an actively pro-German rôle in wartime have shrunk very perceptibly. It may also be significant that Italian military precautions and civil defence measures are far behind those taken in Germany. In contrast with the Germans, Italians in England have not been advised to go home. Several of the conscript classes called up in Italy are not required to assemble until September 3rd, and it is only in the last few days that public opinion in Italy has been allowed to grasp the full dimensions of the danger. There can be little doubt of the Duce's anxiety that the peace shall be kept; and no doubt at all that, if the Italian public had their way, the peace would be kept.

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**Jugoslavia, Federal but United.**—The importance of the Serbo-Croat agreement—reached after long negotiation, but by negotiation for all that—has been marked in

every country in Europe. To Whitehall it has come with especial satisfaction as a sign that Jugoslavia is now united and therefore in a strengthened condition to defend her neutral status. In Jugoslavia itself there is widespread relief at this successful termination of months and years of domestic tension. The Government has been reformed, and under the continued leadership of M. Tsvetkovitch as Prime Minister now includes five members of the Croat People's Party, one of whom is Dr Matchek, who takes the rank of Deputy Prime Minister. A decree is shortly expected whereby the electoral law will be changed. New elections will then take place, after which the Skupshtina should be representative of the main trends of public opinion—and this for the first time since 1930. Federal status will be granted to a Croatia that is to include the present *banovina* (province) of the Save—that is, Croatia proper, together with the *banovina* of the Coast and certain portions of the *banovina* of the Vrbas. The *ban*, or governor, will be accorded special privileges. August Kosutitch, Dr Matchek's second-in-command in the Croat People's Party, is being tipped for this important post. It may be presumed that a similar federal status will sooner or later be accorded to Slovenia, and possibly to the Serb provinces of Slavonia and Voivodina. The Croats thus obtain the right of self-government which they have always claimed, and take upon themselves a share in the government of Jugoslavia for the first time since 1929. They do this, true, at a precarious moment, but on the long view it may not be a bad thing that the earliest days of federation, with the important and far-reaching decisions which will have to be taken in that time, are lived through against the background of a European crisis.

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**The Small Western States.**—On Saturday last German diplomatic representatives gave their Government's assurance that the integrity of Holland, Belgium, Switzerland and Luxemburg would be respected in case of war, and Denmark later received a similar assurance. Each of these small neutral States has looked this gift-horse in the mouth. Each of them, in varying degree, took military precautions immediately after they had received it. On Monday the Dutch Government decreed the mobilisation of the army and navy, and later in the week this mobilisation had accounted for about 500,000 men. Over the week-end the Belgians and the Swiss had extended their defence precautions; only the Danes, viewing their situation realistically, took no more than perfunctory measures. In the case of the Low Countries, the main anxiety has been to avoid being caught up in the war of the air through the passage of foreign military aircraft across their frontiers. All passage of civil and military aircraft has now been prohibited without special authorisation, but this, of course, is only a relative safeguard. In their turn, the British and French Governments have given corresponding assurances of respect for the integrity of these small States; the British assurance to Denmark states that "so long as Danish neutrality is respected by Germany it will, of course, be respected by the British Government"—a barbed reminder of the manoeuvres of 1914.

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With danger pressing in on them from every side, it was natural that the sovereigns of Holland and Belgium should have associated themselves in a joint offer to exercise their "good offices" in the cause of peace. The Governments of Britain, France and Poland have accepted the offer; Germany has thanked Queen Wilhelmina and King Leopold for it, but does not appear to have formally accepted it. It is difficult to see in what way these "good offices" could be used unless Herr Hitler is looking for a graceful way of retiring from the adamant position he has hitherto held. But it is good that they should have been offered.

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**Shipping in War.**—Last Sunday the Admiralty took control of Britain's merchant marine and on Monday the Mediterranean and Baltic seas were closed to traffic. In the event of war the industry will presumably again be put under the control of a separate Ministry. In view of Britain's dependence on imports, it is scarcely necessary to emphasise the importance of the rôle which her merchantmen will have to play in war. Is the merchant marine in a position to fulfil its task in the event of war? The Government must have assumed that it is, for otherwise its half-hearted response to the demand for the accumulation of stocks of foodstuffs and raw materials would amount to criminal negligence. The immediate question is whether the merchant shipping capacity available to the Government is sufficient to meet the demands likely to be made on it at the outbreak of war. Superficially the position is much less favourable than 25 years ago; the number of vessels registered in the United Kingdom (including tankers) fell from 8,587 in June, 1914, to 6,722 in June this year, while their capacity declined from 18.9 million gross tons to 17.9 millions. On the other hand, the number and carrying capacity of the Dominions, the French and neutral fleets is now appreciably greater than in 1914. Thus, the combined merchant fleets of the Dominions, France, Greece, Holland, Norway, Sweden and the United States now comprise 3,774 more vessels and their capacity is greater by 15.3 million gross tons than in 1914, an increase which far outweighs the decline in Britain's fleet. On the assumption that Britain can tap the reservoir of neutral shipping, the supply of tonnage is thus considerably bigger, while modern shipping is much faster and more efficient, than twenty-five years ago. In a prolonged war, of course, the supply depends on the ratio between losses and replacements. But although it is impossible to estimate the probable rate of loss in war, the combined building capacity of Britain, the Dominions, France and neutral countries is also much greater than in 1914. Apart from the heavy cost involved in an increased reliance on foreign shipping, the total supplies of carrying capacity available to Britain at the outbreak and during a war is now much bigger in relation to probable needs than twenty-five years ago.

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**Engineers and Dilution.**—The full application of dilution of labour in this country can only come through comprehensive and planned measures. These require Government action, with the co-operation of the leaders of the whole body of organised workers represented in the Trades Union Congress. But detailed arrangements for the removal of artificial limitations on the classes of work which may be done by skilled workers, and for the introduction of semi-skilled men to perform subsidiary functions, are probably best made on an industrial basis. It is on the latter ground that this week's agreement between the Amalgamated Engineering Union and the Engineering and Allied Employers' National Federation is to be welcomed. But the reported terms of the arrangement indicate that the welcome should be a qualified one. Firstly, it is not a positive plan, but rather a schedule of the circumstances and manner in which concessions may be made. By its terms it will not be possible to supplement skilled man power unless it can be shown that skilled men are not available and production is prejudiced. Applications for

changes of practices are to be referred to local committees, and, in cases of disagreement, to national executive committees of employers and unions. All of which indicates that safeguards, whose necessity nobody denies, are being given an unjustifiable preference over positive measures of dilution; and that local agreement is being given precedence over national direction. Nevertheless, criticism based on the facts so far available can hardly reduce the gesture value of this decision on the part of a union with 400,000 members, which has always been the spear-head of resistance to dilution. The acceptance of the principle before the actual outbreak of war, and for application to commercial as well as armament engineering, is an impressive achievement. If this example is immediately followed and improved upon in other vital industries, there will be ground for assurance that industrial dislocation will be reduced to a minimum. The perfecting of the organisation of labour in war-time may then be regarded as an executive task.

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**More I.R.A. Murders.**—Few grave crises in modern English history have failed to find Ireland's extremer patriots only too ready to turn the national danger to their own advantage by methods of violence and intimidation. Close upon a century and a half ago, in the opening phase of England's drawn-out strife with Revolutionary France, there was riot, unrest and revolution across the Irish Channel. Twenty-five years ago, on the eve of the World War, it was civil strife in Ulster and not war with Germany that seemed most imminent; and there was bitter fighting in Ireland while the war itself was on. The pattern repeats itself now. It is several weeks since the Home Secretary revealed to Parliament the existence of a plot by the Irish Republican Army to intensify their dastardly campaign of sabotage by bombing in the event of emergency; and this anticipated new phase has seemingly begun. A week ago, five persons were killed and more than forty injured in an explosion in Coventry which shattered shops and tore up roads over a wide area; and at the peak of the external European crisis it has been necessary to close and strongly guard public buildings against an internal menace. The statutory powers given to the authorities to detain and expel suspected persons have been freely used; and the few I.R.A. members who have slipped through this net have now to face, not only the stern provisions of the new Emergency Defence Orders, but also the fury of the members of the public put immediately in danger. The appeal to lynch law is never tenable. It is hasty, indiscriminate and illegal. But its occasional appearance in English streets is an index of the harm the I.R.A. are doing to the Irish cause—which, before violence began, had a host of sympathisers in England. Yet it would be a wild error to attach too much importance to what these few fanatics are doing. Their activities have done nothing at all to shake the calm and even temper of the people during these days of crisis. They have failed utterly and completely in their disruptive aim.

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**Raising the School-Leaving Age.**—The first clause of the Education Act of 1936, which comes into force, ironically enough, on September 1st, the first day of evacuation from vulnerable areas, raised the school-leaving age to fifteen years. The next six clauses provide for exemptions from this main provision. They require local authorities to issue an employment certificate to the prospective employer of a child between fourteen and fifteen if they were satisfied that the proposed employment would be beneficial to the child; and they empower the authorities to permit a parent to withdraw a child of fourteen from school to assist in the home in circumstances in which exceptional hardship would otherwise be caused. The exemption clauses are perfectly capable of preventing the achievement of its main purpose. Considerable efforts have been made by those genuinely interested in the cause of education to salvage something from this legislative wreck. The

Board of Education has issued suggestions for procedure in the granting of exemptions; local authorities, and particularly those of Lancashire and the West Riding of Yorkshire, have framed regulations which should prevent the worst of the possible abuses of the exemption clauses; independent bodies, such as the National Chamber of Commerce and teachers' organisations have urged that children under fifteen should not be employed in any case. There is some assurance that the strictest observance of the letter of the law can, with constant vigilance, reduce the proportion of exemptions to considerably less than the 50 per cent. of applications indicated in Parliament as likely. But if the exigencies of war make the employment of child labour unavoidable there will no doubt be a return to the grudging spirit in which the Act was framed. Rather than that such a spirit should be given opportunity of expression in the actual working of the measure it would perhaps be better to repeal it outright. The period 1914-18 was one of steady and solid progress in education, and if a resumption of this progress can be expected in the immediate future a better measure than the Act of 1936 can hardly fail to appear in due course.

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**The Railwaymen's Claims.**—A week ago the Associated Society of Locomotive Engineers and Firemen only just escaped the wholehearted opprobrium of the entire nation by calling off their threatened strike at the eleventh hour. They agreed to discuss further their claims for higher pay and better conditions. But, unlike the other railway unions, they refused to follow the normal and reasonable procedure of referring the matter back to the Railway Staff Tribunal. They negotiated instead direct with the railway managers; and after extended and reluctant talks, they reached a provisional agreement at the week end. The engineers have not come out well from this episode. Their plea that the constitutional process of appeal to the Tribunal is unduly dilatory has no foundation in experience; and their contention that the argument

about their wages being generally higher than in most industries is really irrelevant carries only partial conviction. On any balanced assessment the claims of the impoverished members of the N.U.R. who earn less than 50s. a week, and indeed those of many of the railway stockholders, too, must take precedence over the demands of the relatively well-paid A.S.L.E.F.

\* \* \*

**Rationing in Germany.**—The past week has seen the resumption in Germany of rationing for the civilian population. The rationing includes not only some of the main foodstuffs but also clothing, shoes, leather and soap. The present allowances of important foods (as given in *The Daily Telegraph and Morning Post* of August 28th) are very considerably greater than those in force at the end of the Great War; but, compared with the British rations in existence at the end of the War, they show that, if war breaks out now, Germany will begin it little, if anything, better off—and considerably dirtier—than Britain ended the last. The following table compares the Hamburg weekly rations in January, 1918, with the existing scale and with the British 1918 allowances:—

ALLOWANCES OF CERTAIN FOODS PER HEAD PER WEEK

|                        | Unit  | Hamburg 1918 | Germany 1939 | U.K. 1918 |
|------------------------|-------|--------------|--------------|-----------|
| Meat.....              | oz.   | 9            | 25           | 32        |
| Fats.....              | oz.   | 2.5          | 15           | 12        |
| Sugar.....             | oz.   | 5.3          | 10           | 8         |
| Jam.....               | oz.   | ...          | 4            | 4         |
| Tea.....               | oz.   | ...          | †            | 2         |
| Bread.....             | lb.   | 4½           | †            | 6½        |
| Potatoes.....          | lb.   | 7½           | †            | 4½        |
| Soap.....              | oz.   | ...          | 1            | †         |
| Coffee substitute..... | oz.   | ...          | 2            | ...       |
| Milk.....              | pints | ...          | 2½           | †         |

\* Tea substitute. † Not rationed. ‡ Not rationed; estimated consumption.

Bread, potatoes and other vegetables are not yet rationed in Germany, while tea and coffee seem to have practically disappeared; the rations are for substitutes only.

## THE WORLD OVERSEAS

### Falling Productivity in German Industry

(From a Correspondent)

THE high level of German industrial production has been the most impressive single feature of the German economy in recent years. Even the most ardent critics of the Third Reich cannot but recognise the fact that the level of industrial output in Germany is more than twice as high to-day as it was when the Nazis seized power in the Reich—though it must be remembered that 1933 was a year of deep depression. What are the industrial omens for the Reich, now possibly on the brink of a European war?

It is common knowledge that, in the winter of 1932-33, there were no less than 8,000,000 workless people in Germany. About half of the industrial population was unemployed, even though the average length of a working day was then less than seven hours. Now, not only is unemployment practically abolished in Germany, but the Reich is suffering from a very serious labour shortage. Several millions of industrial workers are working for ten hours or even longer every day, and a great many members of the "petty-bourgeoisie," artisans, small shopkeepers, and so on, have changed their jobs and are now employed in industrial plants. Female work has been encouraged to such an extent that, in some places, the majority of the postmen, tram conductors, liftmen, etc., have been replaced by women.

There has been a vast increase in the work done in German industry, and, not unnaturally, industrial output has grown. The question is, has it grown commensurately with the growth in work performed? In the table overleaf we have

prepared three sets of indices. The first two, based on figures of the German Institute for Business Research, show, respectively, the total output of industrial goods and the total number of hours worked in German industry. It will at once be seen that, though the increase in output has been remarkable, it has perceptibly lagged behind the increase in working hours. The third index, that of the output per working hour, has shown a slightly falling trend since 1932.

The fall in industrial productivity may seem, at first glance, small, but it is surprising. Commonly, a rise in the scope of industrial employment, such as has taken place in Germany since 1933, is accompanied by an appreciably increased output per working hour—owing chiefly to a better utilisation of existing machinery; during the upswing period from 1925 to 1929 in Germany itself, for instance, output per working hour increased by about 29 per cent., and during the

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OUTPUT OF GERMAN INDUSTRY, 1932 TO 1938  
(Indices—1932 = 100)

|       | Total output | Hours worked in industry | Output per working hour |
|-------|--------------|--------------------------|-------------------------|
| 1932  | 100          | 100                      | 100                     |
| 1933  | 112          | 115                      | 97                      |
| 1934  | 142          | 151                      | 94                      |
| 1935  | 163          | 164                      | 99                      |
| 1936  | 182          | 183                      | 99                      |
| 1937  | 199          | 201                      | 99                      |
| 1938* | 203          | 208                      | 98                      |

\* 1938 figures exclude Austria and are only approximate.

recent years of recovery from the great depression similar increases were apparent in some of the most important democratic countries. For instance, the rise in productivity per employed person in British industry between 1930 and 1935 was approximately 27 per cent. By the British standard, a German working hour should have produced at least 20 per cent. more in 1938 than it did in 1932; actually it produced slightly less.

Nor is this unfavourable comparison all. It must be taken into account that German workers are compelled to work much harder now than they did when a network of trade unions and other labour organisations existed. They are pressed harder in every hour they work. Even the German factory inspectors do not hide the fact that "the intensity of work is generally high," and the records of social insurance organisations clearly demonstrate how the health of German workers has been adversely affected by increased physical and nervous strain. The average worker is forced to visit his doctor more often to-day than in 1932 (the increase is 28½ per cent.), and the number of deaths per 1,000 working-class families has increased by 18 per cent.

There are several factors which have combined to reduce productivity in German factories. The German Institute for Business Research has occasionally pointed to the fact that several concerns which were badly organised and closed down during the great depression reopened after the recovery. Even under "normal" economic conditions this reopening of inefficient factories might well have checked any increase in productivity for, say, at least a couple of years. But this factor is certainly not important enough to explain the low standard of general industrial productivity during the last seven years—especially when the output of certain special industries, such as the metal trades, has considerably increased.

Actually, it has been much more important in recent German experience that a lengthening of the working day—especially if it is not accompanied by an improvement in real wages—tends to lead to lower output per person. Sometimes this can be counterbalanced by forced intensification of work, but, in the case of Germany, the physical deterioration has outweighed the effect of the increasing tempo of work. And, moreover, the efficiency of the high-paid technical staff seems to have fallen during recent years.

The unusually unfavourable movement of the productivity index in the first two years of the Hitler regime may be put down to the artificial acceleration of economic recovery by certain measures of the Government. Vast numbers of workers were given work for which they were not sufficiently skilled and vast sums were wasted by an all-powerful bureaucratic system. It is true that the position became somewhat easier in 1934 and 1935; but, since then, the drive for economic self-sufficiency has led to the production of substitutes for several important raw materials such as wool, rubber, oil, etc.; and almost invariably the manufacture of these substitute goods has required a greater amount of human labour *pro rata* than the output of ordinary goods. At the same time, while the output of iron ores and other minerals has been increased, it has been done by the working of pits which, from an economic point of view, must be regarded as inefficient and wasteful.

The rake's progress does not end here. The use of substitutes has, in turn, hindered the productive process of many normal industries using them as raw materials. Most of the newly-invented substitutes have proved to be far inferior in quality to the materials that they replace; and, to take one instance, the thread in textile factories is breaking much more often than it did before 1932; and the waste in metal factories has risen.

At the same time, the amount of work required for non-productive purposes, such as secretarial work, has vastly increased with growing bureaucracy. The output of consumption goods has suffered by the concentration on the war industries; the destruction of Jewish property has also had a bad effect on productivity; and so on. And, in fact, the potential decline of productivity is probably even larger than

would be suggested by the calculation above. There is a time-lag, and some of the worst effects will not be felt until later on. This holds true, for example, of the deterioration in the scientific standard of technical students and also, to a certain extent, of the many substitutes that are only just coming into use.

No less important is the fact that there are certain general factors tending to lower the productivity of the German industrial community as a whole, factors which will, therefore, find little reflection in our statistics of actual industries. Large amounts of money have been invested, for instance, in the construction of new streets and houses, and it has been found impossible to complete them. They are now exposed to destruction through rain and storm, while the Reich is preoccupied with more important military duties.

Nor is there the slightest indication that productivity will improve in the immediate future, and the latest reports from German mines and railways reveal that the decrease of productivity is still going on. Some years ago, when there were still very large reserves of labour-power available in Germany, the decline in productivity did not need to be taken too seriously, because it might easily have been made up by an increase in the actual amount of industrial labour employed. Now, however, when there is virtually full employment, a further decrease in productivity must necessarily result in a simultaneous decrease in total industrial output.

Thus, even if peace is preserved, the present industrial "boom" in Germany is bound to come to a halt very soon, unless the Reich initiates a profound change in its economic policy. But, if Germany should decide to wage a war, her already falling industrial productivity may prove to be the most fatal deficiency in her *potentiel de guerre*.

August 26th.

## Factors in French Confidence

[FROM OUR PARIS CORRESPONDENT]

DURING the period 1935-37, when the expatriation of French capital was at its height, London was one of the principal refuges. But, in the recent fall, sterling and the franc have gone side by side. French prices maintain their favoured position against world prices. Flight abroad, in fact, is not a way out of present difficulties, and short-term Treasury bonds are preferred to hoarding. The stay-at-home tendency has been strengthened by the fact that the situation of the Equalisation Fund has been strong in recent months. And, in addition to the gold stock of the Bank of France, the French "war treasury" now contains about 3,000 tons of gold.

The Stock Exchange continues remarkably calm. Unfavourable news or rumours, military measures of security, calls to the colours, mobilisation of staff and factories engaged on war work, control of the press, and requisitioning of buildings, vehicles and materials have had no pronounced effect on quotations. Transactions are certainly at a minimum, but if there are no buying orders, there are no selling orders either.

An examination of the changes of the last twelve months, in which the two main features have been the internal economic recovery and the increased external danger, produces three main conclusions. The first is that French prices are opposing a firm resistance to the huge re-armament expenditure and increased taxation. The index of the cost of living is 128.7 for the second quarter of 1939, against 128.2 in the first quarter and 119.1 in the second quarter of 1938. Wholesale prices are still falling.

|                        | May 20 | June 3 | July 8 | July 29 | Aug. 12 | Aug. 19 |
|------------------------|--------|--------|--------|---------|---------|---------|
| Wholesale Prices:—     |        |        |        |         |         |         |
| General Index .....    | 696    | 693    | 687    | 677     | 672     | 671     |
| Home products .....    | 715    | 715    | 711    | 704     | 699     | 698     |
| Imported products....  | 661    | 653    | 645    | 629     | 624     | 623     |
| Foodstuffs .....       | 652    | 645    | 629    | 613     | 600     | 599     |
| Industrial products... | 734    | 736    | 739    | 733     | 735     | 735     |

Secondly, increased production and business activity have produced improved returns of taxation receipts, which amounted to 6,500 million francs in July, of which 6,315 millions were ordinary receipts, against 4,393 millions in June

and 5,010 millions in July, 1938. Receipts for the first seven months of 1939 are thus 31,240 millions, against 24,787 millions in the corresponding period of 1938.

Thirdly, while the economic and financial situation of the country is improving, largely under the influence of the favourable price trend, the political work of internal re-organisation pursued by MM. Daladier and Reynaud will be rendered much easier by the recent downfall of the Communists. These were severely hit by the fiasco of the general strike of November, 1938, and have now received the final blow with the Nazi-Soviet pact. There is actually no doubt that, whatever may happen, the Socialists will make considerable capital out of the "felony of Moscow."

### The Price of Wheat

The legal price of wheat for the 1939 crop has been fixed at 197.50 francs per quintal. The price will, however, be applied only to the 60 million quintals, corresponding to the home consumption. The net price paid to the producer (162 francs in 1938) will be much lower than the legal price. It will be fixed in November, when the result of the crop will be exactly known. First estimates of this year's crop are about 75 million quintals, which will adequately cover an official consumption of 70 millions. If the imports of North Africa (3 million quintals) and the remaining surplus of the 1938 crop (18 million quintals) are taken into account, the whole surplus will reach nearly 26 million quintals. Of this 10 million quintals have been bought by the Government, and a surplus of 16 million quintals will have to be disposed of by the Wheat Office.

August 31st.

## Jugoslavia's Self-Sufficiency

[FROM OUR BELGRADE CORRESPONDENT]

JUGOSLAVIA is making a systematic effort to gain as much economic independence as possible. This does not mean complete self-sufficiency. It is an effort to distribute economic activities, foreign trade, production and investment in such a way as to obtain a balance which would save Yugoslavia from becoming too dependent on any one country or kind of production.

This is most obvious in foreign trade. Having lost our trade connections with Italy at the time of sanctions, without a corresponding improvement in our exports to Great Britain and France, Yugoslavia drifted at one time towards a position of entire dependence, for the sale of our goods, on Germany. This was the more so because Germany, having fixed an artificially high exchange rate for the Reichsmark, paid Yugoslavia prices above world parity, which, of itself, prevented the sale to other countries of many articles.

The dangerous corollary of this was a shortage of free-exchange and a weakening of the dinar. During the first half of last year no less than 63.57 per cent. of Yugoslavia's exports and 69.50 per cent. of our imports passed through clearings, and of these 41.98 per cent. of exports and 40.03 per cent. of imports represented trade with Germany. Towards the end of the year the position became even more disadvantageous when Czecho-Slovakia, a cash-paying country, was incorporated within the German clearing area.

But, this year, largely by means of quotas and trade permits, Yugoslavia has not only succeeded in reducing the percentage of exports through clearing to 61.14 per cent., but also in distributing this, so that the German share comes to 26.92 per cent., or, together with the Czech share, to 39.56 per cent. That is rather less than last year.

The direction of foreign trade has become much more systematic, and at the same time more elastic, since the creation on July 1st of a special free-exchange committee at the National Bank. This committee has introduced three important measures to further exports to non-clearing countries, and thus enlarge Yugoslavia's fund of free-exchange.

By the first, the National Bank gives up its right to buy at the official rate one-quarter of the free-exchange deriving from export sales. While an exporter could previously obtain 258 dinars for three-quarters of his pound sterling, and for one-quarter the official rate of 208 dinars, giving him an average of 245 dinars, he now obtains the full 258. This measure is complemented by a second, giving exporters the right to sell 33 per cent. of their free-exchange for so-called

"internal" dinars, quoted at 340 to the pound. In this way an exporter now actually obtains about 285 dinars instead of the previous 245, the difference being roughly equal to a 15 per cent. premium on exports to cash-paying countries. The third measure is the grant by the National Bank to these exporters of credit at 3 per cent., instead of the usual 7-9 per cent., thus making up a further premium. The eventual aim is to balance exports to clearing and non-clearing countries.

### Production Measures

Parallel with these efforts, others are being made to diversify production, partly within agriculture itself and partly by developing a modest industry and exploiting our mineral wealth. Hitherto much has been done to encourage stock-raising as against pure arable farming, and more recently great attention has been paid to the raising of industrial plants, of which Yugoslavia cultivates flax, hemp, jute, sugar beet, oil seeds, tobacco, poppy, sunflower, hops, cotton, fleabane, soya, sesame and castor oil. The area under flax has been increased from 11,000 hectares in 1934 to 14,300 hectares in 1938, and that of hemp from 37,700 to 57,800 hectares. About 170,000 hectares are now devoted to industrial crops; a further 7.5 million hectares are under the plough, 750,000 hectares under fruit and 213,000 hectares under vines. The total of cultivable land is estimated at 5 million hectares: it is clear that much is still to be done.

Foreign capital, which has practically ceased coming in since 1931, is to be attracted by a third branch of practical policy. The National Bank is now setting aside a special fund of free-exchange to guarantee a fair dividend to new foreign capital. By the term fair is understood a dividend equal to the interest on State bonds, i.e. between 7 and 8 per cent. Higher dividends will not be forbidden, but no special free-exchange will be set aside for dividends above the limit mentioned.

An interesting instance of this new effort towards economic independence is the combination of foreign credits with State ownership in the case of the proposed erection of two cellulose factories. Out of a French credit of about 600 million dinars, between 120 and 150 millions will be sunk in these two factories. The Yugoslav State will hold the majority of the

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shares. But the sales agency will be in Paris, so as to enable the French to obtain repayment for their credit, and the Yugoslav Government to secure free exchange. Hitherto the production of cellulose in Yugoslavia has been 18,000 tons. These two new factories will produce 45,000 tons.

August 15th.

## U.S. Prices and Wages

[FROM OUR NEW YORK CORRESPONDENT]

IN the first half of 1939 (as in the previous year) the wholesale price index of the Bureau of Labour Statistics was remarkably steady, with a slow declining trend.

### B.L.S. PRICE INDEX (1926=100)

| First Half 1938    | Second Half 1938    | First Half 1939    |
|--------------------|---------------------|--------------------|
| January..... 80.9  | July..... 78.8      | January..... 76.9  |
| February..... 79.8 | August..... 78.1    | February..... 76.9 |
| March..... 79.7    | September..... 78.3 | March..... 76.7    |
| April..... 78.7    | October..... 77.6   | April..... 76.2    |
| May..... 78.1      | November..... 77.5  | May..... 76.2      |
| June..... 78.3     | December..... 77.0  | June..... 75.6     |

This index is not sensitive; but it is a little remarkable that a recovery movement as strong as that of the past year should have had so little influence on prices. The downward trend is most distinct in farm products, where the index fell from 71.6 in January, 1938, and 68.7 in June, 1938, to 62.4 in June this year. This index stood at 94.1 in March, 1937.

The cost of living, too, has moved downward. In January, 1938, the index of the National Industrial Conference Board was 87.5; in June, 1938, it was 86.7; in January this year it was 85.4; in June it was 84. In the highest months of 1937 this index stood at about 89, compared with a monthly average of 77.9 in 1932. There was almost no change in the cost-of-living index between 1923 and 1929, and it is now about 15 per cent. below the level of the 'twenties.

Yet, while the cost of living has fallen slightly since 1937, average hourly wages appear to have been maintained about the level reached during the remarkable upturn in 1936-37. The wage series compiled by the National Industrial Conference Board (for 25 industries) is the older of the two available, and shows the following annual averages:—

### AVERAGE HOURLY WAGE RATES (CENTS PER HOUR)

#### National Industrial Conference Board

|            |            |            |            |            |
|------------|------------|------------|------------|------------|
| 1929..59.0 | 1931..56.4 | 1933..49.1 | 1935..60.0 | 1937..69.3 |
| 1930..58.9 | 1932..49.8 | 1934..58.1 | 1936..61.7 | 1938..71.4 |

The National Industrial Conference Board reported average weekly earnings for 1929 as \$28.55, for 1937 as \$27.09, and for the first half of 1939 about \$26. That is, it would appear that, at the present time, industrial hourly wage rates were about 20 per cent. higher than they were a decade ago; but average weekly earnings were somewhat lower. Allowing for the fall in the cost of living, average weekly real wages are at least about equal to real wages ten years ago.

This introduces a perplexing problem. The working week in industry in 1929 was pretty well standardised at 48 hours. Legally it is now 44 hours, and will become 42 at the end of October. But many concerns have never been able to get back this high since the idleness of the depression, and others have adopted a more or less formal 40-hour (five-day) week. The average working week in 1937 was about 39 hours. The high hourly rates paid in a shorter week give a weekly money wage a little lower than in 1929 and a weekly real wage about the same as in 1929; and the worker gets some four or more hours of leisure—commonly in the form of a Saturday full or half-holiday. In addition, the practice of paid holidays has been extended.

The short week was adopted on the mathematical theory that it would employ more persons. On the evidence it can probably be stated, as categorically as any such statement can be made, that this theory has not been substantiated. The next question is whether the combination of high hourly wages and shortened week has increased costs of production. On this no categorical answer is possible. In some instances, technological innovation has fully made up for the shorter hours, enabling the individual workman or work-team to produce as much in 44 or 40 hours as previously in 48. But this has commonly required some additional investment in

equipment; and only the larger and more powerful firms have been able to do it.

This still leaves several questions open. One is whether the new technique applied to a longer week would not actually have cheapened costs and increased demand; another is whether the disparity in costs in these circumstances between the most efficient and less efficient units is not forcing a concentration of production, and driving the weaker concerns out of business—that is, increasing the number of marginal producers in a period of slack general demand.

In short, the simple facts are that we have had, first *de facto* and now *de jure*, a very short working week, coupled with high money and real wages. At the same time we have great unemployment, a persistently low and unstable level of production, and, on the average, low industrial profits.

August 21st.

## Canadian Uncertainties

[FROM OUR OTTAWA CORRESPONDENT]

MR MACKENZIE KING, Prime Minister of Canada, is still extremely nervous about the international situation and doubtful about the political complications which might confront him if war broke out in Europe while a general election was in progress in Canada. Accordingly he keeps postponing his decision about the holding of an election, and the voters are growing impatient. The business community, too, is complaining that trade is being hurt by the prolonged uncertainty. The public wishes to know where it stands.

In the economic sphere as well the outlook is far from certain. July witnessed a serious deterioration in the all-important wheat crop of Western Canada. Widespread and generous rainfalls in June seemed to have laid the foundation of a record wheat crop, but, during July, prolonged spells of severe heat, and the absence of any but trivial rainfall, produced a recurrence of drought, which, over large areas, has taken a heavy toll of the grain crops.

There is one curious feature of this year's wheat crop which has been puzzling both farmers and grain experts. What look like magnificent stands of wheat will give only very small yields because on many stalks only a few ears of grain are filled—and in many cases none at all. *The Winnipeg Free Press* reports a tract of 2 million acres in Eastern Saskatchewan which look as if they might yield 40 bushels per acre, but which in fact will be hardly worth cutting. The explanation given is that the abnormal moisture of June produced such a heavy growth of straw that, when no rainfall was forthcoming in July, the subsoil moisture reserves were drained away by the heavy stalks and never reached the ears of the grain to fill them.

Some relief from the drought came in the first week of August in the form of cooler weather and substantial rains. But, over a large area, the damage done is irreparable. As a result estimates of the Western crop, which, at the end of June, were placed as high as 500 million bushels, have now been sharply reduced; and *The Winnipeg Free Press* forecasts only 380 million bushels. This figure will admittedly be substantially above the wheat crop of 1938, and it will be about an average yield. But it is a great source of disappointment for the prairie grain-growers, who were counting on a bumper crop. The growers are guaranteed a price of 70 cents per bushel for No. 1 Northern, the highest grade, but the new crop is unfortunately not grading very well, and the average farmer, when he delivers his wheat at the elevator, may not get much more than 50 cents per bushel. And he will count that a very poor price.

Liberal politicians are afraid that their chances of saving their Western seats from the attacks of the Co-operative Commonwealth Federation and Mr Herridge's new democracy will not be improved by the serious decline in the fortunes of the Western grain crop. They are also alarmed about the activities of Mr Bracken, the Liberal-Progressive Premier of Manitoba, who, until recently their faithful and invaluable ally, now seems inclined to break away. As chairman of the Western Committee on Markets and Agricultural Rehabilitation, Mr Bracken was largely responsible for the pressure which forced the King Ministry, against its will, to raise the wheat price guarantee from 60 to 70 cents; and, some months ago, he concluded a barter deal with German interests, to which Mr Euler, the Federal Minister of Trade and Commerce, gave a very grudging acquiescence. Now he is organising a trade mission to Europe to do further barter deals—against the inclinations of the King Ministry and the likely wishes of Whitehall as well.

August 14th.

# THE BUSINESS WORLD

## Sterling Unpegged

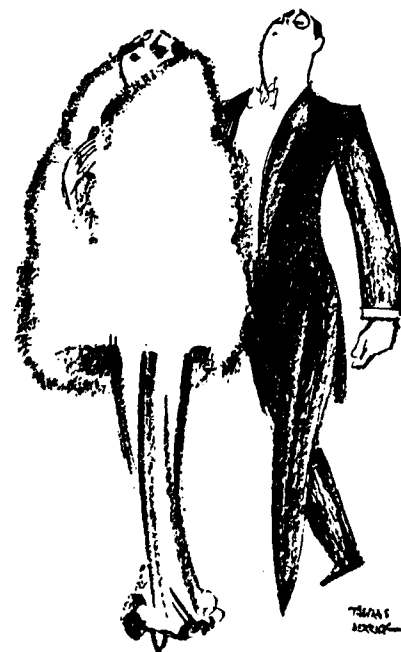
NOT least among the measures of defence undertaken by this country during the past ten days of crisis are those intended to safeguard our financial sinews of war. Of these, three stand out as being of fundamental character. They are, in order of chronology if not of importance, the raising of Bank rate to 4 per cent. on Thursday of last week; the unpegging of sterling exchange which followed on the next day; and, over the subsequent week-end, the Treasury order requiring the registration of securities held in this country payable in certain foreign and Dominion currencies and, concurrently with this order, the virtual suspension of dealings in such securities. The increase in Bank rate breaks a record of over seven years' standing. The decision to let sterling go free in the foreign exchange markets represents the first complete withdrawal of the Exchange Equalisation Account from the foreign exchange and bullion markets since the Account was created in 1932. The compulsory listing of foreign securities is the first step to a possible mobilisation of external assets such as occurred in the last war. The importance of each decision—whether judged by its precedents or by the length of the tradition which it breaks—is self-evident.

The rise in Bank rate and the unpegging of sterling exchange must be viewed from the same angle. They both betoken a determination among our financial authorities to eschew as far as possible the methods of rigid financial and price controls at least in the preliminary stages of the national emergency. To have left Bank rate at 2 per cent. at a time when the country was plunging towards war and full employment would have called for the immediate application of strict control of all rates of interest (including equity profits), and of prices and wages, if the dangers of inflation were not to be blatantly courted. Similarly, to have kept sterling pegged in terms of dollars at the previous level of about \$4.68 would have called either for further ruinous losses of gold (£43.9 millions of gold were exported between August 24th and 31st) or complete and rigid control of the exchange markets. In each case such controls may yet have to be applied. A long war of economic attrition would certainly render them inevitable. But, pending the inescapable necessity of recourse to the economic technique of the totalitarian state, there is a sound case to be made for applying the methods of a comparatively free economic and financial system—methods which have helped us out of tight corners before now.

The exchange problem was the crux of the immediate difficulties. Sterling had already developed symptoms of overvaluation at \$4.68 to the pound before the onset of the crisis. The prospect of our re-armament borrowing alone promised an unavoidable intensification of those symptoms. Added to this, the increasing tension of the international situation was putting on our currency the added strain of a considerable exodus of capital from this country. Speculative activity against sterling was kept down to small proportions owing to the unofficial embargo on other than commercial forward operations, and the domestic export of capital was held within equally negligible limits. But there remained in London large masses of foreign-owned funds—a considerable part of them belonging to countries in the "sterling bloc"—whose departure for conversion into dollars could put a wholly undesirable strain on the remaining resources of the Exchange Equalisation Account. Those resources had to be

conserved in view of the grave emergency that has been developing. To have established a control of sterling exchange, with all its paraphernalia of blocked sterling balances and ultimately of differential rates of exchange, would have created problems which could not have been satisfactorily solved as long as our currency held its pivotal position in a system of Empire currencies. The only alternative was to let sterling go free, to desist for the time being from further official intervention, to keep intact the gold reserve held in the Exchange Account, and to let the depreciated value of sterling provide the deterrent—if one was required—to further withdrawals of capital.

The decision to choose this alternative was made on Friday of last week. Within the space of a few hours the sterling-dollar rate, which for nearly eight months had been held at \$4.68 to \$4.68½, had fallen to \$4.35. Since then the rate has fallen as low as \$4.10 and has recovered to \$4.40—all without the slightest measure of intervention from the Exchange Account. Despite these considerable fluctuations, the Tripartite Convention still holds. The code of the agreement merely requires that notice of any change of policy be given to the other members, and that notice was



FORESTALLS

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SHELL for GO



duly given to the United States and France before the pound was unpegged. The forward market was similarly decontrolled, though subjected to an ever-increasing discriminatory scrutiny of operations by banks in the London market. The wish of the authorities that all speculative or hedging forward operations be discouraged has necessarily acquired greater weight during these critical days, and there have been times when that ban has been applied with such rigour that the forward market has virtually ceased to function. In spite of this restriction of dealings, the rates quoted in the forward market have moved against sterling, and the three months' premium on forward dollars has reached 6 cents. This widening of the forward premium can be tolerated with far greater equanimity with a 4 per cent. Bank rate than with the 2 per cent. rate, which for some months past has been persistently endangered by the yield obtainable on the dollar swap.

The fall in sterling has had its counterpart—though not a fully proportionate one—in the price of gold, which this week has risen to over £8 an ounce. The gold market has apparently been left as severely alone by the authorities as the foreign exchange market. In view of the uncertainties of the political situation and of such possibilities as cancelled sailings and an embargo on further exports of gold from this country, this abandonment of the gold market to its own devices might well have led to considerable confusion. That it has not done so says a great deal for the readiness with which the bullion market can adjust itself to abnormal conditions. There has been a considerable disbanding of gold, but every bar sold has found a buyer, though at prices which have ranged appreciably below the theoretical shipping parities to New York. Arbitrage operators, who have provided the main support of the market, have naturally allowed the risks they were running to reflect themselves in the price at which they bought, and though the price of gold this week has risen as high as 161s., it has ranged at a discount of up to about 5s. under the dollar shipping parity. Thus, provided the gold can be shipped to New York and is not called back when mid-way across the Atlantic, these arbitrage operations

should yield the profit which the risks they entail deserve.

To endeavour at this stage to assess the prospects of sterling is clearly a profitless pastime. Those prospects must in any case depend on the issue of war or peace, and then both on the range of transactions that will be allowed and on the readiness with which the authorities will be prepared to spend their reserves of gold and the foreign exchange mobilised through the holdings of foreign securities in this country. If sterling has appeared to find temporary resistance levels this week between \$4.20 and \$4.30, this should not be taken to indicate a purchasing power parity in that neighbourhood. The conditions under which the foreign exchange market has had to function during the week have been too abnormal to allow of such precise deductions. The pound may fall further, or, on the other hand, the rate may already have reached its nadir. All that can be said with complete confidence is that the Exchange Equalisation Account will not in the near future waste more of its gold in supporting the rate. And with almost equal confidence it can be said that there will be no return to the previously pegged rate of \$4.68—that level had become artificial well before the peg was withdrawn.

The fall in sterling is an international as well as a domestic problem. Its international character has already been reflected in the realignment of currencies formerly adhering to the fairly compact sterling *bloc*, of which the details will be found in a subsequent note. All that need be said of the incipient disintegration of the *bloc* is that it is unfortunate in so far as it may be the prelude to increased exchange instability, but that from the point of view of sterling it is not an unmixed evil. For some years past the British Exchange Equalisation Account had found to its cost that the adherence of certain foreign countries to the sterling *bloc* had been a factor of instability and not of strength. Many sterling *bloc* countries have panicked into and then out of sterling with the abandon of the most highly-strung speculator. Some of the hottest of London's hot money has consisted of the sterling reserves of the sterling *bloc*, and their partial disappearance will not be altogether a loss.

## The Crisis and Throgmorton Street

IN the nation-wide resistance to the "war of nerves," the Stock Exchange has played an important part this week. After several days of unrelieved tension, no trace of market confusion has to be recorded. Indeed, even on Tuesday—which might, without exaggeration, have been regarded as the eve of a second world war in a quarter of a century—security prices improved, and on Wednesday the atmosphere was positively buoyant. The absence of irretrievable political action, coupled with the existence of an extensive bear position, produced a sharp response in prices throughout the list.

Yet preparation has marched abreast with hope. The Stock Exchange Committee announced on Wednesday that, in the event of a decision to evacuate London, the "House" would immediately be closed, and the settlement of open bargains suspended "for a period which present intentions indicate may only be for a few days." The Committee's decision was taken, not for financial reasons, but rather in view of potential transport dislocation, during which members would be under no obligation to open their offices. Hence it became effective on Friday, when evacuation of children from vulnerable areas commenced. The Committee contemplates three sets of conditions after evacuation has been completed. So long as possible, the "House" will remain open. Secondly, when for the safety of members the "House" must be closed, business will be carried on as between offices. Thirdly, if business in the City becomes impossible, limited accommodation has been secured at Denham, which will

house the official departments which are necessary for business, "and may eventually provide a meeting place to serve the purpose of a market." Moreover, the Committee are considering the possibility of setting up an official department to undertake a large part of the clerical work involved in dealing under emergency conditions. It is evident, indeed, that the maximum centralisation of the machinery of dealing and transfer would be advantageous under crisis conditions, particularly as individual firms may be widely scattered. Many firms, however, have made emergency arrangements for the maintenance of contact with their clients through sub-offices, and for the safe keeping and duplication of essential records, and a central register of emergency addresses and telephone numbers has been opened by the Committee.

So much for emergency dealing organisation. The next steps concern the control of dealings themselves. Last week's issue of *The Economist* recorded the introduction of minimum prices in the gilt-edged market. This week has seen the issue of a Treasury Order, under the Defence (Finance) Regulations, which provides for the registration and restriction of transfer of certain classes of securities payable in foreign currencies. These comprise securities payable in the currency (either directly or by option) of any of the following countries:—

Argentina; Belgium; Canada; France; Holland and the Dutch East Indies; Norway; Sweden; Switzerland; and the United States.

Such securities may not be sold or charged without

Treasury permission. Secondly, they are to be registered at the Bank of England by holders within one month from August 27, 1939. The form S.1 provided for this purpose is to be completed in respect of each security and delivered (through banks or stockbrokers) to the Bank of England, and the registration certificate will be returned for attachment to the relative security. Subsequent transfers of such securities, if approved by the Bank of England, will be permissible, until further notice, to persons resident in the United Kingdom, but special application will be needed for proposed transfers to non-residents. For purposes of transfer, the original registration certificate must be returned, and the name of the new owner stated on form S.2. If no objection is raised to the proposed transfer, a new registration form, certified by the Bank of England in the name of the new owner, will be issued. Securities affected by the order will not be good delivery unless they are accompanied by a completed registration certificate. Finally, no action need be taken by non-resident owners.

Such, in brief, is the procedure for registration and transfer of so-called "foreign" securities. Actually, the classification adopted in the first instance clearly cuts across the usual definitions of foreign and domestic securities. Sterling obligations of foreign debtors are excluded; though obligations payable in foreign currencies, even if issued by British concerns, would come within the definition. These steps form an essential preliminary to plans for the mobilisation of overseas securities to finance the burden of war. Powers have in fact been taken, under the Defence (Finance) Regulations (though they have not been implemented), permitting the acquisition by the Treasury of all securities "which are likely to be marketable outside the United Kingdom," at not less than market values on the date of the making of the order. This machinery would not rule out the possibility that a scheme of lending securities to the Treasury might be introduced as in the Great War, but the fact that full powers of acquisition have already been taken suggests that outright purchase is the more probable, leaving the Treasury to deal with the securities at their discretion.

It is difficult to make any estimate of the total amount of securities in British hands as defined in the first order. Estimates made on a somewhat different basis, which were published in *The Economist* of August 12th, suggested that the total of readily mobilisable assets might be put at a provisional maximum of £1,172½ millions. But the authorities are to be commended for their prompt steps to prevent any wastage of essential assets through the unchecked sale of foreign security holdings. As we recorded three weeks ago, the first mobilisation scheme in the Great War was not in running order until the end of 1915. When it was terminated in 1919, it had handled securities to a total value of £622.6 millions. There is no reason, on what evidence is available, to suppose that a comparable total could not be achieved in case of need to-day, and much more promptly. Meanwhile, the formidable task of compiling the lists of securities affected has been proceeding this week.

To complete the story, similar figures for French overseas assets are needed. American sources put the total of French long-term investments in the United States at \$226 millions at the end of 1934, and this sum has since been increased to \$300 millions. The net capital movement to the United States from France from the end of 1934 to May this year was, however, as high as \$430 millions, of which \$312 millions consisted of short-term banking funds. The latter, being less easy to control, cannot be more than partially mobilised, but French financial resources, including gold reserves, have an important contribution to make to the mobilisation of economic strength.

Such measures towards the strengthening of external financial defence, however, have been allied with a measure of internal steadying power, in the form of minimum dealing prices in gilt-edged securities, home corporation and Dominion government issues. Both on Tuesday and Wednesday this week, however, dealings were maintained at prices appreciably better than the minimum levels. Details of selected stocks are given on page 472. It is scarcely useful, therefore, to discuss anomalies between minimum prices, which were fixed on the basis of the lower quoted

price on August 23rd, whereas Bank Rate was not raised until August 24th. Some adjustments of a one-way character occurred in this week's dealings. The rise in Conversion 4½ per cent. 1940-44 to 101½ reduced the redemption yield approximately to a 4 per cent. basis. At the same time, the long-dated and irredeemable gilt-edged leaders experienced an adjustment of yield from a 4 per cent. basis to 3½ per cent. But while adjustment of relative yields has been possible by an upward movement in prices, anomalies will return if dealing prices react (as they did on Thursday) or if minimum prices again become effective. The pegs have been inserted, but they cannot be regarded as immovable.

With the preoccupation of the crisis, however, investors have been able to give little thought to the consequences of the termination of cheap money, which was implicit in last week's Bank rate decision. In principle, it is an adverse development for gilt-edged and only of relative assistance to general equities. To labour this formal distinction would be foolish—the more so since even the events of the past week have failed to produce any startling rise in commodity prices. To this statement there is one important exception: the rise in the sterling price of gold. With sterling free to oscillate—as it did, on Monday and Tuesday, between \$4.10 and \$4.40—there can be no permanence in any gold price. After jumping from 148s. 5d. on Thursday last week to a record level of 161s. on Monday, the price dropped at Tuesday's fixing to 157s. and partially recovered to 159s. on Thursday. Such movements are not of prime importance in themselves. But they do illustrate the probability that gold has been established, if not permanently, at least for a considerable time, at a higher price.

The fact was not lost upon gold shares, but its significance was sharply diminished on Wednesday by the declaration of the South African Government of its intention to appropriate all gold premiums over 150s. per fine ounce with the avowed object of preventing speculation. Although legislation will not be introduced until 1940, the provisions will be retrospective. They are certainly drastic. The merits of the Union's taxation policy, introduced after the South African pound was devalued, are arguable, but at least it enabled the mining companies to obtain some benefits from the higher gold price by suitable modification of mining practice. The latest decision will leave the mining companies with no advantage, although the higher gold price is not due to any sovereign act of the Union. Meanwhile, the companies will be exposed to the risks of higher costs or forced to make detrimental changes in mining policy, or compelled to abandon development programmes.

If these interpretations are correct, one of the chief hedges against rising prices and domestic industrial war risks will have been removed by the Union's decision. By the fortuitous combination of control of overseas investment (which might, of course, be extended to cover gold shares), and the latest action of South Africa, therefore, the investor's potential field for war-time operations has been largely restricted to British and Dominion Government securities, home railways and home industrial shares. Control is already in being over a wide area of the investment field. There is little opportunity or incentive for major changes in investment policy. Whether this week's technical rebound and unexplained optimism are justified still remains in the balance. Thursday's reaction at least suggested doubt on that point. Whatever the outcome, the average investor has made his dispositions to cover the event of war and he will not be prepared to change them without conclusive evidence.

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# Finance and Banking

**Bank Rate Adjustments.**—The money and discount markets are gradually adjusting themselves to the higher level of Bank rate. Few members of the market profess to understand or appreciate the "rationale" of last week's increase in the official rate, but that may be partly accounted for by the fact that the sudden jump in market rates has brought considerable loss to every house concerned. Such losses, however, are the inevitable accompaniment of any period of rising money rates and on balance are offset by the windfall profits that occur when rates are falling. Those profits should, of course, be placed aside in special reserves against just such an eventuality as has occurred. After three months have elapsed—assuming that there is no further increase in Bank rate—the market will have ceased to turn over its bills at a loss and some of the bitterness of the recent comments on official policy should have toned down. The open-market rate, which immediately shifted to  $3\frac{1}{2}$ – $3\frac{3}{4}$  per cent. after the higher Bank rate announcement, has this week remained approximately at this level. The tendency as the week proceeded has been for money and bill rates to ease slightly, and the movement of the latter has been helped both by the official buyer and by some of the clearing banks, which have taken November bills at  $3\frac{1}{2}$  per cent. The clearing banks have adjusted their short-loan rates to 3 per cent. for money against bills and  $3\frac{1}{4}$  per cent. for loans secured by bonds. The privileged position formerly held by Treasury One's as security for clearing bank loans no longer obtains. Similarly, the eligibility of Conversion  $4\frac{1}{2}$ 's as collateral for loans from outside lenders at privileged rates has disappeared. Under the conditions which have obtained this week the tacit assumption has been made to regard these bonds as a 1944 and not a 1940 maturity. This means that the houses which had in recent years decided to include them in the bill portfolio will probably have to re-transfer them to the investment item—a possibility which should be borne in mind when considering the next batch of discount company balance sheets.

**The Sterling Bloc.**—The decision of the British authorities to let sterling go free, and the considerable fluctuations in its value in terms of gold and the dollar which followed that decision, were bound to loosen the ties binding that already loose conglomeration of currencies known as the sterling bloc. By the end of this week it is possible to discern approximately how far the cohesion of this group has withstood the buffeting of recent events. The Empire currencies remain as firmly bound to sterling as they previously were. The Canadian dollar, of course, continues to move in rough accord with its United States namesake—but that was to be expected. The only currency in the Empire group whose behaviour might have given rise to some doubt was the South African pound, and here all doubt was removed on Wednesday by the announcement that the currency would remain pegged to sterling, an announcement which accompanied the more surprising news that the South African Government proposed to appropriate to itself any increment in the value of newly mined gold over and above 150s. per ounce. The depreciation of sterling was made the occasion for the application of a rigid control of the Australian pound and for drastic limitations of the sums that can be withdrawn for private and business remittances from the Commonwealth. These restrictions must be regarded as in the nature of precautionary measures. They are not urgently called for by the state of the London funds, which is still reassuring. Among the Scandinavian currencies, the Swedish crown was the first to break the link with sterling. All along Sweden has been the most restive member of the sterling group and has threatened resignation on more than one

occasion in the past. Finland and Norway soon followed Sweden's lead given at the end of last week. But Denmark, with her closer economic ties with Great Britain, is hesitating before taking the plunge, and the politically powerful farmers' organisations are pressing for the maintenance of the rate of Kr. 22.40 to the pound. The first three of these Scandinavian currencies have during the past few days been following a diffident course about half-way between the dollar and sterling. Japan adheres to the sterling bloc and the 1s. 2d. sterling peg with grim tenacity. The yen was in dire need of devaluation, and the depreciation of sterling gives the Japanese authorities a chance of satisfying that need without the slightest loss of face. Here is a cause for gratitude which may find its reflection in the political relations between the two countries. The most interesting of all exchange movements in the recent days of instability has been the complete correspondence between movements in sterling and French francs. After a slight appreciation of the franc from 176½ to 175½ the franc has been pegged rigidly at this figure. The franc is more definitely than ever before a member of the sterling bloc, and a most welcome member, given the weight of the gold reserve that lies behind it.

**The Clearing House Leaves London.**—The rapidity with which the higher Bank rate has become effective has been due not only to the prevailing political uncertainties but to the extreme scarcity of credit that was apparent during the first few days of the higher rate. For this tightness of money, which reached a point where the market was nearly forced to borrow at the Bank of England, two main causes are responsible. In the first place there was the additional demand for currency, shown in the expansion of the Bank of England circulation by £21,435,097 over the past week to the new high record of £529,498,805. Although part of this increase represented the precautionary building up of provincial tills by the big banks and therefore did not represent so much deduction from bank cash, enough of it found its way into public hands to have a marked effect on the bank cash position. The second and more interesting cause of the tightening of credit this week has been the removal to Stoke-on-Trent of a considerable part of the London Clearing House. The Country, Metropolitan and part of the Town clearings have this week been handled outside London and only the clearing of Town cheques paid into Town branches has remained here. The removal of this vast and intricate piece of machinery to a point 150 miles from London could hardly be expected to take place with perfect smoothness and in fact delays in clearing have occurred and persisted well beyond the interval that was anticipated. The increase of cheques in course of collection has tended to immobilise credit, and though in the aggregate this factor should have left the cash position unaffected, it has in fact played a considerable part in depriving the clearing banks of full command of the cash which the authorities—viewing the total of bankers' balances at the Bank of England—thought the banks had at their disposal. The fact that certain Colonial and Dominion banks have already evacuated to the country or the suburbs has also helped to retard the velocity of circulation of credit in the City and made for greater scarcity of funds. But as the week proceeded, the short-loan position eased considerably, and whereas up to 4 per cent. was paid for day-to-day money on the first two days of the week, balances were being offered at down to 2½ per cent. by Wednesday. Meanwhile, it is announced that the weekly figures of bank clearings will not be published for the time being, owing to the general dislocation of business.

**Irish Banks' Returns.**—The returns for the banks operating in Eire for the June quarter, published by the Currency Commission, are as shown in the following table.

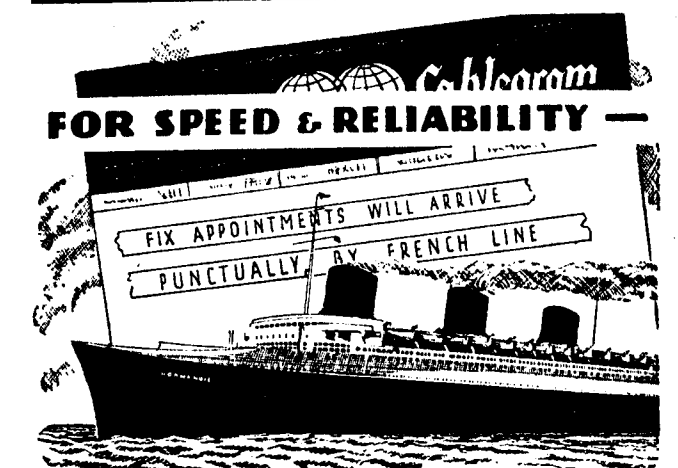
|                                                                    | June, 1938     | March, 1939    | June 1939      |                |                |
|--------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
|                                                                    |                |                | In Eire        | Elsewhere      | Total          |
| <b>Liabilities:—</b>                                               |                |                |                |                |                |
| Capital, reserves, etc.                                            | 17,463         | 17,513         | 10,330         | 7,152          | 17,482         |
| Notes in circulation                                               | 8,975          | 8,939          | 5,147          | 4,001          | 9,148          |
| Current, deposit and other accounts                                | 162,626        | 159,084        | 114,434        | 43,429         | 157,863        |
| Other liabilities                                                  | 6,086          | 5,353          | 3,322          | 2,967          | 6,289          |
| <b>Total</b>                                                       | <b>195,133</b> | <b>190,889</b> | <b>133,233</b> | <b>57,550</b>  | <b>190,783</b> |
| <b>Assets:—</b>                                                    |                |                |                |                |                |
| Cash and balances with London agents and other banks               | 13,366         | 13,686         | 5,710          | 8,513          | 14,223         |
| Money at call and short notice                                     | 13,431         | 8,297          | 2              | 8,971          | 8,973          |
| Bills                                                              | 6,579          | 8,221          | 6,822          | 1,137          | 7,953          |
| Loans and advances                                                 | 73,225         | 73,111         | 47,359         | 25,318         | 72,677         |
| <b>Investments:—</b>                                               |                |                |                |                |                |
| (a) Government                                                     | 70,835         | 69,740         | 4,068          | 64,301         | 68,369         |
| (b) Other                                                          | 9,827          | 9,837          | 4,157          | 6,037          | 10,194         |
| Other assets                                                       | 7,867          | 7,992          | 3,363          | 5,025          | 7,388          |
| <b>Total</b>                                                       | <b>195,133</b> | <b>190,889</b> | <b>71,482</b>  | <b>119,301</b> | <b>190,783</b> |
| <b>Excess of assets outside Eire over liabilities outside Eire</b> | <b>67,298</b>  | <b>63,492</b>  | <b>...</b>     | <b>...</b>     | <b>61,750</b>  |

The continued fall in deposits is an unhealthy symptom which undoubtedly reflects the difficulties of the farmers, who are still driven to depleting their savings to pay current outgoings. The fall cannot be explained by any withdrawal to invest in new issues such as occurred last year. The increase in cash reflects the desire to keep in an exceptionally liquid position in a period of grave international tension. The increase in bills is accounted for by the growing volume of Exchequer bills issued by the Irish Government. Government and other investments in Eire show substantial increases, and these items may be expected to expand still more in the future with the development of further borrowing by the State and local authorities. The shrinkage in the net sterling assets is surprising and disappointing in view of the improvement that has taken place in the balance of trade. It is to be regretted that the Currency Commission does not issue some explanatory elucidation of the tendencies disclosed by its excellent statistics.

**Insurance Preparations.**—As from Monday this week the provisions of Part II of the War Risks Insurance Act have been in operation. Traders have thus been able to register at a nominal fee, to cover stocks of goods in this country against King's Enemy risks in wartime. The principal insurance companies and Lloyd's have been authorised by the Board of Trade to receive applications for registration, and the goods of traders so registered will be held covered from the date of hostilities, subject to payment of premiums to be determined. Steps have been taken to prevent the granting of open contracts covering Pool war risks for short periods, which is contrary to the Pool understanding. Underwriters reinsuring with the war risks cargo pool have accordingly been reminded that no open contracts covering Pool war risks only should be issued for a period of less than three months. Lloyd's underwriters have decided to vest dollar premiums in an American trustee, in order to safeguard the payment of dollar claims. Further increases in non-Pool rates have been made this week by the joint committee of Lloyd's and Company underwriters, as a result of which the Mediterranean voyage additional premium has been further raised from 20s. to 40s. per cent., and Atlantic voyages, previously rated at 10s. per cent., are raised to 20s. outward and 30s. inward. Apart from the lamentable absence of a property war risks scheme, insurance preparations are in an advanced state.

**The Bank's Gold Revaluation.**—The elastic mechanism for revaluing the Bank of England's gold reserve and adjusting the note circulation, provided by the

Currency and Bank Notes Act of 1939, received its first serious test this week. The gold, which a week ago had been valued at 148s. 6d., was this week revalued at 158s. 6d. The surplus thus created amounted to £16,594,000. The authorities chose, in view of the exceptional demand for currency, to allow this surplus to swell the gold reserve of the Issue Department, thus creating an equal additional amount of notes, which were paid over to the Exchange Account in accordance with the provisions of the Act, and then were redeposited by the Account with the Bank of England. The simple result of these devious movements has been to increase the total of notes outstanding by £16,594,000, to swell Public Deposits by a like amount and to make the additional notes available for the strengthening of the reserve in the Banking department. How necessary such strengthening was is revealed by the latest Bank return, which shows the active circulation up by £21,435,000 to a new high record level. The rise in the circulation is all the more significant as there should at this time be some reflux of notes from holiday circulation and as during the past week there has been an appreciable return of Bank of England notes from Continental hoards. The reserve of unissued notes shown in the latest Bank return is £34,249,000, and had it not been for the transfer of £20,000,000 of gold from the Exchange Account to the Bank at the beginning of July and for the revaluation of the gold holding made last Wednesday, the reserve in the Banking department would have been exhausted and £2,000,000 in deficit. Public deposits, although they benefited from the gold revaluation to the extent of £16,594,000, are only £8,696,000 up on the week. This discrepancy is partly due to the effect of open-market purchases of securities made on official account. The Bank of England has also been a buyer of securities so as to neutralise the effect of the expanding circulation, and its holdings of Government securities has risen by £13,460,000 over the week. The net result of these movements is to leave bankers' deposits £1,989,000 lower at £90,143,000—a level which helps to explain the serious shortage of cash felt in the money market during the first part of the week.



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SOUTHAMPTON—NEW YORK WEEKLY

NORMANDIE  
September 8

DE GRASSE  
September 9

TCHAMPLAIN  
September 16

NORMANDIE  
September 20

† This ship calls at Cobh.



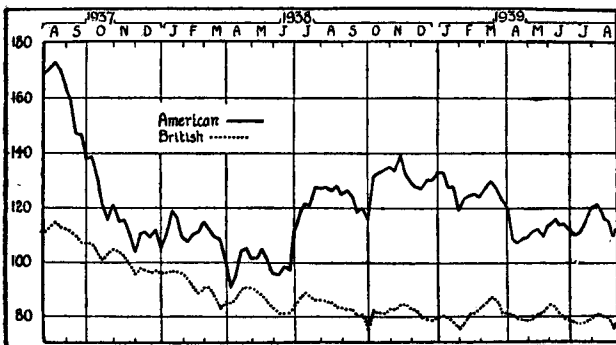
# Investment

**Resolute Markets.**—It may be argued that the Stock Exchange has been deceiving itself this week, but the fact is inescapable that as the crisis has lengthened, hopes have revived, and with that revival prices have made a sharp response. Under present technical conditions, hope, however insubstantial it might be, was bound to produce that result. Trading has naturally been restricted to the

## BRITISH AND AMERICAN INDUSTRIAL SHARE VALUES DURING THE PAST TWO YEARS

(July 1, 1935 = 100)

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



minimum, and brokers' activities have been concentrated on the establishing of emergency sub-offices and the safeguarding of records. Even with imminent apprehension of war, American and British security prices are no lower, on the average, than in April and February respectively this year. Viewed against the political background, indeed, the stock market's behaviour during the past month has shown astonishing composure. The accompanying chart reveals,

indeed, that the rate of decline both in London and New York was in no way more severe than in earlier reactions this year.

The market, however, would be hard put to find positive reasons for this week's price movements, though some investors translated wishful thinking into new buying on Wednesday. The following table, which includes leading securities in all sections of the Stock Exchange list, shows the widespread extent of the gains:—

| Name of Security          | Minimum Price | Aug. 24, 1939 | Aug. 25, 1939 | Aug. 28, 1939 | Aug. 29, 1939 | Aug. 30, 1939 | Aug. 31, 1939 |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Consols. 2½% .....        | 62½           | 62½           | 62½           | 62½           | 62½           | 62½           | 65            |
| War Loan 3½% .....        | 88½           | 88½           | 88½           | 88½           | 88½           | 88½           | 90½           |
| Conversion 2½% 1944-49    | 93½           | 94½           | 93½           | 93½           | 93½           | 93½           | 93½           |
| Conversion 4½% 1940-44    | 100½          | 101½          | 100½          | 101           | 100½          | 101½          | 101           |
| Sep. 28 1938 Low          |               |               |               |               |               |               |               |
| German 5% .....           | 19½           | 23            | 23½           | 23½           | 25            | 29½           | 29            |
| Japan 5½% 1930 .....      | 35            | 34            | 37            | 39            | 40            | 45            | 44            |
| G.W.R. ord. ....          | 33            | 26½           | 26½           | 26½           | 28½           | 28½           | 26            |
| L.M.S. 1923 pref. ....    | 24½           | 33½           | 33½           | 33½           | 37½           | 37½           | 36½           |
| L.N.E. 2nd guar. ....     | 52½           | 54½           | 54½           | 54½           | 55½           | 56½           | 55            |
| Southern pref. ord. ....  | 50            | 56            | 56            | 56            | 57            | 58            | 56            |
| B. Am. Tob. (£1) .....    | 3½            | 4½            | 4½            | 4½            | 4½            | 4½            | 4½            |
| Brit. Oxygen (£1) .....   | 3¼            | 3½            | 3½            | 3½            | 3½            | 3½            | 3½            |
| Courtaulds (£1) .....     | 26½           | 26½           | 27½           | 27½           | 28½           | 28½           | 28½           |
| Dunlop (£1) .....         | 22½           | 25½           | 25½           | 25½           | 26½           | 27½           | 27½           |
| I.C.I. (£1) .....         | 26½           | 28½           | 29½           | 29½           | 30½           | 30½           | 29½           |
| Marks and Spencer (5s.)   | 42½           | 55½           | 55½           | 55½           | 56½           | 58½           | 58½           |
| Tube Invest. (£1) .....   | 70½           | 87½           | 85½           | 85½           | 85½           | 86½           | 86½           |
| Vickers (10s.) .....      | 17½           | 16½           | 16½           | 16½           | 17½           | 17½           | 17½           |
| Sub Nigel (10s.) .....    | 10½           | 10½           | 10½           | 11½           | 10½           | 10½           | 10½           |
| West Wits. (10s.) .....   | 4½            | 3½            | 4             | 4½            | 4½            | 4½            | 4½            |
| Rhokana (£1) .....        | 9½            | 10½           | 10½           | 11½           | 11½           | 11½           | 11½           |
| "Shell" Transport (£1)... | 31½           | 31½           | 31½           | 31½           | 31½           | 31½           | 31½           |
| Trinidad Leaseholds (£1)  | 47½           | 37½           | 31½           | 41½           | 41½           | 41½           | 41½           |
| Allied Sumatra (£1) ..... | 11½           | 13½           | 14½           | 14½           | 15½           | 15½           | 15½           |
| Financial News Indices—   |               |               |               |               |               |               |               |
| Ordinary shares .....     | 73.7          | 74.1          | 74.8          | 75.3          | 77.5          | 78.8          | 77.5          |
| Fixed interest secs. .... | 120.0         | 112.6         | 112.1         | 111.7         | 112.1         | 113.4         | 113.4         |

## MONEY MARKET NOTES

THE first tender for Treasury bills made under the 4 per cent. Bank rate resulted in a full allotment of the £30,000,000 on offer at an average rate of £3 14s. 5.44d. per cent. The market syndicate obtained only 4 per cent. of its applications for bills up to Wednesday of this week, but its applications were satisfied in full for other dates of the week. This meant an average allotment of about 55 per cent. The market had therefore few payments to make for bills over the first part of the week, a feature which accorded with the fact that there were no maturities on Monday or Tuesday. The banks have been small buyers of bills, taking Novembers at 3½ per cent., but their requirements were soon satisfied.

The dollar has ruled the foreign exchange market during the past week and has pulled with it every rate other than that of currencies in the sterling bloc—and even some of these. Belgas, guilders and Swiss francs have followed the trend fairly closely. So have currencies so nominally on gold as reichsmarks and lire. But in most cases the market has been almost nominal. Telephonic difficulties have placed a severe handicap on arbitrage operations, while the acceptability of "names" has also been a serious deterrent on business. Belgas have appreciated to 25.25, guilders to 8.07 and Swiss francs to 19.05. The French franc has been pegged to sterling at 175½ to 175¾.

The gold market, after being thrown

in confusion by the depreciation of sterling tended to settle down during the latter part of the week and the price has returned to within 2d. of the parity. The process of fixing has provided great difficulty owing to the vagaries of the dollar rate and the difficulty of dealing in large figures at a predetermined rate. By Thursday very little privately-held gold was coming out, and the market is likely to narrow considerably next week.

In silver, London has continued to dictate to New York, whose market price has day by day been adjusted to the London parity. After strengthening to 19½d. on Tuesday on further Indian buying, the spot quotation has fallen back to 18½d.

## MONEY MARKET RATES

|                                | Sept. 1, 1938 | Aug. 24, 1939 | Aug. 31, 1939 |
|--------------------------------|---------------|---------------|---------------|
| Bank Rate .....                | 2             | 4             | 4             |
| London Deposit Rate ..         | 1½            | 2             | 2             |
| Short Loan Rates:              |               |               |               |
| Clearing Banks .....           | 1½-1*         | 3             | 3-3½†         |
| Others .....                   | 5½-3½         | 3             | 3½            |
| Discount Rates:                |               |               |               |
| Treasury Bills (3 mth.)        | 1½            | 3½            | 3½-3½½        |
| Three months' bank bills ..... | 17½-9½        | 3½-3½         | 3½-3½½        |

\* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. † 3½ 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. † Viz. 3 per cent. for loans against Treasury bills and British Government securities; 3½ per cent. for loans against other collateral.

## THE BANK RETURN

|                         | Aug. 31, 1938 | Aug. 16, 1939 | Aug. 23, 1939 | Aug. 30, 1939 |
|-------------------------|---------------|---------------|---------------|---------------|
| Issue Dept.             |               |               |               |               |
| Gold .....              | 326.4         | 246.6         | 246.4         | 263.0         |
| Value per oz. fine      | 85s.          | 148s. 7d.     | 148s. 6d.     | 158s. 6d.     |
| Notes in circulation .. | 480.4         | 512.4         | 508.1         | 529.5         |
| Banking Dept.:          |               |               |               |               |
| Reserve ..              | 47.3          | 35.0          | 39.2          | 34.2          |
| Public Depts.           | 27.8          | 27.5          | 22.4          | 31.1          |
| Bankers' Depts.         | 94.7          | 94.7          | 92.1          | 90.1          |
| Other Depts.            | 36.4          | 35.7          | 36.2          | 39.0          |
| Govt. Secs.             | 102.1         | 111.6         | 99.7          | 113.1         |
| Dis. & Adv.             | 5.4           | 5.9           | 5.7           | 6.4           |
| Other Secs.             | 22.3          | 23.5          | 24.3          | 24.6          |
| Proportion              | 29.7%         | 22.1%         | 26.0%         | 21.3%         |

## THE BULLION MARKET

| Date     | Gold               |          |               | Silver                 |      |
|----------|--------------------|----------|---------------|------------------------|------|
|          | Price per fine oz. | Discount | Amt. dealt in | Price per oz. standard |      |
| 1939     |                    |          |               |                        |      |
| Aug. 25† | 150 6              | 4 6      | 457           | 20½                    | 20   |
| " 26†    | 155 0              | 3 0      | 202           | 20½                    | 19½  |
| " 28†    | 161 0              | 3 0      | 746           | 19½                    | 18½½ |
| " 29†    | 157 0              | 2 9      | 835           | 19½                    | 19½  |
| " 30     | 158 6              | 0 2      | 479           | 19½                    | 18½½ |
| " 31     | 159 0              | 0 3      | 429           | 18½                    | 18½  |

\* Above or below American shipping parity.  
† Price fixed on demand and supply basis. The discount shown has been calculated on the basis of the dollar rate at the moment of the fixing.

By mid-week sharp rises in gilt-edged had left minimum dealing prices as much as three points behind in some cases. But many of the improvements in equities were scarcely less spectacular. Thursday's news of evacuation of schoolchildren (with its corollary that the "House" was to close on Friday), however, introduced a note of sharp realism which checked the somewhat ingenuous recovery displayed in earlier dealings. Whether the issue be war or peace, however, the Stock Exchange and investors are well prepared. And the technical dislocation, if war comes, should be less profound than it was in 1914.

**Registration of Securities.**—The outline of the Order for registration of certain securities payable in free currencies, and the wider powers of restriction and acquisition under the Defence (Finance) Regulations, are discussed in a leading article on page 439. It remains to consider certain technical points which have arisen under the scheme. In the first place, the erroneous impression is held in some quarters that registration is voluntary. It must, of course, be emphasised that the onus lies on owners of securities payable in the currencies specified to make the return to the Bank of England within one month from August 27, 1939. In many cases that task will be undertaken by brokers and bankers, with whom owners of securities concerned in the order would be wise to co-operate. Secondly, there is no exemption of particular owners according to nationality, but only according to residence. Hence, only those owners who since the beginning of August 26, 1939, were not resident in the United Kingdom are relieved of obligation. Thirdly, securities of the classes mentioned are returnable, whether held in this country or elsewhere. Some confusion has been caused by the reported inclusion of certain bearer mining shares under the Order, and dealings were actually suspended for a time on Wednesday. But since dividends on such securities are not payable in any of the currencies specified in the first Treasury Order, their registration at this stage is clearly not called for. Again, certain lists, published unofficially, of securities supposed to come under the Order are inaccurate in certain important respects. The inclusion of "Shell" Transport bearer shares, for example, on the ground that arrangements exist for payment of coupons in foreign centres, ignores the fact that dividends are originally payable in sterling. But holders will appreciate that under the Defence (Finance) Regulations, the Treasury may prohibit dealings in any securities which in their opinion are likely to be marketable outside the United Kingdom, and since that possibility certainly attaches to mining and other shares, they may form the subject of later Orders.

**Wall Street's Doubts.**—Except on Tuesday this week, Wall Street displayed none of the confidence exhibited by London. Sensitivity to European news, however, is the more usual rôle of Wall Street, and in the past week such caution has had the more justification. Yet, as the following table shows, average prices at Thursday's close were higher than a week earlier:—

|           | Trading Volume (Shares) | Dow Jones Industrial Average |
|-----------|-------------------------|------------------------------|
| August 24 | 1,290,000               | 131.33                       |
| August 25 | 690,000                 | 133.73                       |
| August 26 | 520,000                 | 136.39                       |
| August 28 | 670,000                 | 134.66                       |
| August 29 | 480,000                 | 137.39                       |
| August 30 | 500,000                 | 136.16                       |
| August 31 | 460,000                 | 134.41                       |

In part, this achievement may be due to a better reading of domestic news. But probably the withdrawal of the threat of heavy liquidation from London, owing to this week's measures of control, has played an even greater part. With more favourable trade indications, officially underlined by the Acting Secretary of the Treasury, the Wall Street operator is fortunate in having double option, covering either war or peace.

**European Bourses and the Crisis.**—Since the crisis gathered impetus from the middle of August, foreign markets, with the notable exception of the Berlin bourse, have followed the same course, with but slight variations, as London. In Amsterdam, the news of the Russo-German pact struck a market already depressed by Dutch political difficulties, the Mendelssohn affair, and a confused political situation in Europe and the Far East. The immediate reaction was one of unsettlement, accompanied by a precautionary marking down of prices rather than heavy liquidation, the *Telegraaf* combined share index falling from 199.3 on August 18th, to 193.74 on August 22nd. The downward drift of prices called for intervention by the Bourse Committee, but the reversal of sentiment during the past week, based on hopes apparently with no more explicit foundation than those which have reinvigorated the London markets, was followed by a recovery in the *Telegraaf* index to 197.30 on August 30th. Thanks to the general confidence in France's financial strength and to an excellent technical position, the Paris bourse displayed a firm tone immediately before the Russo-German pact announcement. Rumours (obviously instigated from foreign sources) of the effect of the Mendelssohn affair on the Government's credit had very little effect on prices, but following the pact prices were considerably marked down, the *Paris-Midi* stock index falling five points on the day to 211.3. But though the index touched 205.5 on August 24th, no attempt was made by the bourse to fix minimum prices—a gesture of confidence rewarded in this week's rally which raised rentes above the lowest while the *Paris-Midi* index rebounded to 213.7, despite France's extensive defence preparations. Sentiment on the Berlin bourse has provided a marked contrast to reactions elsewhere. Prices became increasingly buoyant as the campaign against Poland grew in intensity, reflecting the markets' complete confidence in Herr Hitler's ability to find a bloodless solution. Prices, after the announcement of the pact, moved irregularly, leading steel issues losing fractionally, but the apparently improved strategic position of the Reich was soon translated into higher prices; gains over the previous weeks being more than maintained in the majority of cases; but second thoughts have brought at least an equal degree of reassurance to the democratic bourses. The usual monthly tables of price movements on the leading bourses commence on page 461.

**Bank Rate and Building Societies.**—The adjustment of money rates to a 4 per cent. bank rate has already taken place, but the effect on the long-term capital market has yet to be tested. Meanwhile investors in savings institutions may be speculating, amid graver preoccupations, on the difference which the change may make to their interests. It may be expected that building societies will act as far as possible in collaboration in deciding what changes, if any, are to be made in mortgage and deposit

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rates. But no action has yet been taken, at any rate among the larger societies, and it is clear that a general adjustment of rates would be inappropriate or difficult to arrange until the immediate crisis has passed. In recent years, mortgage agreements have frequently contained a clause allowing the individual society concerned to call upon borrowers to pay additional interest during any period when bank rate exceeds  $3\frac{1}{2}$  per cent., to the extent of the actual excess. Thus some societies would at present be entitled to require the payment of an additional  $\frac{1}{2}$  per cent. from borrowers to whom the clause applies, but it is an option which is regarded as a safeguard and not as an actual formula. Hence it does not necessarily follow that the right would automatically be exercised. The question, however, is linked in the long run with that of interest rates required to maintain an adequate volume of shares and deposits, and competition with other savings institutions or control of national savings, might eventually call for a revision of building society interest rates, whether paid or received. Until it is certain whether it is peace or war, and until the future price of new capital is more clear, it would be futile to guess what these changes might mean for building societies. But minor adjustments in new mortgage rates, at least, would cause little surprise, and they may, in fact, be forced upon the societies for reasons other than the change in Bank rate.

\* \* \*

**Capital Issues in August.**—Little significance attaches to new issue business in August. Last month £3,680,000 was raised (on our "old basis"), compared with £2,654,000 in August, 1938, or £7,457,000 compared with £5,192,000 on the "new basis" of computation. Comparative figures for recent months are given below:—

(£'000's omitted) excluding conversions

|                   | Old Basis  |            |            |         |          | New Basis  |            |            |         |         |
|-------------------|------------|------------|------------|---------|----------|------------|------------|------------|---------|---------|
|                   | U.K. Govt. | U.K. Other | Brit. Emp. | For-ign | Total    | U.K. Govt. | U.K. Other | Brit. Emp. | For-ign | Total   |
| Monthly av., 1938 | 6,325      | 6,424      | 2,025      | 235     | 15,009   | 6,325      | 14,146     | 1,761      | 528     | 22,760  |
| Apr., 1938        | Dr. 1300   | 125        | Nil        | Nil     | Dr. 1175 | Dr. 1300   | 3,110      | 478        | Nil     | 2,288   |
| May, 1938         | Dr. 350    | 14155      | 11554      | Nil     | 25,359   | Dr. 350    | 17,508     | 12193      | Nil     | 29,351  |
| June, 1938        | 77,800     | 6,136      | 250        | Nil     | 84,186   | 77,800     | 8,795      | 1947       | Nil     | 106,073 |
| July, 1938        | Dr. 350    | 10751      | 4,280      | Nil     | 14,681   | Dr. 350    | 21,199     | 6,432      | Nil     | 27,281  |
| Aug., 1938        | 100        | 1,476      | 657        | 421     | 2,654    | 100        | 2,731      | 1,940      | 421     | 5,192   |
| 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   |
| June, 1939        | Dr. 500    | 15790      | 7,341      | Nil     | 22,631   | Dr. 500    | 20,266     | 7,379      | 1,911   | 29,056  |
| July, 1939        | Dr. 300    | 796        | 222        | Nil     | 718      | Dr. 300    | 4,505      | 682        | Nil     | 4,887   |
| Aug., 1939        | 50         | 3,630      | Nil        | Nil     | 3,680    | 50         | 7,212      | 195        | Nil     | 7,457   |

The increased total, compared with July, is due to the public offer of £3,000,000 debenture stock and the introduction of £1,500,000 preference shares of Eagle Oil and Shipping Company. In view of the immense sums which must be raised for defence in the near future, last month's figures may mark the termination of the protracted lull in activity which the capital market has so far experienced this year.

## Company Notes

**Richard Thomas Accounts.**—There has been a prolonged delay in the publication of the accounts of Richard Thomas and Company for the year to March 31st. At the beginning of August, they had already been delayed a month beyond their usual time, and the changes of the board—discussed in Notes on pp. 309 and 326 of our

issue of August 12th—caused further postponement of their issue. It was generally assumed that the accounts would make unpleasant reading for shareholders. They cover a year of depression in the tinplate trade, and of acute financial stress and uncertainty for the company. The accounts are not more satisfactory than had been expected, and are also difficult to interpret, for income and capital items are inextricably intermingled in the profit and loss account. It appears that the board has been conservative in charging against profits the losses involved in the running-in of the Ebbw Vale plant. According to the combined statement for the group, the company made a profit, after providing for a loss of £337,212 on the running-in of Ebbw Vale, of £780,888, compared with £2,139,517 for the previous year. Expenses, depreciation, taxes, interest and the proportion of profits attributable to shares held outside the group total £1,046,319, of which £200,000 represents the proportion of the year's debenture interest attributable to the reconstruction of Ebbw Vale and Redbourn. If all expenses arising out of Ebbw Vale are charged against profits, the result of the year is a net loss of £265,431, compared with a net profit of £859,586 in the previous year. If, however, the Ebbw Vale running-in losses and proportion of debenture interest are charged against capital, the net profit appears to have been £271,781. Such a decline of profit on the ordinary business of the company may be compared with the fall in the profit of Grovesend Steel and Tinplate from £339,019 to £262,365. It is plain, in fact, that apart from the direct losses at Ebbw Vale, Richard Thomas fared rather worse last year than the majority of steel and tinplate concerns.

\* \* \*

Little is to be gained from detailed analysis of the profit and loss account. For the sake of the record, however, the usual table showing the consolidated figures for the past three years is appended:—

|                              | Years to March 31st |           |              |
|------------------------------|---------------------|-----------|--------------|
|                              | 1937                | 1938      | 1939         |
| Gross profit .....           | 1,717,232           | 2,139,517 | 1,118,100    |
| Depreciation .....           | 360,000             | 400,000   | 440,000      |
| Income tax and N.D.C. ...    | 313,989             | 503,380   | 77,067       |
| Interest .....               | 213,105             | 283,555   | 247,256      |
| Fees, staff funds, etc. .... | 40,818              | 68,376    | 59,246       |
| Outside shareholders .....   | 25,253              | 24,620    | 22,750       |
| Net surplus .....            | 764,067             | 859,586   | 271,781      |
| Loss on Ebbw Vale .....      | ...                 | ...       | Dr. 537,212† |
| Preference dividend .....    | 202,822             | 202,822   | ...          |
| Ordinary shares:—            |                     |           |              |
| Earned .....                 | 561,245             | 656,764   | ...          |
| Paid .....                   | 353,492             | 164,063   | ...          |
| Earned (%) .....             | 23.8*               | 20.0*     | ...          |
| Paid (%) .....               | 15*                 | 5*        | ...          |
| Carried forward .....        | 816,460‡            | 355,050‡  | 376,904‡     |

\* On capital of £3,125,000 in 1937 and £4,375,000 in 1938.

† Of which £337,212 running-in loss, and £200,000 attributable to proportion of Debenture interest.

‡ In 1937, £165,000 transferred to contingencies reserve, £24,587 to doubtful debts, and extraneous credit of £12,450. In 1938, £772,306 put to reserve, £130,000 to contingencies reserve, and £51,805 to miscellaneous writing-off. In 1939, £107,492 drawn from contingencies reserve and £179,973 from general reserve.

The best that shareholders can find in these accounts is that the company's ordinary business, apart from Ebbw Vale, earned sufficient to cover the preference dividend. Consequently, if in future years Ebbw Vale only earns sufficient to cover its debenture interest, and other business is maintained, a balance should result for ordinary shareholders.

\* \* \*

**Financial Position and Prospects.**—From the balance sheet important conclusions emerge. The company's liquid position has improved; the volume of unsecured bank loans has been substantially reduced; and it is clear that the sums advanced last year by the banks

will cover all capital requirements very adequately. The following table shows the movements in some of the more important items:—

|                                            | BALANCE SHEET ITEMS AS AT MARCH 31 |        |                 |
|--------------------------------------------|------------------------------------|--------|-----------------|
|                                            | (In £'000)                         |        |                 |
|                                            | 1938                               | 1939   | Change (+ or -) |
| Surplus liquid assets .....                | 1,886                              | 2,263  | + 377           |
| Fixed assets, Ebbw Vale and Redbourn ..... | 7,081                              | 10,229 | + 3,148         |
| Other fixed assets .....                   | 7,367                              | 7,087  | - 280           |
| Bank loans .....                           | 453                                | 169    | - 284           |
| Old Debentures .....                       | 7,823                              | 7,813  | - 10            |
| Prior Lien Debentures .....                | ...                                | 3,479  | + 3,479         |
| Share capital .....                        | 7,426                              | 7,926  | + 500           |
| Reserves .....                             | 1,808                              | 1,369  | - 439           |

The most important point is the fact that, at March 31st last, the company had taken up only £3,479,000 of the new prior lien stock, of which it is entitled to take up £5,500,000. The accountants state that a further £526,000 is required to complete Ebbw Vale and Redbourn, making a total amount of £4,005,000, together with any additional working capital which may be required. Last year's estimates of the extra capital needed to complete the project thus appear to have been too high; the final cost of Ebbw Vale and Redbourn will apparently be £10,805,000 (these assets are shown above after deduction of £50,000 depreciation) compared with last year's estimate of £11,128,000. Since the money required for running-in Ebbw Vale has been provided out of profits, it seems that last year's estimates of the company's financial needs were at least £1,000,000 too high. For shareholders, this conclusion is encouraging, for the gap between earnings and ordinary dividends should be rather lower than had been expected. On the assumption that £4,500,000 of prior lien debentures will ultimately be taken up, preference share earnings would begin when profits total £1,400,000, and the  $6\frac{1}{2}$  per cent. non-cumulative dividend would be covered by profits amounting to £1,600,000. If profits reached £2,500,000—Sir William Firth's original estimate for a year of full operations at Ebbw Vale—earnings on the ordinary shares would represent 14.5 per cent. In the current year, demand is reasonably good, and for sheets very good. By all accounts, the new plant appears to be justifying itself technically. Hence, unless the board decides to repay prior lien stock very rapidly, the preference dividend should be covered comfortably. But prospects for the ordinary shares in the near future depend firstly upon the financial policy inspired by the Control Committee—which may be expected to be very conservative—and upon the extent to which the joint supervision of the Bank of England and the Iron and Steel Federation leaves the new plant to be exploited with the energy and imagination which it deserves.

\* \* \*

**Staveley and Sheepbridge Results.**—The preliminary results of Staveley and Sheepbridge Coal and Iron companies for the year to June 30, 1939, are reasonably satisfactory, considered against the background of general industrial profits. Both companies show a decline in net profit, but it is not of serious extent. Staveley Coal and Iron announce a net profit for 1938-39 of £461,291 against £498,568, the balance being apparently struck before further depreciation of workmen's houses and after directors' fees. In consequence of this  $7\frac{1}{2}$  per cent. decline, the tax-free dividend is reduced from 11 per cent. to 10 per cent. For Sheepbridge Coal and Iron the reduction in net profits represents no more than  $2\frac{1}{2}$  per cent. from £245,778 to £239,404, and the  $12\frac{1}{2}$  per cent. tax-free dividend is repeated. Thus for the second year in succession there is unexpected diversity in the experience of the two companies, that of Sheepbridge being the more favourable. The latter company's issue of shares last May to finance the Babbington Coal acquisition can scarcely have made much difference to the 1938-39 results, though this point

cannot be decided in advance of publication of the Sheepbridge accounts. Both Staveley and Sheepbridge have iron as well as coal interests, and Staveley also manufacture chemicals. The Staveley position is somewhat puzzling, and the report and meeting must be awaited before it is clarified. Total profits of £723,725 in 1937-38 included a profit of £93,000 on the sale of the Markham and Company interest. This exceptional profit puts the 1938-39 figure in a better light, and doubtless the increase in defence construction requirements since the reduction of the interim dividend last March has assisted the latest results. At current prices of 40s. and 42s. Staveley and Sheepbridge £1 ordinary units yield £7 18s. and £8 11s. per cent. gross respectively.

\* \* \*

**Triplex Report.**—The full Triplex report shows that the 1938-39 results are considerably better than the preliminary statement of net profits had suggested. Total income of £203,594 is 8 per cent. higher than for 1937-38, and though this figure is some way below the 1936-37 peak it is a satisfactory result in view of the decline in private car sales and the loss of the Austin contract which affected part of the year. On the other hand, production for aircraft has been increasing, and the company is doing other work for the arms programme. It is not disclosed whether any profits from Lancegaye Safety Glass are included in the Triplex figures, though the Triplex dividend for the full year is payable on the new shares issued in connection with the Lancegaye acquisition. The course of profits in the past three years is shown in the following table:—

|                       | Years to June 30 |         |         |
|-----------------------|------------------|---------|---------|
|                       | 1937             | 1938    | 1939    |
| Trading profit .....  | 250,820          | 167,789 | 192,604 |
| Total income .....    | 262,590          | 189,129 | 203,594 |
| Fees, etc. ....       | 23,302           | 20,921  | 19,968  |
| Depreciation .....    | 26,001           | 15,618  | 33,605† |
| Taxation .....        | 75,500           | 40,000  | 58,000  |
| Ordinary stock:—      |                  |         |         |
| Earned .....          | 137,787          | 112,590 | 92,021  |
| Paid .....            | 131,250          | 90,625  | 93,833  |
| Earned (%)‡           | 36.7             | 31.1    | 19.6    |
| Paid (%)              | 35               | 25      | 20§     |
| Carried forward ..... | 12,343           | 34,308  | 32,496  |

† Including £10,000 investment depreciation reserve.

‡ Earned rate before charging Employees Profit Sharing Fund, 1937, 42.6 per cent.; 1938, 34.9 per cent.; 1939, 22.5 per cent.

§ Paid on £654,254 of stock.

Earnings for the equity are £20,569 lower than for 1937-38 despite the higher total income owing, in equal measure, to increased taxation provision and to higher depreciation (including a special allocation of £10,000 for depreciation of investments). Miscellaneous expenses have changed little, for the special bonus to directors voted in respect of 1936-37 has been replaced by £5,000 for A.R.P. In the balance sheet, the principal change is a new item of £145,560 representing the cost of the Lancegaye acquisition. Both sundry debtors and creditors show a large relative increase, while stocks have risen from £68,000 to £112,768. The board have relieved the usual aridity of company reports by supplying a commentary, illustrated by cartoons, which describes the company's activities. From this new feature shareholders may learn that Triplex sales last year amounted to £850,000, of which the cost of materials absorbs 50 per cent., wages and salaries 20 per cent., overheads  $6\frac{1}{2}$  per cent., local and other taxation  $7\frac{1}{2}$  per cent., and power and light, etc., and depreciation 5 per cent., leaving 11 per cent. for profit. At the present price of 32s. 6d., Triplex 10s. units yield £6 3s. per cent.

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Edinburgh: 35 St. Andrew Square  
London: 5 Walbrook, E.C.4, and 45 Pall Mall, S.W.1



**Debenham's Profits.**—The past year has been a notoriously difficult period for the high-class retail trade. In these circumstances, the reduction in Debenham's profits for the year to July 31, 1939, from £701,154 to £672,227 after taxation and N.D.C. must be regarded as satisfactory. Debenture interest and other charges absorb £144,856, compared with £146,042 last year, leaving net profits of £527,371, against £555,112. That the fall has not been greater may possibly be due to the company's dividends from provincial subsidiaries partially offsetting the disappointing trading results in the West End. The directors recommend a dividend of 20½ per cent. on the ordinary shares, as in the two previous years. But the lower trading profits and the gearing effect of debenture service and preference dividends (the latter again require £379,000) have lowered ordinary earnings from 40.7 per cent. to 33.0 per cent. With the provision of £50,000 to reserve, as last year, the fund will stand at £410,016, but the carry forward is slightly reduced from £251,703 to £245,907. The uneven experience of the subsidiary companies last year is reflected in the results of Harvey Nichols and Company, whose preliminary net profits figure for the year to July 31st shows a decline from £87,975 to £51,683, while the ordinary dividend is cut from 7 to 2 per cent. This fall is principally due, however, to poor results in the carpets and furnishings department and to a fall in rents from leasehold properties in London. The beneficial effect of the defence programme on provincial retail trade may assist the parent company's income in the current year, but the prospects of the London retail trade and the group's manufacturing business are more obscure. On these points the directors' report may shed some light.

**Allied Industrial Services Progress.**—The success of Allied Industrial Services in a field in which Initial Services has itself derived great advantage, is well illustrated by the latest accounts, and its impressive record since incorporation in 1934. For the year to June 30, 1939, profits, after depreciation, amounted to £205,609, com-

pared with £160,846 for 1937-38, an increase of 28 per cent. After provision for fees, taxation and preference dividends, a balance of £152,696 is available for the ordinary shares, compared with £112,901 for the preceding year. The ordinary capital was increased by the 87½ per cent. bonus issue distributed in December last year, from £100,000 to £187,500; hence the dividend of 50 per cent. recommended by the directors absorbs considerably more than the 70 per cent. distribution of the previous year, while earnings represent 93.3 per cent. against 129.2 per cent. General reserve receives £50,000 and £10,457 is carried forward. The balance sheet reflects the recent bonus distribution and the extensions of equipment briefly referred to in the directors' report. The share premium account has disappeared and the general reserve contains only the £50,000 allocated from this year's profit and loss accounts. Fixed assets have increased from £180,541 to £197,817, while goodwill remains unchanged at £56,000. That further extensions to the business may be in view is suggested by the increase in cash holdings from £102,039 to £171,261. Although the recent rate of expansion has set a hot pace which may not always be maintained, the prospects of the company, which is dependent for its expansion on increasing factory capacity and employment, are encouraging under normal conditions. The 5s. ordinary shares stand at 44s. 4½d. to yield £5 12s. 9d. per cent.

**The Week's Company Profits.**—Our usual analysis of profit and loss accounts appearing on page 474 includes 13 companies for which comparable figures are available. Net profits of these companies are £1,166,000 against £1,862,000, a decline of 37½ per cent. But this drop is due mainly to the Richard Thomas results, and there are several instances of higher profits. Aggregate net profits of 1,713 companies reporting in 1939 to date are £217,303,000, or 8 per cent. less than £235,905,000 earned by the same companies a year ago. The week's results are discussed in preceding Notes and on page 462 under the heading "Shorter Comments."

## THE STOCK EXCHANGES

### London

SETTLING DAYS  
TICKET ACCOUNT  
SEPTEMBER 5 SEPTEMBER 7

A WEEK ago the stock markets were brought almost to a standstill under the shock of crisis measures and through the desire to wait events. Although the future is practically as obscure now as it was then, the markets have recovered a little of their lost activity. Movements have been inconsistent and governed by momentary changes in sentiment, but the trend of the week has been towards revival, and it is significant that prices of gilt-edged stocks have ruled above the minimum prices which a week ago

were considered if anything too high. The decision on Thursday to close the Stock Exchange during the working of the official evacuation scheme, however, checked the mid-week optimism without bringing any major reversal of trend.

Fortified by an uneventful week-end, the gilt-edged market began on Monday in a normal frame of mind. Prices were above the minima, and though there was some selling, offerings were well absorbed, and the wide margins previously prevailing were narrowed. In the absence of further shocks, prices on Tuesday gained moderately on bear-covering and on public buying, the undated stocks in particular being responsive. This movement gathered pace to-

wards mid-week, so that Wednesday's dealing might almost be considered normal, though the redeemable stocks did not rise far above their minimum prices. The decision to close the Stock Exchange on Friday, however, had a sobering effect. Home corporation and Dominion stocks followed the general trend, India stocks showing good gains. Dealings in certain foreign bonds were, of course, affected by the Treasury order restricting operations in foreign securities. European bonds, however, took part in the mid-week revival, though the tone was more uncertain on Thursday. The main feature of the foreign bond section was a sharp rise in Japanese issues, with some recovery in Chinese loans also.

**Home rails,** especially the preference stocks, tended at first to advance on the better labour outlook and on hopes of revenue from emergency travelling, but there was no further advance as the week ended. Ordinary stocks were comparatively sluggish. London Transport "A" stock hardened. Argentine rail prices tended to improve, though there was not much business passing. Apart from their greater buoyancy, the trend in *industrials* was similar to gilt-edged stocks. Business was on a small scale on Monday, though there were several instances of improvement among leading equities. Later on there was a general recovery which was in marked contrast with the depressed conditions of, say, last Thursday week. But a tendency to take profits developed, and on

Thursday prices on the whole were a little weaker. At first, as a result of the Treasury order, dealings in American issues were suspended, though as time went on nominal prices were quoted for securities subject to the new registration rules. Iron and steel shares advanced on Tuesday and Wednesday, though there were slight declines as the week started. Engineering issues were rather more subdued than the "heavies," but responded to the better mid-week sentiment. The trend among coal shares was upwards, while electrical equipment issues went ahead after an uncertain start. Motor shares advanced sharply on Tuesday, though aircraft issues changed very little. The slight movements that occurred, however, were mostly upward. Textile shares were inactive and varied, but there was good support for rayon issues. Tobacco shares rose strongly almost from the outset, though there was some profit-taking in mid-week. Breweries began in irregular fashion and then advanced. Provision and catering issues tended to improve, while stores made a mixed showing. The miscellaneous section followed the general trend, the leaders being somewhat sensitive to mid-week profit-taking. Shipping issues were steady or a shade firmer.

After the week-end, dealings in *oil shares* were possible by negotiation and prices remained firm. On Tuesday, "Shell" received local support, but arbitrage business was at a standstill, while on Wednesday the Treasury order restricting dealings adversely affected Canadian Eagles and Royal Dutch. The easier tone generally on Thursday caused a fractional marking down of leading issues. The calm sentiment in the *rubber* market was assisted by the improved commodity price and a small demand for shares resulted in a sharp appreciation of prices. *Tea* shares followed the general trend.

In the *mining* market, Kaffirs spurred on Monday following the depreciation of sterling, though price movements rather exaggerated the demand for shares. The advance was halted on Wednesday by news of the South African Government's intended policy to check gold speculation, a duller tone developing on Thursday. Developing issues, after advancing on Monday, became listless in later trading, but took on a firmer appearance later in the week, led by Western Holdings, which spurred following the latest cable. Finance shares were active after the week-end, led by Central Mining, and later continued to follow the trend of producing mines. West Africans have been buoyant for the first part of the week, with profit-taking well absorbed, but an easier tone developed on Thursday. Base metals have been more active

### "FINANCIAL NEWS" INDICATORS

| 1939    | Total Bargains† | Corres. Day 1939 | Security Indices |                |
|---------|-----------------|------------------|------------------|----------------|
|         |                 |                  | 30 ord. shares*  | 20 fixed int.† |
| Aug. 25 | 2,820           | 4,620            | 74.8             | 112.1          |
| " 28    | 3,095           | 5,305            | 75.3             | 111.7          |
| " 29    | 2,695           | 5,320            | 77.5             | 112.1          |
| " 30    | 3,155           | 5,245            | 78.8             | 113.4          |
| " 31    | 2,755           | 4,975            | 77.5             | 113.4          |
| High... | ...             | ...              | 88.0             | 123.5          |
| Low...  | ...             | ...              | 73.7             | 114.9          |
|         |                 |                  | Jan. 10          | Jan. 3         |
|         |                 |                  | Jan. 27          | May 1          |

† Approx. total recorded in S.E. List. \* July 1, 1935 = 100. † 1938 = 100.

this week. Rhodesian coppers advanced on Monday, while tin and lead-zinc issues have shown modest gains on balance.

### ACTUARIES' INVESTMENT INDEX

Last month's Actuaries' Index brings out the effect of the acceleration of the crisis in the last two weeks of August, both on fixed-interest securities and on ordinary shares. Since the end of July the index of 2½ per cent. Consols lost over four points, while more substantial falls were registered in industrial debenture and preference issues. The slight improvement in equities recorded in July has been completely lost, prices moving generally, but unevenly, downwards. On Tuesday, August 29, 1939, the index of 160 industrial shares prices stood at 57.9, compared with 61.4 a month earlier and 63.5 a year earlier. The corresponding average yields were 5.96, 5.64 and 5.97 per cent. The selection of component indices given below includes the usual monthly particulars of fixed interest securities:—

| Group<br>(and No. of securities) | Prices<br>(Dec. 31, 1928 = 100) |               |               |
|----------------------------------|---------------------------------|---------------|---------------|
|                                  | Aug. 30, 1938                   | July 25, 1939 | Aug. 29, 1939 |
| <b>Fixed Interest:—</b>          |                                 |               |               |
| 2½% Consols (1) ...              | 131.9                           | 118.0         | 113.9         |
| Misc. ind. deb. (14) ...         | 121.0                           | 115.0         | 105.4         |
| Misc. ind. pref. (26) ...        | 114.5                           | 106.4         | 98.9          |
| <b>Ordinary Shares:—</b>         |                                 |               |               |
| Insurance (10) ...               | 117.6                           | 106.7         | 100.0         |
| Aircraft Mfg. (5)† ...           | 72.4                            | 72.4          | 64.4          |
| Coal (8) ...                     | 78.3                            | 79.1          | 75.7          |
| Elec. Light, etc. (16) ...       | 122.3                           | 114.1         | 108.1         |
| Oil (4) ...                      | 84.9                            | 75.9          | 70.0          |
| Shipping (7) ...                 | 14.4                            | 12.5          | 11.8          |
| Misc. (20) ...                   | 58.9                            | 60.7          | 59.4          |

† December 30, 1938 = 100.

| Group                    | Yields (%)    |               |               |
|--------------------------|---------------|---------------|---------------|
|                          | Aug. 30, 1938 | July 25, 1939 | Aug. 29, 1939 |
| <b>Fixed Interest:—</b>  |               |               |               |
| 2½% Consols ...          | 3.38          | 3.78          | 3.92          |
| Misc. ind. deb. ...      | 3.98          | 4.14          | 4.51          |
| Misc. ind. pref. ...     | 4.30          | 4.61          | 4.95          |
| <b>Ordinary Shares:—</b> |               |               |               |
| Insurance ...            | 3.63          | 4.03          | 4.29          |
| Aircraft Mfg. ...        | 9.74          | 11.03         | 11.03         |
| Coal ...                 | 7.18          | 6.30          | 6.58          |
| Elec. Light, etc. ...    | 4.59          | 4.80          | 5.07          |
| Oil ...                  | 7.13          | 6.24          | 6.85          |
| Shipping ...             | 4.73          | 4.32          | 4.48          |
| Misc. ...                | 5.29          | 4.88          | 4.97          |

### New York

THE trend on Wall Street this week has been on the whole indecisive, though the international situation continues to take precedence over domestic conditions. After the week-end prices moved irregularly, though in the late trading on Monday steels led a rally supported by copper and rubber shares. Traders, however, preferred to avoid the leading issues until the effect on Wall Street of the British Treasury's restriction on dealings in foreign securities becomes clearer. The market maintained its waiting attitude until news of the unfavourable German reactions to the Polish mobilisation came through, when steel issues led a movement to easier levels. Copper and oil shares, however, remained firm, and the bond market maintained its firm tone. *Iron Age* reports steel mill activity at 63.5 per cent. of capacity compared with 63 per cent. last week.

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

|                  | WEEKLY AVERAGES |             |               |               |               |
|------------------|-----------------|-------------|---------------|---------------|---------------|
|                  | Low Apr. 12     | High Jan. 4 | Aug. 16, 1939 | Aug. 23, 1939 | Aug. 30, 1939 |
| 347 Ind'ls. ...  | 92.8            | 114.5       | 100.3         | 95.0          | 98.4          |
| 32 Rails ...     | 23.3†           | 32.5        | 25.4          | 23.3          | 24.2          |
| 40 Utilities ... | 77.8            | 89.9†       | 87.4          | 82.8          | 84.5          |
| 419 Stocks ...   | 79.3            | 95.6        | 86.3          | 81.6          | 84.3          |
| Av. yield* ...   | 4.2%†           | 3.31%†      | 4.06%†        | 4.42%†        | 4.30%†        |

\* 50 Common Stocks. † August 2nd. ‡ Aug. 23.

| DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100) |         |         |         |         |         |
|---------------------------------------------------------|---------|---------|---------|---------|---------|
| Aug. 24                                                 | Aug. 25 | Aug. 26 | Aug. 28 | Aug. 29 | Aug. 30 |
| 104.7                                                   | 106.8   | 109.6   | 107.9   | 111.0   | 109.8   |

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 1000's | 000's       |
| Aug. 24                    | 1,290          | 7,390        | 184         |
| " 25                       | 690            | 5,110        | 104         |
| " 26                       | 520            | 2,190        | 60          |
| " 28                       | 670            | 3,820        | 85          |
| " 29                       | 480            | 4,320        | 60          |
| " 30                       | 500            | 3,760        | 84          |

\* Two-Hour Session

### New York Prices

| Close Latest                           |               | Close Latest                 |               |
|----------------------------------------|---------------|------------------------------|---------------|
| Aug. 24, 1939                          | Aug. 31, 1939 | Aug. 24, 1939                | Aug. 31, 1939 |
| <b>1. Rails and Transport</b>          |               |                              |               |
| Atchafalaya ...                        | 23 23½        | Shell Union ...              | 97½ 11        |
| Balt. & Ohio ...                       | 4 4¼          | Socony Vac. ...              | 108½ 12       |
| Ches. & Ohio ...                       | 31 31¼        | Stan. Oil Cal. ...           | 25¼ 24½       |
| G.N. Ry. P. ...                        | 21¼ 21½       | Stan. Oil N.J. ...           | 39½ 40½       |
| Illinois Cent. ...                     | 12½ 12½       | Texas ...                    | 33¼ 35½       |
| N.Y. Central ...                       | 7½ 8          | <b>4. Manufacturing</b>      |               |
| Norfolk Pac. ...                       | 12½ 12½       | Briggs ...                   | 18½ 19        |
| Pennsylv. R. ...                       | 15½ 16¼       | Chrysler ...                 | 73¼ 77½       |
| Southern Pac. ...                      | 11½ 11½       | Elec. Autolite ...           | 32 32½        |
| Southern Ry. ...                       | 13¼ 14        | Gen. Motors ...              | 43½ 44¼       |
| Union Pac. ...                         | 92½ 93        | Nash Kelvin ...              | 57 6          |
| Greyhound ...                          | 15¼ 15½       | Boeing Airplan ...           | 17½ 18½       |
| <b>2. Utilities and Communications</b> |               |                              |               |
| Am. W. Works. ...                      | 9½ 10         | Douglas Air ...              | 58 60         |
| Con. Edison ...                        | 29½ 30        | United Aircraft ...          | 31¼ 33        |
| Col. Gas & El. ...                     | 6½ 6½         | Allied Chem. ...             | 159 160       |
| Ed. Bead & Sh. ...                     | 8½ 8½         | Dupont ...                   | 156 158½      |
| Nat. Pur. & L. ...                     | 8¼ 8½         | Un. Carbide ...              | 75 77½        |
| N. American ...                        | 21½ 21½       | Allis Chalmers ...           | 32 34¼        |
| Pac. Gas & El. ...                     | 31 31½        | Gen. Electric ...            | 32¾ 34¼       |
| Pub. Serv. N.J. ...                    | 39½ 39½       | West'hae Elec. ...           | 99 100½       |
| Un. Gas Imp ...                        | 13½ 13½       | American Can ...             | 93½ 98½       |
| Inter. Tel. For. ...                   | 157 160¼      | Caterpillar ...              | 40 41         |
| Westn. Union ...                       | 21½ 20½       | Int. Harvester ...           | 49 49½        |
| Radio ...                              | 5 5½          | Johns Manville ...           | 65 65         |
| <b>3. Extractive and Metal</b>         |               |                              |               |
| Am. Rot. Mil. ...                      | 12½ 14¼       | Am. Radiator ...             | 58 58         |
| Beth. Steel ...                        | 54 57         | Corn. Prod. ...              | 58 58         |
| Republic St. ...                       | 15 15½        | I. Case & Co. ...            | 64½ 70½       |
| U.S. Steel ...                         | 43 45½        | Glidden ...                  | 14¼ 15¼       |
| U.S. Steel P. ...                      | 107½ 107½     | Celanese of A. ...           | 21½ 22½       |
| Am. Metal ...                          | 25¼ 27½       | Eastm'n Kdk. ...             | 158 167½      |
| Am. Smeltin. ...                       | 40 41¼        | Loews ...                    | 38 39½        |
| Anaconda ...                           | 23½ 24        | 20th Cen. Fox ...            | 17½ 17        |
| Cerro de Pas. ...                      | 33¼ 33¼       | <b>5. Retail Trade, etc.</b> |               |
| Int. Nickel ...                        | 45½ 45½       | Mont. Ward ...               | 47½ 47½       |
| Kennecott ...                          | 32½ 35½       | Sears Roebck ...             | 74½ 75¼       |
| Phillips Petr. ...                     | 32¼ 35¼       | Woolworth ...                | 45¼ 45        |
| <b>6. Finance</b>                      |               |                              |               |
| 3% Rentes ...                          | 76.35 74.40   | Nat. Biscuit ...             | 24¼ 25½       |
| 4% Rts. 17 ...                         | 79.90 77.50   | Nat. Dairy ...               | 15¼ 15½       |
| Banque de ...                          | 7,565 7,230   | Am. Tob. B. ...              | 78¼ 78½       |
| France ...                             | 1,590 1,575   | Nat. Distillers ...          | 22½ 23        |
| Credit ...                             | 13,730 13,570 | <b>6. Finance</b>            |               |
| Lyonnais ...                           | 63.00 53.50   | Com. Credit ...              | 42 45¼        |
| Suez Canal ...                         | 63.00 53.50   | Com. Inv. Tr. ...            | 47 48½        |
| Wag. Lits. ...                         | 368.00 359.00 |                              |               |

### Paris

| Aug. 2, 1939   |               | Aug. 30, 1939  |               |
|----------------|---------------|----------------|---------------|
| Aug. 2, 1939   | Aug. 30, 1939 | Aug. 2, 1939   | Aug. 30, 1939 |
| 3% Rentes ...  | 76.35 74.40   | Chargeurs ...  | 567 495       |
| 4% Rts. 17 ... | 79.90 77.50   | Reunis. ...    | 1,982 1,878   |
| Banque de ...  | 7,565 7,230   | Rio Tinto ...  | 60,800 61,150 |
| France ...     | 1,590 1,575   | R. Dutch ...   | 64.50 51.25   |
| Credit ...     | 13,730 13,570 | Mex. Eagle ... | 198.00 189.50 |
| Lyonnais ...   | 63.00 53.50   | Chartered ...  | 67.50 54.00   |
| Suez Canal ... | 63.00 53.50   | Ford ...       | 1,090 975     |
| Wag. Lits. ... | 368.00 359.00 | De Beers ...   | 368.00 359.00 |

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## Berlin

|                 | Aug. 2, 1939 | Aug. 30, 1939 | Aug. 2, 1939  | Aug. 30, 1939 |
|-----------------|--------------|---------------|---------------|---------------|
| Reichsbank      | 180          | 180           | Nord. Lloyd   | 48-75 56-50   |
| D.D.            | 111-50       | 111-50        | A.E.G.        | 113-90 117-75 |
| Bank ...        | 106-10       | 106-00        | Siemens       | 186-50 191-50 |
| Dresdner        | 106-10       | 106-00        | & H. ...      | 98-60 99-75   |
| L.G. Farbenind. | 144-60       | 156-00        | Stahlwerke    | 45-75 51-00   |
|                 |              |               | Hamburg Amer. |               |

## Amsterdam

|             | Aug. 2, 1939 | Aug. 30, 1939 | Aug. 2, 1939 | Aug. 30, 1939 |
|-------------|--------------|---------------|--------------|---------------|
| 2½% Dutch   | 70½          | 70½           | A.K.U.       | 37½ 34½       |
| 5½% Ger.*   | 18¼          | 17            | Ford Motor   | 349½          |
| Philips Lp. | 202½         | 190½          | Deli B. To.  | 132 116¼      |
| Neth. Ship. | 109½         | 113           | Ryl. Dutch   | 303½ 299½     |
| Lever Bros. | 130½         | 125½          | Hand. Am.    | 400 394½      |
| &Unilever   |              |               |              |               |

## Canada

THE normal dullness of the holiday season has been aggravated by the continuing gravity of the international situation, and pessimistic cables from Europe sufficed to bring prices down, even early in August. Little investment buying of equity stocks was reported since investors are remaining faithful to good bonds, and the speculative public is keeping out of the market. Textile stocks have improved slightly following reports of greater activity, but prairie stocks have reacted on unfavourable news of the Western grain crop. Indeed, before the announcement of the Russo-German pact the tendency in all sections was downward. Reactions to the pact were neither as immediate nor as violent as in European markets, though stocks in companies liable to Government control in time of war were particularly affected. Last-minute efforts for a peaceful settlement were well received, and most prices made good the losses since August 22nd.

|                    | Aug. 2, 1939 | Aug. 30, 1939 | Aug. 2, 1939        | Aug. 30, 1939 |
|--------------------|--------------|---------------|---------------------|---------------|
| Bell Tel.          | 174½         | 169½          | Int. Petrol.        | 21½ 20½       |
| Can. Car.          | 9½           | 7½            | Brazil Trac.        | 8½ 7½         |
| De. pref.          | 20½          | 17½           | Brit. Col.          | 27½ 23½       |
| Power Corp.        | 10           | 8½            | Power "A"           | 27½ 23½       |
| Dome Mines         | 32¼          | 31            | Do. "B"             | 2½ 2½         |
| Hollinger          | 15¼          | 14¼           | Can. Cement         | 7½ 6¼         |
| McIntyre           | 57¼          | 54½           | Int. Nickel         | 50½ 47½       |
| B. of Montr.       | 214          | 205           | Montreal Lt.        | 32½ 30½       |
| Bk. of Nova Scotia | 300          | 303           | Quebec Pow.         | 16½ 16¼       |
| R. Bk. of Can.     | 190          | 179           | Shawinigan          | 19½ 19¼       |
| C. Bk. Com.        | 168          | 162           | Water               |               |
| Can. Pac.          | 4½           | 3½            | Steel Co. of Canada | 75 74         |
| Cock. Plow         | 6½           | 5             |                     |               |

## Capital Issues

## CAPITAL ISSUE TOTALS

| Week ending                          | Nominal Capital       | Conversions           | New Money   |
|--------------------------------------|-----------------------|-----------------------|-------------|
| September 2, 1939                    |                       |                       |             |
| To the Public                        | Nil                   | Nil                   | Nil         |
| To Shareholders                      | Nil                   | Nil                   | Nil         |
| By S.E. Introduction                 | Nil                   | Nil                   | Nil         |
| By Permission to Deal                | 23,440                | Nil                   | 38,090      |
| Saving Certs., week to Aug. 26, 1939 | Dr. 900,000           | Nil                   | Dr. 900,000 |
| Year to date                         | Including Conversions | Excluding Conversions |             |
| 1939 (New Basis)                     | 108,668,825           | 86,142,883            |             |
| 1938 (New Basis)                     | 235,320,471           | 215,429,508           |             |
| 1939 (Old Basis)                     | 72,570,031            | 51,139,952            |             |
| 1938 (Old Basis)                     | 172,696,933           | 153,786,065           |             |

## Destination (Excluding Conversions)

| Year to date     | U.K.        | Brit. Emp. ex U.K. | Foreign Countries |
|------------------|-------------|--------------------|-------------------|
| 1939 (New Basis) | 58,887,731  | 25,064,148         | 2,181,004         |
| 1938 (New Basis) | 165,401,069 | 47,178,262         | 2,850,177         |
| 1939 (Old Basis) | 34,979,861  | 15,840,091         | 320,000           |
| 1938 (Old Basis) | 130,274,258 | 20,891,737         | 2,820,072         |

## Nature of New Borrowing (Excluding Conversions)

| Year to date     | Deb.        | Pref.      | Ord.       |
|------------------|-------------|------------|------------|
| 1939 (New Basis) | 45,720,545  | 8,066,628  | 32,355,710 |
| 1938 (New Basis) | 137,450,732 | 15,082,126 | 62,896,650 |
| 1939 (Old Basis) | 38,408,921  | 2,688,459  | 10,866,392 |
| 1938 (Old Basis) | 126,691,813 | 9,181,776  | 17,912,476 |

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

**Fife County Council.**—The £312,850 outstanding of 4 per cent. redeemable stock, 1940-1974, will be repaid in cash at par on January 1, 1940.

## 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 |
|---------------------------|----------------|-------|----------|------------|
| <b>BANKS</b>              |                |       |          |            |
| Bank of Nova Scotia       | 3*             | ...   | Oct. 2   | 3*         |
| Mercantile of India       | 6*             | ...   | Sept. 26 | 6*         |
| National of India         | 8*             | ...   | Sept. 26 | 8*         |
| <b>MINING</b>             |                |       |          |            |
| Great Boulder Prop.       | 12½*           | ...   | Sept. 30 | 12½*       |
| TEA & RUBBER              |                |       |          |            |
| Bajoe Kidol Rubber        | ...            | 15    | Sept. 17 | 7½         |
| Parit-Bruas Rubber        | 7½*            | ...   | Sept. 27 | 20         |
| Tismoda Estates           | ...            | 10    | ...      | 10         |
| <b>INDUSTRIALS</b>        |                |       |          |            |
| Arnott & Co.              | 2½*            | ...   | ...      | Nil*       |
| Barrow Barnsley Coll.     | £34            | ...   | ...      | £10        |
| Boots Pure Drug           | 6*             | ...   | Sept. 30 | 6*         |
| Canadian Cottons          | £1 ps          | ...   | Oct. 2   | £1 ps      |
| Debenhams, Ltd.           | ...            | 20½   | ...      | 20½        |
| Dobson & Barlow (Scts)    | 4d ps†         | 8½    | ...      | 2½         |
| East Kent Water           | 3½*            | ...   | ...      | 3½*        |
| Freedman (Henry)          | ...            | 3½    | ...      | 7½         |
| Gamage (A. W.)            | 2½*            | ...   | ...      | 2½*        |
| Gillette Safety Razor     | 15c*           | ...   | Sept. 30 | 15c*       |
| Grant (James)             | 5*             | ...   | Sept. 30 | 5*         |
| Hale and Hale             | ...            | 5     | ...      | 5*         |
| Halesworth Steel          | 2*             | ...   | Sept. 30 | 2*         |
| Hendon Electric           | ...            | 2*    | ...      | 2*         |
| Houghton Main Coll.       | 4½†(a)         | 7(a)  | ...      | 12½        |
| Imperial Tobacco (Canada) | 10c*           | ...   | ...      | 10c*       |
| Indian Iron and Steel     | ...            | 15(d) | Sept. 28 | 35(d)      |
| Irrawaddy Flotilla        | 2½*            | ...   | ...      | 2½*        |
| Manchester Bonding        | Nil*           | ...   | ...      | 5*         |
| Maynards, Ltd.            | ...            | 8     | ...      | 8          |
| Mid-Kent Gas              | 2*             | ...   | ...      | 2*         |
| New England Trust         | 8*             | ...   | ...      | 8*         |
| North Eastern Electric    | 2½*            | ...   | ...      | 2½*        |
| Quirk Barton & Co.        | 2½*            | ...   | ...      | 2½*        |
| Ransome etc., Bearing     | 11†            | 20    | ...      | 20         |
| Ransomes and Rapier       | £2½*           | ...   | Oct. 14  | £2½*       |
| Sheepbridge Coal, etc.    | £7½†           | 12½†  | ...      | 12½†       |
| Staveley Coal, etc.       | £7½†           | 10†   | ...      | 11†        |
| Taylor Walker & Co.       | 3†             | 5½    | Oct. 4   | 5½         |
| Tor Investment            | Pence          | ...   | ...      | ...        |
| UNIT TRUSTS               |                |       |          |            |
| Gold Share Trust          | £38(c)         | ...   | Aug. 31  | ...        |

\* Free of income tax. (c) Per 25 Units. (a) Paid on larger capital. (d) Free of Indian income tax.

**BARROW BARNESLEY MAIN COLLIERIES.**—Final dividend on ordinary shares, 3 per cent. tax free, making 6 per cent. tax free for year to June 30, 1939, against 10 per cent. tax free.

**BOOTS PURE DRUG.**—Quarterly interim dividend maintained at 6 per cent.

**A. W. GAMAGE.**—Interim ordinary dividend maintained at 2½ per cent.

**INDIAN IRON AND STEEL.**—Ordinary dividend 15 per cent. free of Indian income tax, for year to March 31, 1939, against 35 per cent. for preceding year.

**NORTH-EASTERN ELECTRIC SUPPLY.**—Interim ordinary dividend maintained at 2½ per cent.

**RANSOMES AND RAPIER.**—Interim dividend on ordinary shares, 2½ per cent. tax free as before.

**TAYLOR WALKER AND COMPANY.**—Interim ordinary dividend unchanged at 4 per cent.

## SHORTER COMMENTS

**Company Results of the Week.**—A decline in the GOLDSBROUGH MORT net profits from £153,343 to £120,227 is due to the lower level of wool prices and also to drought conditions. Wool price movements, however, were more limited than in 1937-38, and the volume of wool handled increased. Satisfactory results are recorded by heavy

industrial concerns. **LOCHGELLY IRON AND COAL** are paying 12½ against 10 per cent., and report that despite idle conditions in the earlier part of the year, demand improved and has recently caused pressure for supplies. **BRIGHTSIDE FOUNDRY AND ENGINEERING** total profits have risen sharply from £118,667 to £185,160. No comment, however, is offered on the results in the report. Progress has also been made by **KETTON PORTLAND CEMENT**, whose net profits amount to £73,732, against £60,203. Plant has been increased by a third unit which came into production at the end of March. Unlike the majority of investment trusts, **SECOND ALLIANCE TRUST** report some increase in revenue. This is apparently due, however, to income from new money invested after the December, 1937, capital issue.

## EMERGENCY ADDRESSES

**Alliance Assurance Company.**—Head office (except Life department), and the St. James's, Strand, Wigmore Street and Fenchurch Street branches now at Kidbrooke Park, Forest Row, East Grinstead. Life office, Volvens, Ockley, Surrey.

**Anglo-French Banking Corporation.**—Offices will be transferred to West Witheridge, Knotty Green, Beaconsfield.

**Bank of Australasia, English Scottish and Australian Bank, Union Bank of Australia.**—Business of London offices now at Sandroyd School, Sandy Lane, Cobham, Surrey. Telephone Nos. 2901-2928 (28 lines). Nearest station, Oxshott (Southern Railway).

**Bank of London and South America.**—Registered office now at Lloyds Bank, Dunstable.

**British-American Tobacco Company.**—Head office staff is at Rusham House, Whitehall Lane, Egham, Surrey. (Telephone Egham 744.) Skeleton staff at Westminster House, 7 Millbank, S.W.1; registered office at Rusham House, but at present correspondence to be addressed to Millbank.

**British South Africa Company.**—British South Africa Company, Rhodesia Railways, Beira Railway Company, Rhodesia Railways Trust, and Victoria Falls and Transvaal Power Company, now operating from 23 Sutherland Avenue, Bexhill, Sussex.

**Charterhouse Investment Trust.**—This company, Charterhouse Finance Corporation and Charterhouse Industrial Development Company, will, in the event of war, have alternative offices at 71 High Street, Tunbridge Wells, Kent. Telephone Tunbridge Wells 2 and 386. Meanwhile, registered offices remain open.

**Commercial Bank of Australia.**—Business of London office is being conducted from: c/o Bryce, White and Company, Ltd., Deseronto Wharf, Langley, near Slough, Bucks. (Tele.: Langley 232.)

**Commercial Bank of the Near East.**—Business being transferred to 4 Regent Street, Teignmouth, S. Devon.

**Council of Foreign Bondholders.**—Business will, until further notice, be conducted at Horsgate, Cuckfield, Sussex. (Telephone Cuckfield 105.)

**Imperial Smelting Corporation, Zinc Corporation and New Broken Hill Cons.**—Registered offices at present remaining at 95 Gresham Street, E.C.2. In the event of war secretarial offices will be transferred to Sandroyd, Sandy Lane, Cobham. (Tel.: Cobham 2901-2928.)

**Lloyds Bank.**—The registered office is now at Salisbury.

**National Bank of New Zealand.**—Now at Bramley Croft, Hindhead, Surrey.

**Netherlands Bank of South Africa.**—Services being maintained at 201 Salisbury House, Finsbury Circus. Evacuation address will be Manor Dene, Manor Road, Thames Ditton, Surrey. (Telephone Emberbrook 1131.)

**Provincial Bank of Ireland.**—Business of London office now at Burghdown, Burgh Heath Road, Epsom, Surrey.

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## Industry and Trade

**Industry and the Crisis.**—The emergency orders issued last Monday provide for the control of industry, agriculture, foreign trade and communications. Except in the case of shipping, control has not yet been actually assumed by the Government. But the transition of industry from peace to war-time organisation is proceeding swiftly and in orderly fashion. There is little of the confusion and haphazardness of 25 years ago; most important industries had already made detailed plans, and it only remains to bring them into operation. The crisis has naturally led to a severe shrinkage in ordinary commercial business, both at home and on the export markets. On the other hand, defence work has been speeded up and A.R.P. preparations are being rapidly pushed ahead. The sudden slump in the demand for some commodities and the increase in others required for defence has, of course, caused some dislocation; and there have been signs that the spurt in orders has led to a marking-up of prices. As the Government has rightly taken powers to control prices, steps should at once be taken to prevent any unjustified increases. While the industries ministering mainly to the ordinary needs of consumers at home and abroad have suffered a setback, operations in others engaged in the production of armaments and A.R.P. materials are being rapidly speeded up. Most branches of the iron and steel and metal-using industries are now working virtually at capacity. The engineering industry, in particular, is hard pressed, but pressure should be relieved as a result of the Amalgamated Engineering Union's consent to dilution, announced on Thursday.

**Rise in Commodity Prices.**—It is not easy to disentangle the effect of the various factors influencing the prices of primary products since the sudden increase in political tension at the beginning of last week. Until then the general level of prices had remained fairly stable, both in this country and in the United States, for the gradual upward movement in the prices of a number of industrial raw materials had been offset by the decline in those of wheat, raw sugar and other agricultural products. Reference to Reuter's and Moody's daily indices of the prices of sensitive commodities in this country and in the United States reveals the general trend:—

|           | U.K. Reuter's Index (Sept. 18, 1931=100) | U.S.A. Moody's Index (Dec. 31, 1931=100) |
|-----------|------------------------------------------|------------------------------------------|
| August 21 | 133.8                                    | 140.3                                    |
| " 22      | 135.3                                    | 140.1                                    |
| " 23      | 135.2                                    | 140.7                                    |
| " 24      | 138.2                                    | 141.3                                    |
| " 25      | 140.7                                    | 141.2                                    |
| " 26      | 139.1                                    | ...                                      |
| " 28      | 141.4                                    | 140.6                                    |
| " 29      | 139.3                                    | 140.8                                    |
| " 30      | 137.7                                    | 140.3                                    |

Moody's index for the United States rose, but only slightly, between Monday and Thursday last week, but subsequently fell back to its starting point. Reuter's index also rose between August 21st and 24th, but the rise was more marked than in the United States. While the general upward movement was probably due to a slight increase in the demand for certain materials, the relatively bigger advance in this country may be ascribed to the increase in

insurance rates and to the risk of a temporary dislocation of shipping in war. But whereas American prices began to fall on August 25th, prices in this country continued to advance until August 28th; this divergence of price movements in the two countries can be ascribed chiefly to the unpegging of the pound and its sudden depreciation in terms of the dollar on August 25th. On August 29th, however, Reuter's index also took a downward turn which persisted on the following day and was probably caused by the growing belief on Tuesday and Wednesday that war would be avoided. On Wednesday, Reuter's index was 3 per cent. above the level of August 21st. Since Moody's index for the United States was unchanged on these two dates, the rise in British quotations must have been due partly to the rise in freight rates, but chiefly to the fall in the exchange value of the pound. The period since the depreciation of the pound, however, has been much too short to enable its full implications to be assessed. Judging by previous movements, commodity prices in this country are unlikely to advance in proportion to the fall in the exchange value of the pound, while they may actually decline in the United States, for a substantial proportion of the supply of primary products is derived from the sterling area. But fluctuations in the exchange value of the pound are only one of the factors affecting the prices of primary products. In so far as the recent advance in British prices was due to this factor, it does not necessarily signify a change in the long-term trend.

**Home-Grown Food.**—In view of the necessity of maintaining the supplies of food in this country, the estimates made by the Ministry of Agriculture of the size of the current harvest of important crops are of considerable interest:—

| CROP PRODUCTION IN GREAT BRITAIN (Million tons; excluding N. Ireland) |                           |      |                       |
|-----------------------------------------------------------------------|---------------------------|------|-----------------------|
|                                                                       | Estimated Production 1938 | 1939 | Total Supply 1937-38† |
| Wheat                                                                 | 2.0                       | 1.6  | 6.8                   |
| Potatoes                                                              | 4.4                       | 3.9  | 4.9                   |
| Sugar*                                                                | 0.3                       | 0.5  | 2.3                   |
| Barley                                                                | 0.9                       | 0.8  | 1.7                   |
| Oats                                                                  | 1.7                       | 1.7  | 1.8                   |

† Production plus net imports, from the *Agricultural Register*.  
\* Raw value, from Bulletin of the International Sugar Council

While the yield of cereals and of potatoes is not expected to equal the exceptionally high level of 1938, normal harvests of these products seem likely, which will provide for nearly the total consumption of oats and potatoes; unless the weather is again unfavourable, the yield of sugar from beet will exceed that of last year and may supply a quarter to a fifth of the peace-time consumption. The most serious deficiency is the hay harvest, which has been exceptionally poor in both the last two years. Combined with the shrinkage in the acreage of roots, this low yield of hay, for the second year in succession, may, if imports of feeding-stuffs are limited, affect the production of milk and meat during the winter and spring.

**The Commodity Markets in War.**—The controlling authorities of many of the commodity markets have this week made arrangements for carrying on the normal trade of the country in the event of war. In most cases, small emergency committees have been appointed which

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**Queensland National Bank.**—Business of London branch now at 8 St. Mary's Street, Ross-on-Wye.  
**Rio Claro Investment Trust.**—Operating from 61 Banstead Road South, Sutton, Surrey, as from August 30.  
**Swiss Bank Corporation.**—In case of the outbreak of hostilities, most of the

Bank's services will be transferred to West Hall, Byfleet.

**Westminster Bank, Ltd.**—Chief office of trustee department has moved to 8a Christchurch Road, Bournemouth, to which all correspondence should be sent.

**Mercantile Bank of India** will conduct business from its London office until

obliged to evacuate; then at Courtlands, 82 Hurst Road, East Molesey, Surrey.

**Antony Gibbs and Sons** will, in the event of war, conduct business from Briggens, Ware, Herts. (Telephone Roydon 2107; telegrams, Gibbs Roydon; station, Roydon, L.N.E.R.). A skeleton staff will be at the present offices.

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will take over the functions of the full managing committee on the outbreak of war. Trading is likely to be interrupted for a short period, and it is probable also that open contracts will be prolonged until the resumption of trading, while some markets may, as in 1914, allow settlements at prices fixed on the last quotation before the outbreak of war. The London Metal Exchange has announced that, if trading cannot be continued in London, it will be moved to Harrow. Trading at Spitalfields Market will, in the event of war, be restricted to the hours of 6 a.m. to 1 p.m. Owing to the evacuation of London, most commodity markets decided to close on Friday and Saturday. Arrangements have been made for the grouping of many retail shops and the pooling of their transport, according to the type of trade and locality, so that in the event of one shop being disabled or temporarily unable to obtain supplies, its trade can be continued in an orderly fashion.

**Redundant Cotton Looms.**—As expected, the nineteen district associations of the Cotton Spinners' and Manufacturers' Association have approved the scheme for the elimination of 60,000 looms which are considered redundant, at a cost of £700,000. It is understood that the levy on employers to carry out the proposals will be 4s. per loom per annum. In view of the European political situation, no immediate action in this connection is probable, but it is expected that the scheme will be dealt with under the Cotton Industry (Reorganisation) Act, 1939, copies of which have been available this week. The original Bill, of course, has been amended, but the general principle of this legislation has been maintained; the chief object of the Act is to provide for the elimination of redundant machinery and the establishment of minimum prices. The Bill received the Royal Assent on August 4th, and the Act will come into operation in three months from that day or on such earlier date as the Board of Trade may appoint. After two months from this date, no person will be allowed to carry on business in the industry unless he is registered in the General Register.

**Retail Trade in July.**—The course of retail trade in July was influenced both by the holiday season and by the incidence of the half-yearly sales. Comparisons between June and July are therefore invalid but the figures published in this week's *Board of Trade Journal* show that, in the stores reporting to the Bank of England, the value of daily retail sales in July was 1.2 per cent. higher than in July, 1938; this increase is somewhat smaller than that shown in previous months:—

INDICES OF DAILY VALUE OF RETAIL TRADE IN GREAT BRITAIN  
(Average Daily Sales in 1937=100)

|                   | Total | Food | Non-Food |         |           |
|-------------------|-------|------|----------|---------|-----------|
|                   |       |      | Total    | Apparel | Household |
| 1938 June .....   | 106   | 107  | 105      | 116     | 90        |
| July .....        | 105   | 102  | 109      | 114     | 113       |
| 1939 February ... | 91    | 103  | 79       | 73      | 78        |
| March .....       | 96    | 105  | 86       | 83      | 86        |
| April .....       | 108   | 113  | 103      | 108     | 93        |
| May .....         | 111   | 112  | 109      | 123     | 93        |
| June .....        | 103   | 105  | 109      | 111     | 88        |
| July .....        | 107   | 106  | 107      | 111     | 112       |

The improvement compared with a year ago was mainly due to larger purchases of foods, sales of other commodities falling a little below the level of July, 1938. As in previous months, the values of sales in Central and West End London showed a decline, while in all other districts there

was an expansion compared with July, 1938. During the current month there have been, of course, considerable purchases of tinned foods and other requirements for defence purposes, and trade in other commodities has suffered accordingly. But stocks of food and perishables, according to the *Board of Trade Journal*, were 13.5 per cent. higher at the end of July than a year ago and are ample to meet the emergency; the regulations against food hoarding issued on Thursday evening provide a further safeguard against the occurrence of local shortages.

**Output of Textile Trades.**—The provisional results of the limited census of production taken in respect of 1937 under the Import Duties Act are now being published, and last week's *Board of Trade Journal* contained a summary for the textile industries, shown in the accompanying table. The results of the 1935 census have been added for comparison. The gross output represents the value of the goods made and of the work done, and the net output has been calculated by deducting from the gross output the cost of materials, of fuel and electricity, and of the amount paid for work given out. As the trend of general business activity was upwards between 1935 and 1937, the expansion in the value of the output of textiles was to be expected. The extent of the expansion, however, was far from uniform, and the net output of the jute and lace

TEXTILE TRADES—GENERAL SUMMARY

| Trade                                            | Gross Output                | Net Output                    | Average No. of Persons employed | Net Output per Person employed |
|--------------------------------------------------|-----------------------------|-------------------------------|---------------------------------|--------------------------------|
| Cotton (Spinning and Doubling) ...               | £'000<br>74,324<br>91,594   | £'000<br>20,198<br>26,801     | No.<br>182,415<br>186,108       | £<br>111<br>144                |
| Cotton (Weaving) ...                             | £'000<br>69,348<br>84,500   | £'000<br>20,472<br>24,575     | 166,904<br>173,595              | 123<br>142                     |
| Woollen and Worsted ...                          | £'000<br>129,716<br>154,893 | £'000<br>43,549<br>44,840     | 242,209<br>249,900              | 180<br>179                     |
| Silk and Artificial Silk ...                     | £'000<br>36,110<br>38,457   | £'000<br>14,099*<br>15,056*   | 81,825<br>82,633                | 172<br>182                     |
| Linen and Hemp ...                               | £'000<br>24,026<br>28,627   | £'000<br>7,063<br>8,124       | 69,152<br>73,239                | 102<br>111                     |
| Jute ...                                         | £'000<br>8,079<br>8,943     | £'000<br>2,906<br>2,831       | 24,190<br>24,239                | 120<br>117                     |
| Hosiery ...                                      | £'000<br>39,486<br>44,319   | £'000<br>17,262<br>19,219     | 115,273<br>119,936              | 150<br>160                     |
| Textile Finishing ...                            | £'000<br>30,462<br>32,347   | £'000<br>18,351<br>19,691     | 100,084<br>100,681              | 183<br>196                     |
| Lace ...                                         | £'000<br>7,155<br>7,067     | £'000<br>2,835<br>2,810       | 16,342<br>15,354                | 173<br>181                     |
| Rope, Twine and Net ...                          | £'000<br>5,536<br>6,971     | £'000<br>2,176<br>2,220       | 15,276<br>15,914                | 142<br>140                     |
| Canvas Goods and Sacks ...                       | £'000<br>4,428<br>5,511     | £'000<br>1,191<br>1,443       | 6,918<br>8,191                  | 172<br>176                     |
| Asbestos Goods and Engine and Boiler Packing ... | £'000<br>4,980<br>7,381     | £'000<br>2,978<br>4,321       | 9,545<br>13,043                 | 312<br>331                     |
| Elastic Webbing ...                              | £'000<br>1,982<br>2,215     | £'000<br>957<br>1,076         | 6,565<br>6,752                  | 146<br>159                     |
| Hair, Fibre, etc. ...                            | £'000<br>1,980<br>2,355     | £'000<br>729<br>794           | 4,058<br>4,216                  | 180<br>188                     |
| Roofing Felts ...                                | £'000<br>1,302<br>1,589     | £'000<br>591<br>619           | 1,602<br>1,752                  | 369<br>354                     |
| Total ...                                        | £'000<br>438,914<br>516,769 | £'000<br>155,357*<br>174,420* | 1,042,358<br>1,075,553          | 149<br>162                     |

\* Excluding Excise duty estimated at £2,091,000 in 1935 and £2,168,000 in 1937.

trades actually showed a decline. The most striking feature of the returns is the marked increase in the value of the output per employee in the majority of textile industries. On the average the output per head increased by nearly 9 per cent.; it showed an increase of no less than 30 per cent. in cotton spinning and doubling and one of 15 per cent. in weaving. The wool textile, jute, rope and twine and net and roofing felts trades, exceptionally, recorded a decline. To some extent the growth in the output per head may have been due to the fuller utilisation of machinery and to the rise in prices; but even if allowance is made for these factors, the increase in productivity within the short space of two years is remarkable.

## INDUSTRIAL REPORTS

THE reports from industrial centres which follow are naturally coloured by the impact of the political crisis. There has been a marked reluctance of home traders to place new orders, though a spurt has been noticeable in the demand for commodities required for protection against air raids. Export business has seriously declined in most industries, though here again urgent instructions have been given for the delivery of certain goods. The closing of the Mediterranean and the Baltic to British shipping has affected the trade with many countries. But while there has been a dislocation of civil business, defence work, especially on A.R.P., has been speeded up.

### Coal

**Sheffield.**—On the eve of the increase in prices for household coal there was a sharp spurt in demand for stocking purposes. Steam coal is in good demand for home industrial needs and for the railways. Gas coal is in better request, and there is activity in coking smalls. Coke is a steadily improving market, particularly blast-furnace qualities. On inland account South Yorkshire and Derbyshire hards are quoted 18s.-19s. per ton at pits.

The export market has a more satisfactory appearance, business in Yorkshire and Derbyshire seams being a good feature. New business in the former includes 10,000 tons for the Finnish State railways. There is a fair demand for coke, but bunkers are not much inquired for. Prices are unchanged.

**Newcastle - on - Tyne.**—With the stoppage of trade to various destinations the coal export business of the North-East is at a standstill. Home trade is, of course, good, but those collieries who rely upon trade to Germany and Italy are at the moment facing an embarrassing position, and there is every likelihood of a substantial curtailment of production until the outlook becomes more clearly defined. Surplus patent oven coke intended for the export market is being rapidly taken up by home consumers.

**Glasgow.**—The market this week has been dominated by the international crisis. The major effect has been a marked contraction in export trade. Shipments to the Baltic and Germany are at a standstill and the Mediterranean routes are closed. These developments have led to some congestion at several of the loading ports, but apart from this the market continues to operate freely, with the sales committees exercising rigid control over prices. They have, in fact, shown scarcely any alteration during the week. Active conditions continue to rule in the home market.

**Cardiff.**—The international political crisis has dislocated business at the South Wales ports, and in the foreign and coastwise trades the volume of shipment is less than it has been at any time since the spring. British ships have been prohibited from sailing ex-

cept under directions from the local Admiralty Routing Officer, and at the request of the Government shipping information is restricted. There has been a contraction of approximately between 10 per cent. and 15 per cent. in the loadings compared with those before the August holidays, and there has been hardly any pressure of new prompt business either for cargo or bunkers. The machinery for the control of exports in the event of war is in readiness in accordance with the regulations recently announced in Parliament and will function immediately in case of need. Meanwhile, there is a natural reluctance on the part both of colliery owners and foreign buyers to enter into new commitments. Prices are nominally unchanged.

### Iron and Steel

**Sheffield.**—The iron and steel market has not been greatly affected by the political crisis, and business continues on a good scale. The demand for forge pig iron is small, but business in foundry iron shows some expansion. There is considerable activity in basic iron, supplies of which are not too plentiful. Steady contract buying of hematite continues, and good deliveries under existing contracts are being taken.

Basic and acid steel billets are in good demand, and more business is on offer than can be readily accepted. Wire rods and small bars are very active, and business in structural steel is at a very high level.

All sections of local industry are fully employed, and steel furnaces are working to capacity; demand for special steels is increasing week by week.

**Middlesbrough.**—The political crisis is restricting civil business, but is having the effect of intensifying the pressure for delivery of steel for defence purposes.

Production of Cleveland pig iron has practically ceased and foundries continue to obtain pig iron supplies from other areas. East Coast hematite is in better demand and further shipments are being made to coastwise ports. There is very little demand for export.

It is expected that the output of finished steel in this area during August will be almost up to the previous month's figures. Semi-finished steel has been arriving from the Continent in fair quantities. Supplies of heavy steel scrap are regularly taken as merchants can obtain it.

**Glasgow.**—In the West of Scotland producers are being inundated with enquiries and orders for materials for A.R.P. shelters, materials for altering existing buildings to render them suitable for shelter purposes and for complete shelters of every description and size. Ordinary commercial business shows some decline, but in all branches production continues at the very high rate which has been ruling in recent weeks and work on hand will absorb all the possible output for a long time ahead.

**Cardiff.**—The international tension is restricting export business in the tinplate trade, and it is anticipated that in the event of war shipments will be permitted only under licence. The question of the revision of f.o.b. prices has been deferred for the time being, and the current schedule figures are to be continued up to the end of October. Shipments in the week ended August 24th were only 1,209 tons, compared with 3,193 tons in the corresponding period last year, and stocks in warehouse and in vans have increased from 1,704 tons to 5,292 tons. Inland business both in tinplates and sheets continues very active, and booked sales for the current year still amount to over 4.6 million boxes. The output in the tinplate industry has receded to about 66 per cent. of nominal capacity under the pooling scheme, but the sheet works as well as the heavier branches of the industry are fully employed. Prices are unchanged.

**News from Abroad.**—The political crisis has been the decisive factor in the international steel business. The uneasiness regarding transport facilities and costs, and the frequently prohibitive war risk insurance rates have caused dislocations, which have not brought business to a complete standstill, but have given rise to serious doubt as to the possibility of executing orders for the time being. In several instances orders have been cancelled, but generally the desire has prevailed on the part of buyers to secure delivery of old orders or to attempt to obtain quick delivery of new specifications.

Prices quoted for enquiries were firm compared with those in previous weeks, although in some cases reductions on official prices have continued to be granted on unorganised markets. Generally the price situation is rather unsettled at the moment, and it is quite likely that a reorientation will have to be considered when normal conditions are restored, if only because of the depreciation of the pound.

Holland and the Scandinavian countries have continued to show some interest in new engagements subject to delivery being possible. Business with non-European countries, i.e. with the Far East, South America and South Africa, was very quiet. Competition from America has further decreased because the domestic demand has improved and is expected to show a further increase in the autumn. Furthermore, the general price-level for domestic requirements has been advanced and export prices are expected to follow suit, including those quoted by the small independent producers.

### Textiles

**Cotton (Manchester).**—Normal business has been quite out of the question. Raw cotton prices have risen, principally as a result of the break in the value of the pound and wide fluctuations have occurred. The progress of the American crop is being over-

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

MATURED AND BOTTLED AT CHATEAU DE COGNAC

shadowed by other matters, but in most parts of the belt the plants are doing quite well.

Yarn is dearer in sympathy with the rise in raw cotton prices. Some American spinners have sold fairly freely, but orders have been given out very irregularly. Only a slow movement has been reported in Egyptian qualities. Export business has been at a low ebb.

Manufacturers of cloth have experienced a limited turnover in descriptions suitable for shipment abroad. The question of delivery has been very uncertain and shippers have been hampered by the stiff increase in war risk insurance rates. In the home trade section there has been a rush for supplies of "black Italians," and other materials suitable for window blinds. Makers on Government contracts have been pressed to increase deliveries.

★

**Wool (Bradford).**—Wool markets have been disturbed by the international political crisis. The first sale of the new selling season in Australia was due to begin at Sydney last Monday, but the auction was postponed for one week. The home trade was instructed a week ago to restrict the export of wool, tops and raw materials generally as far as possible. The trade has felt for weeks that it was unsafe to ship goods freely to the Continent, and have loyally fallen in with the request of the Government.

The position in manufacturing centres has not altered a great deal. All mills remain busy. Consumption is fully maintained but new business is naturally restricted. Prices for all raw and manufactured commodities remain steady and firm.

★

**Jute (Dundee).**—Prices in all sections of the jute market are firmer. A good business has been done in jute yarns and cloth; an urgent demand for sandbags has arisen and all available supplies have been bought up. Manufacturers are working at capacity to cope with further orders and good prices are being obtained. Raw material prices have been irregular. Spinners have bought fairly freely during the past week. The full group of Daisee-2/3 has advanced to £21 17s. 6d. per ton with good marks at from £22 15s., while Tossa-2/3 is quoted at £22 17s. 6d. and four at £21 17s. 6d. October/November. Reports on the progress of the new jute crop have not been quite so satisfactory recently and the yield may not be as high as was expected.

The price of common 8 lb. cops has been advanced to 2s. 8d. for prompt dispatch with 2s. 7d. paid for October/November, while Twist was raised to 4½d. for 3-ply 8 lb. and sacking yarns to 3½d. to 3¾d. for 24 lb. weft and 4½d. to 4¾d. for 8 lb. chains. Rove is in good demand and £23 is lowest now for 48 lb. and £19 for 200 lb. with early delivery not easily obtainable.

In addition to the demand for sandbags the Government is in need of 160,000,000 yards of camouflage hessian strips of 2 in. and 3 in. widths. Prices are firmer at 3.79d. for 10 oz. 40 in. and 2.94d. for 8 oz. Calcutta hessians have also advanced sharply on an increased demand.

## THE COMMODITY MARKETS

TRADING in many commodities has been irregular or almost at a standstill during the past week. The combined effects of the political tension, the fall in the exchange rate and the prohibition of many exports except under licence are discussed on page 463.

Prices in the United States have also been subject to wide fluctuations, but the rise shown generally a week ago has not been continued. Moody's index of commodity prices fell slightly from 140.7 to 140.3 (December 31, 1931 = 100) in the week ended last Wednesday.

### Metals

**Copper.**—After advancing to £46 5s. standard cash copper reacted to £45 10s. per ton and thus closed on Wednesday 17s. 6d. up on the week. Demand was very brisk, due largely to the desire of traders, particularly since the unpegging of sterling, to hedge against currency losses. Foreign dealings were virtually at a standstill as a result of last week's export licensing order. Despite the higher price, producers have not formally raised the quotas, but it is likely that production was running ahead of the 105 per cent. quota this week. During the week N'Changa Consolidated Copper Mines, the very important Rhodesian developing mine, published its annual report for the year ended March 31st last. This report gave a number of details which show that development work is making very good progress and that experimental production will start before long.

★

**Tin.**—Despite the decline in sterling, the tin pool kept the cash price at £229 17s. 6d. per ton. The strength of the tin market was once again reflected in the larger demand for three months' delivery, which reduced the backwardation from £6 7s. 6d. at the end of last week to £3 2s. 6d. at the end of this week.

★

**Lead and Spelter.**—After touching £16 12s. 6d. earlier this week, the spot lead price closed on Wednesday at £16 10s. per ton, a net gain of 7s. 6d. Spelter, which at one time touched £15 15s. per ton, closed on Wednesday at £15 per ton, 12s. 6d. higher than a week ago. The movements were entirely a reflection of the political crisis and the changes in the sterling rate. The intrinsic position of the two markets has not changed this week, and the only item of news was the move to re-open the Trepcia Mine in Yugoslavia after its recent shut-down owing to labour difficulties.

### Grains

THE markets have been dominated by political developments and by the abrupt variations in the value of the pound. Consequently, c.i.f. business has been limited, and apart from a covering trade in futures there has been little trade by ordinary merchants. Early in

the week a number of vessels were chartered to load wheat at North American ports and the Plate in September, but here again trade has become very difficult. Maize prices are firmer than a week ago, but fluctuations in Chicago and the uncertain course of the pound continue to restrict trading in Liverpool and London.

### Other Foods

**Provisions.**—With the recovery in wheat prices due to the political situation, flour prices were marked up by 1s. a sack during the week. Trade in other provision markets has been seriously affected by the diversion of the purchases of the public from fresh to tinned foods and to other precautions against air raids. Dominion butters and all types of eggs improved in price, while trade in fresh-killed meat has been very slow.

★

**Colonial Produce.**—Markets have been irregular. The future quotations for raw sugar have fluctuated widely and prices for refined were marked up by 3d. per cwt. during the week. Prices of tea, coffee and cocoa have tended to improve, except for those qualities suitable for re-export, which is temporarily at a standstill.

★

**Fruit and Vegetables.**—Trade in London has been much reduced by the political crisis, which has not only led to a diversion of purchasing power away from fresh food, but has also caused a considerable evacuation of the residential areas. In these circumstances the heavy supplies of English plums and apples in London are barely cleared, even at very low prices. The flower trade is also nearly at a standstill, but dealings in potatoes continue steadily at unchanged prices.

### Miscellaneous Commodities

**Oils and Oilseeds.**—Business in these markets is practically at a standstill. There is no trading in futures and spot supplies, while exports are now prohibited except under licence. The demand for nearby linseed oil is strong, however, and prices have risen by £5 10s. per ton during the week. Shipments from the Plate continue as usual, but most of it is on American and Continental account. Reports of the new American crop remain favourable. The home demand for oilcakes continues to expand and prices are firmer.

★

**Rubber.**—The prohibition of exports except under licence brought a small decline in spot prices on Thursday, but with the fall in the value of sterling during the past week there was a revival in demand which brought the price of standard sheet to close on Wednesday at 8½d. per lb. Warehouse stocks fell by 5,087 tons during the week, but it is believed that much of this quantity was sold for export but not shipped before the prohibition of exports, so that its return to stocks is expected.

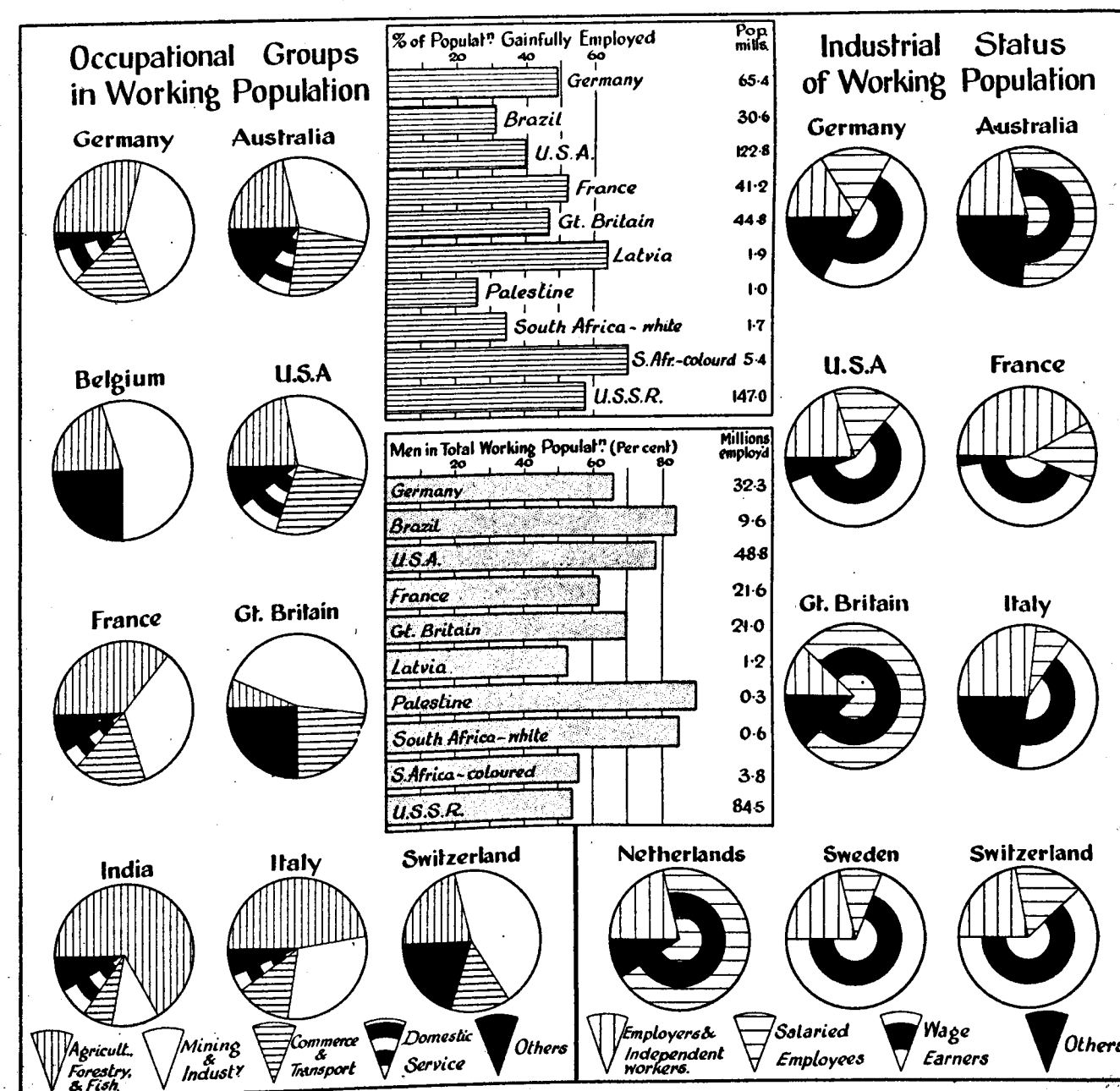
# CURRENT STATISTICS

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## Workers of the World





## Finance

## GOVERNMENT RETURNS

For the week ended August 26, 1939, total ordinary revenue was £10,338,000, against ordinary expenditure of £17,002,000, issues from Defence loans of £2,000,000, and issues to Sinking Funds of £245,000. Thus including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1st last is £152,461,000, against £130,240,000 a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                | Receipts into the Exchequer (£ thousands) |                                 |                                 |                          |                          |
|------------------------|-------------------------------------------|---------------------------------|---------------------------------|--------------------------|--------------------------|
|                        | Estimate, 1939-40                         | April 1, 1938, to Aug. 27, 1938 | April 1, 1939, to Aug. 26, 1939 | Week ended Aug. 27, 1938 | Week ended Aug. 26, 1939 |
| ORDINARY REVENUE       |                                           |                                 |                                 |                          |                          |
| Income Tax             | 327,000                                   | 45,188                          | 44,615                          | 1,886                    | 2,147                    |
| Sur-tax                | 70,000                                    | 7,670                           | 8,420                           | 160                      | 130                      |
| Stamp duties, etc.     | 80,000                                    | 31,880                          | 35,020                          | 910                      | 1,030                    |
| Stamps                 | 21,000                                    | 8,290                           | 7,750                           | 1,260                    | 1,090                    |
| N.D.C.                 | 25,000                                    | 5,000                           | 10,170                          | 430                      | 540                      |
| Other Inl. Revenue     | 1,250                                     | 480                             | 350                             | 40                       | 20                       |
| Duties                 | 524,250                                   | 98,508                          | 106,325                         | 4,686                    | 4,957                    |
| Total I. Rev.          | 232,300                                   | 89,573                          | 101,370                         | 4,811                    | 5,298                    |
| Customs                | 116,430                                   | 45,154                          | 46,357                          | 654                      | 887                      |
| Excise                 | 43,450                                    | 8,219                           | 8,379                           | ...                      | ...                      |
| Motor duties           | 7,200                                     | 6,490                           | 5,324                           | 50                       | Dr 1400                  |
| P.O. (Net Receipt)     | 1,600                                     | ...                             | ...                             | ...                      | ...                      |
| P.O. Fund              | 1,330                                     | ...                             | ...                             | 100                      | 90                       |
| Crown Lands            | 5,000                                     | 3,845                           | 3,271                           | 6                        | 6                        |
| Rec. from Sun. Loans   | 10,750                                    | 2,318                           | 2,796                           | 20                       | 500                      |
| Misc. Rec.             | ...                                       | ...                             | ...                             | ...                      | ...                      |
| Total Ord. Rev.        | 254,727                                   | 274,442                         | 10,327                          | 10,338                   | 10,338                   |
| SELF-BALANCING REVENUE |                                           |                                 |                                 |                          |                          |
| P.O. and Broadcast     | 83,449                                    | 28,610                          | 29,476                          | 1,350                    | 1,400                    |
| ipg                    | 102,579                                   | 283,337                         | 303,918                         | 11,677                   | 11,738                   |
| Total                  | ...                                       | ...                             | ...                             | ...                      | ...                      |

Issues out of the Exchequer to meet payments (£ thousands)

| Expenditure                   | Estimate, 1939-40 | April 1, 1938, to Aug. 27, 1938 | April 1, 1939, to Aug. 26, 1939 | Week ended Aug. 27, 1938 | Week ended Aug. 26, 1939 |
|-------------------------------|-------------------|---------------------------------|---------------------------------|--------------------------|--------------------------|
| ORDINARY EXPEND.              |                   |                                 |                                 |                          |                          |
| Int. & Man. of Nt. Dr.        | 230,000           | 96,749                          | 98,767                          | 207                      | 533                      |
| Pays. to Nt. Ireland          | 10,000            | 3,021                           | 2,977                           | 453                      | 419                      |
| Other Cons. Fund Ser.         | 7,200             | 1,254                           | 3,304                           | ...                      | ...                      |
| Total                         | 247,200           | 101,024                         | 105,048                         | 660                      | 952                      |
| Supply Serv. Diso. plus loans | 670,371           | 281,232                         | 319,053                         | 11,224                   | 16,050                   |
| Total                         | 1206141           | 281,232                         | 376,552                         | 11,224                   | 18,050                   |

After raising Exchequer balances by £191,424 to £2,720,602, the other operations for the week (as shown in the next column) raised the gross National Debt by £9,101,000 to about £8,494 millions.

## WEEK'S CHANGES IN DEBT

| NET INCREASES              | NET REPAYMENTS,            |
|----------------------------|----------------------------|
| (£ thousands)              | ETC.                       |
| Treasury bills..... 12,961 | Pub. Dept. Adv. .... 2,180 |
|                            | Nat. Sav. Certs. .... 900  |
|                            | P.O. and Teleg. .... 350   |
|                            | N. At. Shipping .... 33    |
|                            | Overseas Trade             |
|                            | Guarantees ..... 397       |
| <hr/> 12,961               | <hr/> 3,860                |

## AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to August 26, 1939, are shown below:—

| Ordinary Exp.           | Ord. Rev.                 |
|-------------------------|---------------------------|
| 424,101                 | 274,442                   |
| Issues under Def.       | Gross bor. 210,183        |
| Loan Acts... 57,500     | Less—                     |
| Inc. in balances... 221 | Sinking fds. 2,803        |
|                         | Net borrowing ... 207,380 |
| 481,822                 | 481,822                   |

## FLOATING DEBT (£ millions)

| Date          | Treasury Bills | Ways and Means Advances | Public Depts. | Bank of England | Total Floating Debt | Float. Assets |
|---------------|----------------|-------------------------|---------------|-----------------|---------------------|---------------|
| 1938          |                |                         |               |                 |                     |               |
| Aug. 27, 1938 | 555.0          | 294.0                   | 45.7          | ...             | 894.7               | 339.7         |
| May 6, 1939   | 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          | ...             | 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         |
| " 24          | 479.0          | 540.4                   | 45.7          | ...             | 1065.1              | 586.1         |
| July 8        | 489.0          | 563.0                   | 45.3          | ...             | 1097.3              | 608.3         |
| " 15          | 494.0          | 562.8                   | 43.1          | ...             | 1099.8              | 605.8         |
| " 22          | 499.0          | 558.1                   | 43.1          | ...             | 1100.2              | 601.2         |
| " 29          | 504.0          | 564.9                   | 46.3          | ...             | 1115.2              | 611.2         |
| Aug. 5        | 510.0          | 568.5                   | 46.0          | ...             | 1124.5              | 615.4         |
| " 12          | 510.0          | 570.7                   | 45.5          | ...             | 1126.2              | 616.2         |
| " 19          | 510.0          | 570.1                   | 47.5          | ...             | 1127.6              | 617.6         |
| " 26          | 510.0          | 583.1                   | 45.3          | ...             | 1138.4              | 628.4         |

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

## TREASURY BILLS (£ millions)

| Date of Tender | Offered | Applied for | Allotted | Average Rate % | Per Cent. Allotted at minimum Rate |
|----------------|---------|-------------|----------|----------------|------------------------------------|
| 1938           |         |             |          |                |                                    |
| Aug. 26, 1938  | 40.0    | 87.6        | 40.0     | 10             | 1.53                               |
| May 5, 1939    | 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           | 40.0    | 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           | 50.0    | 70.1        | 50.0     | 16             | 7.81                               |
| " 23           | 50.0    | 60.7        | 50.0     | 14             | 6.81                               |
| " 30           | 50.0    | 66.6        | 47.0     | 17             | 0.04                               |
| July 7         | 40.0    | 63.3        | 37.0     | 16             | 8.32                               |
| " 14           | 35.0    | 64.5        | 35.0     | 15             | 8.99                               |
| " 21           | 35.0    | 68.6        | 35.0     | 14             | 8.61                               |
| " 28           | 40.0    | 73.8        | 36.0     | 14             | 4.08                               |
| Aug. 4         | 35.0    | 67.9        | 30.0     | 13             | 7.9                                |
| " 11           | 30.0    | 58.6        | 30.0     | 14             | 0.7                                |
| " 18           | 30.0    | 63.1        | 30.0     | 15             | 7.39                               |
| " 25           | 30.0    | 50.4        | 30.0     | 74             | 5.44                               |

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 August 25th applications at £99 1s. 2d. per cent. for bills to be paid for on Monday, Tuesday and Wednesday of following week were accepted as to about 4 per cent. of the amount applied for and applications at higher prices in full. Applications at £99 1s. 5d. for bills to be paid for on Thursday, Friday and Saturday were accepted in full. £40.0 millions of Treasury bills are being offered on September 1st.

## NATIONAL SAVINGS CERTIFICATES

| Sales in              | Number     | Purchase Price |
|-----------------------|------------|----------------|
| Thirty-two weeks to:— |            |                |
| Aug. 13, 1938         | 20,582,630 | 15,436,978     |
| Aug. 12, 1939         | 19,397,781 | 14,548,300     |
| Week to:—             |            |                |
| Aug. 13, 1938         | 519,909    | 389,932        |
| Aug. 5, 1939          | 582,313    | 436,735        |
| Aug. 12, 1939*        | 468,865    | 351,649        |

\* Five days only.

## BANK OF ENGLAND RETURNS

AUGUST 30th, 1939

## ISSUE DEPARTMENT

| Notes Issued:                     | Govt. Debt.                                                                         |
|-----------------------------------|-------------------------------------------------------------------------------------|
| In circula... 529,498,805         | 11,015,100                                                                          |
| In Bngk. Department... 33,511,895 | Other Govt. Securities... 284,800,906                                               |
|                                   | Other Secs... 3,470,820                                                             |
|                                   | Silver Coin... 713,174                                                              |
|                                   | Amt. of Fid. Gold Coin & Bullion (at 158s. 6d. per oz. fine)... 300,000,000         |
|                                   | Aggregate of excess m. bank res. over reqts. deposits — Member-bank reserve account |
|                                   | Govt. deposits... 113,126,164                                                       |
|                                   | Other Secs.: Discs., etc... 6,387,710                                               |
|                                   | Securities... 31,016,418                                                            |
|                                   | Notes... 33,511,895                                                                 |
|                                   | Gold & Silver Coin... 738,052                                                       |
|                                   | 178,392,529                                                                         |

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

## BANKING DEPARTMENT

| Props' Capital            | Govt. Secs.                           |
|---------------------------|---------------------------------------|
| 14,553,000                | 113,126,164                           |
| Rest... 3,652,286         | Other Secs.: Discs., etc... 6,387,710 |
| Public Depts.* 31,067,576 | Securities... 31,016,418              |
|                           | Notes... 33,511,895                   |
|                           | Gold & Silver Coin... 738,052         |
|                           | 178,392,529                           |

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

## THE WEEK'S CHANGES (£ thousands)

| Both Departments                                        | Amt. Aug. 30, 1939 | Compared with Last Week | Last Year |
|---------------------------------------------------------|--------------------|-------------------------|-----------|
| COMBINED LIABILITIES                                    |                    |                         |           |
| Note circulation                                        | 529,499            | + 21,435                | + 49,066  |
| Deposits: Public...                                     | 31,068             | + 8,696                 | + 3,310   |
| Bankers'...                                             | 90,143             | + 1,989                 | + 4,600   |
| Others...                                               | 38,976             | + 2,748                 | + 2,600   |
| Total outside liabilities...                            | 689,686            | + 30,890                | + 50,375  |
| Capital and rest...                                     | 18,205             | + 27                    | + 2       |
| COMBINED ASSETS                                         |                    |                         |           |
| Govt. debt and securities                               | 408,942            | + 14,041                | + 107,081 |
| Discounts and advances                                  | 6,388              | + 677                   | + 1,018   |
| Other securities...                                     | 28,100             | + 577                   | + 5,585   |
| Silver coin in issue dept.                              | 713                | + 0                     | + 701     |
| Gold coin and bullion                                   | 263,749            | + 16,486                | + 64,012  |
| Reserves                                                |                    |                         |           |
| Res. of notes & coin in banking department...           | 34,250             | + 3,949                 | + 13,078  |
| Proportion of reserve to outside liabilities...         |                    |                         |           |
| (a) Bank, dept. only ("proportion")                     | 21.3%              | + 4.7%                  | + 8.4%    |
| (b) Gold stocks to deposits and notes ("reserve ratio") | 38.2%              | + 0.7%                  | + 13.0%   |

## COMPARATIVE ANALYSIS (£ millions)

|                               | 1938  | 1939  |
|-------------------------------|-------|-------|
| Issue Dept.:                  |       |       |
| Notes in circ.                | 480.4 | 521.9 |
| Notes in bank-                |       |       |
| ing dept.                     | 46.0  | 24.5  |
| Govt. debt and securities     | 199.0 | 299.2 |
| Other sec.                    | 0.2   | 0.1   |
| Silver coin                   | 0.0   | 0.7   |
| Gold, valued at s. per f. oz. | 326.4 | 246.4 |
| Deposits:                     |       |       |
| Public                        | 27.8  | 31.8  |
| Bankers'                      | 94.7  | 81.7  |
| Others                        | 36.4  | 35.9  |
| Total                         | 158.9 | 149.4 |
| Bkg. Dept. Secs.              |       |       |
| Government...                 | 102.1 | 114.8 |
| Discounts, etc.               | 5.4   | 6.0   |
| Other                         | 22.3  | 21.5  |
| Total                         | 129.8 | 142.3 |
| Banking dept. reserve         |       |       |
| Govt. debt                    | 47.3  | 25.2  |
| Other                         | 7.7   | 16.8  |
| Proportion                    | 29.7  | 16.8  |
| Reserve ratio                 | 51.2  | 36.8  |

\* 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 Bank of International Settlements appeared in *The Economist* of August 12th; Argentina, Denmark, Iran, Java, Roumania, and Federal Reserve Reporting Members, of August 19th; Bulgaria, Danzig, Egypt, Finland, New Zealand, South Africa, Sweden and Turkey, of August 26th.

## U.S. FEDERAL RESERVE BANKS

| 12 U.S.F.R. BANKS                                                                   | Sept. 1, 1938 | Aug. 24, 1939 | Aug. 31, 1939 |
|-------------------------------------------------------------------------------------|---------------|---------------|---------------|
| RESOURCES                                                                           |               |               |               |
| Gold certifs. on hand and due from Treas.                                           | 10,632        | 13,869        | 14,168        |
| Total reserves                                                                      | 11,026        | 14,228        | 14,522        |
| Total cash reserves                                                                 | 386           | 350           | 345           |
| Total bills discounted                                                              | 7             | 5             | 6             |
| Bills bt. in open mkt.                                                              | 1             | 1             | 1             |
| Total bills on hand                                                                 | 8             | 5             | 7             |
| Industrial advances                                                                 | 16            | 12            | 12            |
| Total U.S. Govt. sec.                                                               | 2,564         | 2,453         | 2,426         |
| Other Secs.                                                                         | 2,588         | 2,470         | 2,440         |
| Total bills and sec.                                                                | 14,261        | 17,461        | 17,681        |
| Total resources                                                                     | 14,261        | 17,461        | 17,681        |
| LIABILITIES                                                                         |               |               |               |
| F.R. notes in circ.                                                                 | 4,169         | 4,531         | 4,572         |
| Aggregate of excess m. bank res. over reqts. deposits — Member-bank reserve account | 8,179         | 10,413        | 10,951        |
| Govt. deposits                                                                      | 9,212         | 11,939        | 12,157        |
| Total deposits                                                                      | 309           | 312           | 312           |
| Cap. paid in and surplus                                                            | 14,261        | 17,461        | 17,681        |
| Total liabilities                                                                   | 82.4%         | 86.4%         | 86.9%         |
| U.S.F.R. BANKS AND TREASURY COMBINED RESOURCES                                      |               |               |               |
| Monetary gold stock                                                                 | 13,135        | 16,248        | 16,501        |
| Treasury and Nat. Bk. currency                                                      | 2,730         | 2,895         | 2,903         |
| LIABILITIES                                                                         |               |               |               |
| Money in circulation                                                                | 6,503         | 7,054         | 7,098         |
| Treasury cash and deposits with F.R. Bks.                                           | 3,200         | 3,233         | 3,058         |

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

|                                        | Sept. 1, 1938 | Aug. 31, 1939 | Aug. 31, 1939 |
|----------------------------------------|---------------|---------------|---------------|
| Total gold reserves                    | 4658.4        | 6682.4        | 6878.2        |
| Total bills discounted                 | 2.1           | 1.2           | 1.7           |
| Bills bt. in open mkt.                 | 0.2           | 0.2           | 0.2           |
| Total U.S. Govt. sec.                  | 780.1         | 716.5         | 704.9         |
| Total bills and sec.                   | 786.2         | 720.0         | 708.9         |
| Deposits — Member-bank reserve account | 3936.2        | 5549.0        | 5911.8        |
| Reserve to depts. and F.R. notes       | 87.0%         | 91.2%         | 91.6%         |

## BANK OF FRANCE.—Million francs

|                                                            | Aug. 25, 1938 | July 27, 1939 | Aug. 24, 1939 |
|------------------------------------------------------------|---------------|---------------|---------------|
| ASSETS                                                     |               |               |               |
| Gold                                                       | 55,808        | 92,266        | 97,266        |
| Bills: Commercial                                          | 8,786         | 10,136        | 8,925         |
| Bought abroad                                              | 726           | 692           | 692           |
| Advances on securities                                     | 3,545         | 3,465         | 3,450         |
| Thirty-day advances                                        | 331           | 472           | 374           |
| Loans to State without interest: (a) general (b) provision | 3,200         | 10,000        | 10,000        |
| Negotiable bonds                                           | 40,134        | 20,576        | 20,577        |
| Sinking Fund Dept.                                         | 5,570         | 5,470         | 5,466         |
| Other assets                                               | 4,188         | 4,773         | 4,788         |
| LIABILITIES                                                |               |               |               |
| Notes in circulation                                       | 99,065        | 123,339       | 123,135       |
| Deposits: Public                                           | 2,891         | 5,468         | 5,146         |
| Private                                                    | 17,602        | 15,832        | 20,425        |
| Other liabilities                                          | 2,731         | 3,008         | 2,833         |
| Gold to sight liabilities                                  | 46.7%         | 63.7%         | 65.4%         |

\* Revalued Nov. 17, 1938, at 271.2 milligrams.

## REICHSBANK

|                          | Aug.<br>23,<br>1938 | July<br>22,<br>1939 | Aug.<br>15,<br>1939 | Aug.<br>23,<br>1939 |
|--------------------------|---------------------|---------------------|---------------------|---------------------|
| ASSETS                   |                     |                     |                     |                     |
| Gold & for. currencies   | 76.7                | 76.9                | 76.8                | 77.0                |
| Bills and cheques        | 5790.2              | 7890.5              | 8384.9              | 8140.0              |
| Token money              | 207.1               | 184.5               | 155.3               | 168.2               |
| Renten bank notes        |                     | 25.2                | 25.4                | 27.2                |
| Advances                 | 27.9                | 27.4                | 31.5                | 22.2                |
| Secs.: for note cover    | 847.5               | 924.7               | 953.2               | 982.4               |
| others                   |                     | 283.4               | 292.5               | 286.4               |
| Other assets             | 1140.4              | 1079.6              | 1062.4              | 1380.5              |
| LIABILITIES              |                     |                     |                     |                     |
| Notes in circulation     | 6143.3              | 8228.1              | 8704.9              | 8709.8              |
| Daily maturing liabs.    | 977.3               | 1131.8              | 1105.4              | 1195.4              |
| Other liabilities        | 304.8               | 423.8               | 439.5               | 454.8               |
| Cover of note circulatn. | 1.25%               | 0.93%               | 0.88%               | 0.88%               |

## BANK CLEARINGS

## LONDON†

(£ thousands)

|                          | Month of July |           |        | Week ended Wednesday |               | Aggregate from January 1 to |               |
|--------------------------|---------------|-----------|--------|----------------------|---------------|-----------------------------|---------------|
|                          | 1938          | 1939      | Change | Aug. 24, 1938        | Aug. 23, 1939 | Aug. 24, 1938               | Aug. 23, 1939 |
| Number of working days : | 26            | 26        | %      | 6                    | 6             | 198                         | 197           |
| Town .....               | 2,976,141     | 2,594,921 | -12.9  | 559,910              | 553,311       | 21,976,311                  | 19,625,894    |
| Metropolitan ..          | 187,040       | 183,783   | -1.8   | 32,677               | 33,804        | 1,371,158                   | 1,336,961     |
| Country .....            | 318,322       | 333,744   | +4.9   | 58,023               | 62,237        | 2,404,089                   | 2,428,082     |
| Total .....              | 3,481,503     | 3,112,448 | -10.6  | 650,610              | 649,352       | 25,751,558                  | 23,390,937    |

† Last week's return ; return for week ending Aug. 30, 1939, has not been published.

## PROVINCIAL

(£ thousands)

|                        | Month of July |         |        | Week ended Saturday |               | Aggregate from January 1 to |               |
|------------------------|---------------|---------|--------|---------------------|---------------|-----------------------------|---------------|
|                        | 1938          | 1939    | Change | Aug. 27, 1938       | Aug. 26, 1939 | Aug. 27, 1938               | Aug. 26, 1939 |
| No. of working days :— | 26            | 26      | %      | 6                   | 6             | 202                         | 201           |
| BIRMINGHAM ..          | 12,210        | 11,754  | -3.7   | 1,498               | 1,619         | 81,293                      | 80,702        |
| BRISTOL .....          | 3,380         | 3,970   | +17.4  | 821                 | 781           | 27,155                      | 28,611        |
| HULL .....             | 5,570         | 5,547   | -0.4   | 1,144               | 1,214         | 43,055                      | 44,583        |
| LEEDS .....            | 3,701         | 3,589   | -0.3   | 699                 | 723           | 28,695                      | 27,095        |
| LEICESTER .....        | 4,468         | 4,414   | -1.2   | 633                 | 650           | 33,120                      | 33,226        |
| LIVERPOOL .....        | 3,494         | 3,253   | -6.8   | 485                 | 539           | 23,906                      | 23,876        |
| MANCHESTER ..          | 23,865        | 21,242  | -10.9  | 4,059               | 4,751         | 178,684                     | 166,764       |
| NEWCASTLE ..           | 39,618        | 43,315  | +9.3   | 6,963               | 7,465         | 316,987                     | 319,856       |
| NOTTINGHAM ..          | 6,333         | 6,640   | +4.8   | 1,154               | 1,118         | 51,760                      | 51,480        |
| SHEFFIELD .....        | 2,327         | 2,163   | -7.0   | 310                 | 341           | 17,071                      | 16,561        |
| Total : 11 Towns       | 109,745       | 110,651 | +0.8   | 18,440              | 19,769        | 839,067                     | 828,734       |
| DUBLIN .....           | ...           | ...     | ...    | 5,833               | 4,899         | 210,297†                    | 206,040†      |

† 34 weeks.

## MONEY RATES

## LONDON

|                                                   | Aug. 24, 1939 | Aug. 25, 1939 | Aug. 26, 1939 | Aug. 28, 1939 | Aug. 29, 1939 | Aug. 30, 1939 | Aug. 31, 1939 |
|---------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Bank rate (changed from 2% August 24, 1939) ..... | 4             | 4             | 4             | 4             | 4             | 4             | 4             |
| Market rates of discount                          |               |               |               |               |               |               |               |
| 60 days' bankers' drafts                          | 3½            | 3½-11½        | 3½-11½        | 3½            | 3½            | 3½            | 3½            |
| 3 months' do. ....                                | 3½            | 3½-11½        | 3½-11½        | 3½-11½        | 3½-11½        | 3½-11½        | 3½-11½        |
| 4 months' do. ....                                | 4¼            | 4¼            | 4¼            | 4¼-4½         | 4¼-4½         | 4¼-4½         | 4¼-4½         |
| 6 months' do. ....                                | 4½-5          | 4½-5          | 4½-5          | 5             | 5             | 5             | 5             |
| Discount Treasury Bills                           |               |               |               |               |               |               |               |
| 2 months' .....                                   | 3½            | 3½-3¾         | 3½-3¾         | 3½-3¾         | 3½-3¾         | 3½-3¾         | 3½-3¾         |
| 3 months' .....                                   | 3½            | 3½            | 3½            | 3½-11½        | 3½-11½        | 3½-11½        | 3½-11½        |
| Loans—Day-to-day ..                               | 3             | 2½-3¼         | 2½-3¼         | 3½            | 2½-3¼         | 2½-3¼         | 2½-3¼         |
| Short .....                                       | 3             | 2½-3¼         | 2½-3¼         | 3½            | 2½-3¼         | 2½-3¼         | 2½-3¼         |
| Deposit advances : Bk.                            | 2             | 2             | 2             | 2             | 2             | 2             | 2             |
| Discount houses at call                           | 2             | 2             | 2             | 2             | 2             | 2             | 2             |
| At notice .....                                   | 2¼            | 2¼            | 2¼            | 2¼            | 2¼            | 2¼            | 2¼            |

## Comparison with previous weeks

|              | Short Loans | Bank Bills |          |          | Trade Bills |          |          |
|--------------|-------------|------------|----------|----------|-------------|----------|----------|
|              |             | 3 Months   | 4 Months | 6 Months | 3 Months    | 4 Months | 6 Months |
| 1939         |             |            |          |          |             |          |          |
| Aug. 3 ..... | 12-1        | 11½        | 11½      | 1-11½    | 3-3½        | 3¼-3½    | 3¼-4     |
| " 10 .....   | 12-1        | 11½-11½    | 11½      | 1-11½    | 3-3½        | 3¼-3½    | 3¼-4     |
| " 17 .....   | 12-1        | 11½-11½    | 11½      | 1-11½    | 3-3½        | 3¼-3½    | 3¼-4     |
| " 24 .....   | 12-1        | 11½-11½    | 11½      | 1-11½    | 3-3½        | 3¼-3½    | 3¼-4     |
| " 31 .....   | 3-3¼        | 3½-11½     | 4¼       | 4½-5     | 4½-5        | 4½-5     | 5-5½     |

## NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York :—

|                                   | Aug. 31, 1938 | Aug. 2, 1939 | Aug. 9, 1939 | Aug. 16, 1939 | Aug. 23, 1939 | Aug. 30, 1939 |
|-----------------------------------|---------------|--------------|--------------|---------------|---------------|---------------|
| Call money .....                  | 11¼           | 11½          | 11½          | 11½           | 11½           | 11½           |
| Time money (90 days' mixed coll.) | 11¼           | 11½          | 11½          | 11½           | 11½           | 11½           |
| Bank acceptances :—               |               |              |              |               |               |               |
| Members—eligible, 90 days         | 1½            | 1½           | 1½           | 1½            | 1½            | 1½            |
| Non-mem.—eligible, 90 days        | 1½            | 1½           | 1½           | 1½            | 1½            | 1½            |
| Commercial accept., 90 days       | 1             | 1            | 1            | 1             | 1             | 1             |

## EXCHANGE RATES

## LONDON—SPOT

## (a) Active Exchanges

(Range of the day's business)

| London on        | Par of Exch. per £ | Aug. 25, 1939 | Aug. 26, 1939 | Aug. 28, 1939 | Aug. 29, 1939 | Aug. 30, 1939 | Aug. 31, 1939 |
|------------------|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| New York, \$     | \$4.86½            | 4.35-46       | 4.35-46       | 4.10-40       | 4.24-41       | 4.32-42       | 4.26-40       |
| Montreal, \$     | 4.86½              | 4.35-71       | 4.38-53       | 4.18-37       | 4.32-50       | 4.37-50       | 4.35-45       |
| Paris, Fr.       | 124.21             | 175-175½      | 174½-175      | 174½-175      | 174½-175      | 174½-175      | 175-175½      |
| Brussels, Bel.   | 35.00a             | 25.50-25½     | 25.65-26      | 25.00-25      | 25.00-25      | 25.00-25      | 25.80         |
| Milan, L.        | 92.46              | 83¼-89¼       | 83-85         | 79-85         | 80½-84½       | 82½-85        | 82-84½        |
| Zurich, Fr.      | 25.22½             | 19.40-19½     | 19.15-19½     | 18.40-18½     | 18.75-19      | 19.15-19½     | 18.65-19.45   |
| Athens, Dr.      | 375                | 543*          | 540-555       | 540-555       | 540-555       | 540-555       | 540-555       |
| Amst'd'm, Fl.    | 12.107             | 8.10-75       | 8.05-35       | 7.70-7.90     | 7.90-7.90     | 8.10-27       | 7.95-8.25     |
| Berlin, Mk.      | 20.43              | 11.55-75      | 11.50-60      | 10.70-10.70   | 11.25-11.30   | 11.15-11.10   | 11.10         |
| Registered Marks | 63-69              | Unq't'd       | Unq't'd       | Unq't'd       | Unq't'd       | Unq't'd       | Unq't'd       |
| Br. India Rup.   | †18d               | 172½-173      | 172½-173      | 172½-173      | 172½-173      | 172½-173      | 172½-173      |
| Hong Kong, \$    | †...               | 14½-14½       | 14½-14½       | 14½-14½       | 14½-14½       | 14½-14½       | 14½-14½       |
| Shanghai, \$     | †...               | 3¼-4¼         | 3½-4½         | 3½-4½         | 3½-4½         | 3½-4½         | 3½-4½         |
| Rio, Mil.        | †5.899d.           | 19.55-19.00   | 19.00-18.50   | 18.50-18.50   | 18.50-18.50   | 18.50-18.50   | 18.50-18.50   |
| B. Aires, \$     | 11.45              | 20.05g        | 17(h)         | 19.30g        | 19.05g        | 18.90g        | 18.85g        |
| Valparaiso, \$   | 40                 | 117e(l)       | 117e(l)       | Unq't'd       | Unq't'd       | Unq't'd       | Unq't'd       |
| Montevideo, \$   | †51d.              | 18¼-19¼       | 18¼-19¼       | 18-19         | 18¼-19¼       | 19-20         | 19½-20½       |
| Lima, Sol.       | 17.38              | 24½-51½       | 24½-51½       | Unq't'd       | Unq't'd       | Unq't'd       | Unq't'd       |
| 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.           | 25½-16        | 26½(l)        | 26½(l)        | 26½(l)        | 26½(l)        | 26½(l)        |
| Moscow, Rbls.    | ...                | 23.47½-48     | 23.32-42      | 22.79-89      | 22.52½-67     | 23.05½-67     | 22.95-23.05   |

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) Prior rate is \$15 sellers. (e) Average remittance rate for importers with prior permits ; without prior permits, \$20. (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 £ | August 25, 1939 | August 30, 1939 | August 31, 1939 |
|------------------|--------------------|-----------------|-----------------|-----------------|
| Helsingfors, M.  | 193.23             | 226½-227        | 210-220(l)      | 210-220         |
| Madrid, Pt.      | 25.22½             | 42¼-42½         | 42¼-42½         | 42¼-42½         |
| Lisbon, Esc.     | 110                | 110-110½        | 109½-110½       | 109½-110½       |
| Budapest, Pen.   | 27.82              | 23½-24          | 21½(l)          | 21½(l)          |
| Prague, Kc.      | \$164½             | 127-137         | 126½(l)         | 125(l)          |
| Danzig, Gul.     | 25.00              | 23½-24          | 22½(l)          | 22(l)           |
| Warsaw, Zl.      | 48.38              | 23½-24          | 22½(l)          | 22(l)           |
| Riga, Lat.       | 25.22½             | 24½-25½         | Unq't'd         | Unq't'd         |
| Bucharest, Lei.  | 813.8              | 65*             | 650-670         | 650(l)          |
| Istanbul, Pst.   | 110                | 583*            | 550(l)          | 530(l)          |
| Belgrade, Din.   | 276.32             | 205*            | 185(l)          | 185(l)          |
| Kovno, Lit.      | 48.66              | Unq't'd         | Unq't'd         | Unq't'd         |
| Sofia, Lev.      | 673.66             | 380*            | 360(l)          | 360(l)          |
| Tallinn, E. Kr.  | 18.159             | 17½-18½         | Unq't'd         | Unq't'd         |
| Oslo, Kr.        | 18.159             | 19.85-95        | 19-19½          | 18½-19½         |
| Stockholm, Kr.   | 18.159             | 19.35-45        | 18-19           | 17½-18½         |
| Copenhagen, Kr.  | 18.159             | 22.35-45        | 21½-22½         | 21½-22½(l)      |
| Alexandria, Pst. | 97½                | 97½-98          | 97½-98          | 97½-98          |
| Kobe, Yen        | †24.58d.           | 13½-14½         | 13½-14½         | 13½-14½         |
| Singapore, \$    | †28d.              | 28-28½          | 28-28½          | 28-28½          |
| Batavia, F.      | 12.11              | 8.25-35         | 8.15-25         | 8.00-8.05       |
| Bangkok, Baht    | †21.82d.           | 22½-5½          | 22½-5½          | Unq't'd         |

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       | Aug. 25, 1939     | Aug. 26, 1939 | Aug. 28, 1939 | Aug. 29, 1939 | Aug. 30, 1939 | Aug. 31, 1939 |
|-----------------|-------------------|---------------|---------------|---------------|---------------|---------------|
|                 | Per £             | Per £         | Per £         | Per £         | Per £         | Per £         |
| New York cent.  | 1 Month (p) 7½-8  | (p) 11-1      | (p) 2-1       | (p) 2-1       | (p) 11-1      | (p) 2-1       |
| " 2 "           | 2 15-18           | 3-2           | 3-2           | 3-2           | 3-2           | 3-2           |
| " 3 "           | 2½-2½             | 4-3           | 6-4½          | 4½-3½         | 4-3           | 4-3           |
| Paris, francs   | 1 Month (p) 14-18 | (p) 18-Par    | (p) 3-18      | (p) 3-18      | (p) 3-18      | (p) 3-18      |
| " 2 "           | 3-18              | ...           | 5-18          | 5-18          | 5-18          | 5-18          |
| " 3 "           | 7½-16             | 12-14         | 7-16          | 7-16          | 7-16          | 7-16          |
| Amsterdam cent. | 1 Month (p) 3-2   | (p) 5-3       | (p) 10-Par    | (p) 5-Par*    | (p) 5-Par*    | (p) 5-Par*    |
| " 2 "           | 4-3               | ...           | 10-Par        | 5-Par*        | 5-Par*        | 5-Par*        |
| " 3 "           | 5-4               | 10            | 15-Par        | 5-Par*        | 5-Par*        | 5-Par*        |
| Brussels, cent. | 1 Month (p) 8-5   | ...           | ...           | ...           | ...           | ...           |
| " 2 "           | 10-7              | ...           | ...           | ...           | ...           | ...           |
| " 3 "           | 12-9              | ...           | ...           | ...           | ...           | ...           |
| Zurich, cent.   | 1 Month (p) 8-6   | ...           | ...           | ...           | ...           | ...           |
| " 2 "           | 13-10             | ...           | ...           | ...           | ...           | ...           |
| " 3 "           | 16-13             | ...           | ...           | ...           | ...           | ...           |

(p) Premium.

\* Nominal.

## EXCHANGE RATES—cont.

## NEW YORK

| New York on        | Aug. 24, 1939 | Aug. 25, 1939 | Aug. 28, 1939 | Aug. 29, 1939 | Aug. 30, 1939 |
|--------------------|---------------|---------------|---------------|---------------|---------------|
| London :—          |               |               |               |               |               |
| 60 days .....      | Cents 467½    | Cents 468½    | Cents 428     | Cents 440     | Cents 439½    |
| Cables .....       | 468½          | 468½          | 428           | 440           | 439½          |
| Demand .....       | 2.64½         | 2.65¾         | 2.45¼         | 2.51¼         | 2.51½         |
| Paris, Fr.         | 16.95         | 17.00         | 16.90         | 16.92½        | 17.05         |
| Brussels, Bel.     | 22.52½        | 22.57½        | 22.60         | 22.64         | 22.65         |
| Switzerland, Fr.   | 5.26¼         | 5.26¼         | 5.26¼         | 5.26¼         | 5.26¼         |
| Italy, Lira        | 40.00         | 38.50         | 39.45         | 40.00         | 39.90         |
| Berlin, Mark       | 53.79½        | 53.75         | 53.60         | 53.57         | 53.45         |
| Amsterdam, Guilder | 20.90½        | ...           | ...           | ...           | 20.60         |
| Copenhagen, Kr.    | 23.52½        | ...           | ...           | ...           | 22.95         |
| Oslo, Kr.          | 24.14         | ...           | ...           | ...           | 23.90         |
| Stockholm, Kr.     | 0.857½        | ...           | ...           | ...           | 0.857½        |
| Athens, Dr.        | 99.340        | 99.000        | 97.375        | 98.180        | 98.375        |
| Montreal, Can. \$  | 27.31         | 26.30         | 25.05         | 25.75         | 25.75         |
| Yokohama, Yen      | 7.35          | 7.05          | 8.10          | 7.35          | 7.60          |
| Shanghai \$        | 29.04         | ...           | ...           | ...           | ...           |
| B. Aires, Peso     | 5.10          | ...           | 5.10          | ...           | 5.10          |
| Rio, Milreis†      | ...           | ...           | ...           | ...           | ...           |

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 <sup>3</sup> / <sub>8</sub>  | Air Mail 125                         | Ord. Mail 124 <sup>3</sup> / <sub>8</sub> | 125 <sup>1</sup> / <sub>2</sub> | 125                              |
| Sight   | (t)<br>126 <sup>1</sup> / <sub>2</sub> | (t)<br>125 <sup>1</sup> / <sub>2</sub> | 125 <sup>1</sup> / <sub>16</sub> | 124 <sup>1</sup> / <sub>16</sub> | 124 <sup>1</sup> / <sub>16</sub>     | 124 <sup>1</sup> / <sub>16</sub>          | 123 <sup>1</sup> / <sub>2</sub> | 125 <sup>1</sup> / <sub>2</sub>  |
| 30 days | 126 <sup>3</sup> / <sub>8</sub>        | 126 <sup>3</sup> / <sub>8</sub>        | ...                              | ...                              | 124 <sup>1</sup> / <sub>2</sub>      | 124 <sup>3</sup> / <sub>8</sub>           | 123 <sup>1</sup> / <sub>2</sub> | 125 <sup>1</sup> / <sub>16</sub> |
| 60 days | 127 <sup>1</sup> / <sub>2</sub>        | 127 <sup>1</sup> / <sub>2</sub>        | ...                              | ...                              | 124 <sup>1</sup> / <sub>4</sub>      | 124 <sup>1</sup> / <sub>2</sub>           | 123 <sup>3</sup> / <sub>8</sub> | 124 <sup>1</sup> / <sub>2</sub>  |
|         | 127 <sup>3</sup> / <sub>8</sub>        | 127 <sup>3</sup> / <sub>8</sub>        | ...                              | ...                              | 124                                  | 123 <sup>7</sup> / <sub>8</sub>           | 123 <sup>1</sup> / <sub>2</sub> | 125 <sup>1</sup> / <sub>8</sub>  |



## LONDON ACTIVE SECURITY PRICES AND YIELDS

Notes: Yields on British Funds, Dominion and Colonial Government and Corporation Stocks are based on minimum prices shown. Approximate dealing prices on August 29th and 30th are given in left-hand columns. 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.

| Approximate Dealing Prices 1939 |         | Prices, Jan. 1 to Aug. 30, inclusive |         | Name of Security         | Price, Aug. 30, 1939 | Change since Aug. 23, 1939 | Yield, Aug. 30, 1939 |         | Name of Security | Price, Aug. 30, 1939 | Change since Aug. 23, 1939 | Yield, Aug. 30, 1939 |         |
|---------------------------------|---------|--------------------------------------|---------|--------------------------|----------------------|----------------------------|----------------------|---------|------------------|----------------------|----------------------------|----------------------|---------|
| High                            | Low     | High                                 | Low     |                          |                      |                            | (a) (%)              | (b) (%) |                  |                      |                            | (c) (%)              | (d) (%) |
| 64 1/2                          | 65 3/4  | 71 1/8                               | 61      | Consols 2 1/2 %          | 62 1/2               | -1                         | 4                    | 0       | 0                | 32 1/2               | 10 1/2                     | 6                    | 4       |
| 99 1/2                          | 100 3/4 | 107 1/8                              | 98      | Do. 4 % (alt. 1957)      | 98 1/2               | -1                         | 4                    | 0       | 0                | 10 1/2               | 5 1/2                      | 5                    | 4       |
| 93 1/2                          | 94 1/2  | 96 3/4                               | 90 1/8  | Conv. 2 1/2 % 1944-49    | 93 1/4               | -1 1/2                     | 3                    | 6       | 1                | 12 1/2               | 10 7/8                     | 3 1/2                | 3 1/2   |
| 94 1/2                          | 95 1/2  | 97 1/8                               | 92 1/8  | Do. 3 % 1948-53          | 94 1/2               | -1 1/2                     | 3                    | 10      | 2                | 52 1/2               | 47 1/2                     | 5                    | 5       |
| 100 1/2                         | 101 1/2 | 103 1/8                              | 97 1/8  | Do. 3 1/2 % after 1961   | 97 1/2               | -1 1/2                     | 3                    | 10      | 2                | 75 1/2               | 60 1/2                     | 3 1/2                | 3 1/2   |
| 100 1/2                         | 101 1/2 | 103 1/8                              | 97 1/8  | Do. 4 1/2 % 1940-44      | 101 1/2              | -1 1/2                     | 3                    | 10      | 2                | 50 1/2               | 42 1/2                     | 3 1/2                | 3 1/2   |
| 100 1/2                         | 101 1/2 | 103 1/8                              | 97 1/8  | Do. 5 % 1940-44          | 101 1/2              | -1 1/2                     | 3                    | 10      | 2                | 50 1/2               | 42 1/2                     | 3 1/2                | 3 1/2   |
| 81 1/2                          | 82 1/2  | 84 1/8                               | 81      | Fund. 2 1/2 % 1956-61    | 81                   | -1                         | 3                    | 17      | 0                | 59 1/2               | 47 1/2                     | 3 1/2                | 3 1/2   |
| 88 1/2                          | 89 1/2  | 91 1/8                               | 87 1/8  | Fund. 2 1/2 % 1952-57    | 88 1/2               | -1 1/2                     | 3                    | 13      | 5                | 87 1/2               | 75 1/2                     | 3 1/2                | 3 1/2   |
| 89 1/2                          | 90 1/2  | 92 1/8                               | 88 1/2  | Fund. 3 % 1950-59        | 89                   | -1 1/2                     | 3                    | 13      | 4                | 86 1/2               | 75 1/2                     | 3 1/2                | 3 1/2   |
| 103 1/2                         | 104 1/2 | 106 1/8                              | 101 1/2 | Fund. 4 % 1960-90        | 102 1/2              | -1 1/2                     | 3                    | 17      | 1                | 6                    | 5 1/2                      | 5                    | 5       |
| 96 1/2                          | 97 1/2  | 99 1/8                               | 95 1/2  | Nat. D. 2 1/2 % 1944-48  | 96                   | -1 1/2                     | 3                    | 12      | 5                | 30 1/2               | 20                         | 11                   | 8       |
| 92 1/2                          | 93 1/2  | 95 1/8                               | 91 1/2  | Do. 3 % 1954-58          | 92                   | -1                         | 3                    | 12      | 3                | 34 1/2               | 27 1/2                     | 8                    | 8       |
| 102 1/2                         | 103 1/2 | 105 1/8                              | 102     | Victory Bonds 4 %        | 102 1/2              | -1 1/2                     | 3                    | 17      | 0                | 71 1/2               | 57 1/2                     | 7 1/2                | 7 1/2   |
| 89 1/2                          | 90 1/2  | 92 1/8                               | 87 1/8  | War L. 3 1/2 % af. 1952  | 88 1/2               | -1 1/2                     | 3                    | 13      | 1                | 45 1/2               | 31 1/2                     | 8 1/2                | 8 1/2   |
| 91 1/2                          | 92 1/2  | 94 1/8                               | 89 1/2  | Local Loans 3 %          | 91 1/2               | -1 1/2                     | 3                    | 17      | 1                | 16 1/2               | 11 1/2                     | 5                    | 5       |
| 96 1/2                          | 97 1/2  | 99 1/8                               | 93 1/2  | Austria 3 % 1933-53      | 96 1/2               | -1 1/2                     | 3                    | 17      | 1                | 46 1/2               | 39 1/2                     | 6 1/2                | 6 1/2   |
| 87 1/2                          | 88 1/2  | 90 1/8                               | 84 1/2  | Do. 3 %                  | 87 1/2               | -1 1/2                     | 3                    | 17      | 1                | 91 1/2               | 72 1/2                     | 9                    | 9       |
| 80 1/2                          | 81 1/2  | 83 1/8                               | 78      | Do. 3 1/2 %              | 80                   | -1 1/2                     | 3                    | 17      | 1                | 26 1/2               | 21 1/2                     | 40                   | 40      |
| 105 1/2                         | 106 1/2 | 108 1/8                              | 102 1/2 | Do. 4 1/2 % 1958-68      | 105 1/2              | -1 1/2                     | 3                    | 17      | 1                | 14 1/2               | 10 1/2                     | 20                   | 20      |
| 96 1/2                          | 97 1/2  | 99 1/8                               | 93 1/2  | Dom. & Col. Govts.       | 96 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 100 1/2                         | 101 1/2 | 103 1/8                              | 98 1/2  | Austr. 5 % 1945-75       | 100                  | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 103 1/2                         | 104 1/2 | 106 1/8                              | 101 1/2 | Canada 4 % 1940-60       | 103                  | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 92 1/2                          | 93 1/2  | 95 1/8                               | 90 1/2  | Nigeria 5 % 1950-60      | 103                  | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 92 1/2                          | 93 1/2  | 95 1/8                               | 90 1/2  | N. Zealand 5 % 1946      | 92                   | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 97 1/2                          | 98 1/2  | 100 1/8                              | 97 1/2  | Queens. 5 % 1940-60      | 97                   | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 102 1/2                         | 103 1/2 | 105 1/8                              | 102 1/2 | S. Africa 5 % 1945-75    | 102                  | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 104 1/2                         | 105 1/2 | 107 1/8                              | 104 1/2 | Birham 5 % 1946-58       | 104 1/2              | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 103 1/2                         | 104 1/2 | 106 1/8                              | 101 1/2 | Bristol 5 % 1948-58      | 102                  | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 72 1/2                          | 73 1/2  | 75 1/8                               | 72 1/2  | L.C.C. 3 %               | 72 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 88 1/2                          | 89 1/2  | 91 1/8                               | 87 1/8  | Liverpool 3 % 1954-64    | 88                   | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 95 1/2                          | 96 1/2  | 98 1/8                               | 92 1/2  | Midx. 3 1/2 % 1957-62    | 95                   | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 95 1/2                          | 96 1/2  | 98 1/8                               | 92 1/2  | Foreign Governments      | 95                   | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 102 1/2                         | 103 1/2 | 105 1/8                              | 102 1/2 | Arg. 4 1/2 %             | 102 1/2              | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 89 1/2                          | 90 1/2  | 92 1/8                               | 87 1/8  | Austr. 1930-50           | 89                   | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 99 1/2                          | 100 1/2 | 102 1/8                              | 96 1/2  | Do. 4 1/2 % 1934-59      | 99                   | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 36 1/2                          | 37 1/2  | 39 1/8                               | 36 1/2  | Belgian 4 % (36) 1970    | 36 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 37 1/2                          | 38 1/2  | 40 1/8                               | 37 1/2  | Bulgaria 7 1/2 %         | 37 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 19 1/2                          | 20 1/2  | 22 1/8                               | 19 1/2  | Brazil 5 % (Fed. 1914)   | 19 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 60 1/2                          | 61 1/2  | 63 1/8                               | 60 1/2  | Chile 6 % (1929)         | 60 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 72 1/2                          | 73 1/2  | 75 1/8                               | 72 1/2  | China 5 % (1913)         | 72 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 99 1/2                          | 100 1/2 | 102 1/8                              | 99 1/2  | Do. 5 % (1913)           | 99 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 104 1/2                         | 105 1/2 | 107 1/8                              | 104 1/2 | Czechoslovakia 8 %       | 104 1/2              | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 13 1/2                          | 14 1/2  | 16 1/8                               | 13 1/2  | Denmark 3 %              | 13 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 60 1/2                          | 61 1/2  | 63 1/8                               | 60 1/2  | Egypt Unified 4 %        | 60 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 34 1/2                          | 35 1/2  | 37 1/8                               | 34 1/2  | French 4 1/2 % (British) | 34 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 46 1/2                          | 47 1/2  | 49 1/8                               | 46 1/2  | Ger. Dawes Ln. 5 %       | 46 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 58 1/2                          | 59 1/2  | 61 1/8                               | 58 1/2  | Do. Young Ln. 4 1/2 %    | 58 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 60 1/2                          | 61 1/2  | 63 1/8                               | 60 1/2  | Greek 6 % Stab. Ln.      | 60 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 64 1/2                          | 65 1/2  | 67 1/8                               | 64 1/2  | Hungary 7 1/2 %          | 64 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 75 1/2                          | 76 1/2  | 78 1/8                               | 75 1/2  | Japan, 5 1/2 % 1930      | 75 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 15 1/2                          | 16 1/2  | 18 1/8                               | 15 1/2  | Do. 6 % (24) red. 1959   | 15 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 92 1/2                          | 93 1/2  | 95 1/8                               | 92 1/2  | Peru 7 1/2 % 1922        | 92 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 15 1/2                          | 16 1/2  | 18 1/8                               | 15 1/2  | Roum. 4 % Cor. 1922      | 15 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |
| 92 1/2                          | 93 1/2  | 95 1/8                               | 92 1/2  | U.K. & Arg. C. 3 %       | 92 1/2               | -1 1/2                     | 3                    | 17      | 1                | 98 1/2               | 84 1/2                     | 20                   | 20      |

| Prices, Year 1939 Jan. 1 to Aug. 30, inclusive |           | Last two Dividends |           | Name of Security        | Price, Aug. 30, 1939 | Change since Aug. 23, 1939 | Yield Aug. 30, 1939 |       | Name of Security | Price, Aug. 30, 1939 | Change since Aug. 23, 1939 | Yield Aug. 30, 1939 |       |
|------------------------------------------------|-----------|--------------------|-----------|-------------------------|----------------------|----------------------------|---------------------|-------|------------------|----------------------|----------------------------|---------------------|-------|
| High-est                                       | Low-est   | (a) %              | (b) %     |                         |                      |                            | (c) %               | (d) % |                  |                      |                            | (e) %               | (f) % |
| 45 1/2                                         | 33/9      | Nil                | 8c        | Iron, Coal, &c.—cont.   | 33/9                 | -3/9                       | 4                   | 14    | 10               | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| \$75 1/4                                       | \$44 1/2  | 1c                 | Nil       | Thornycroft, John £1    | \$49                 | +82                        | Nil                 | Nil   | Nil              | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 25/6                                           | 20/9      | 7b                 | 2 1/2a    | U. States Steel 1000    | 23/-                 | -                          | 8                   | 5     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 24/-                                           | 16 1/2    | 4a                 | 6b        | Un. Steel Cos. Ord. £1  | 17/9                 | +10 1/2                    | 12                  | 6     | 9                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 24/3                                           | 21/-      | 12 1/2c            | 12 1/2b   | Vickers 10/-            | 22/6                 | +7 1/2                     | 11                  | 2     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 74 1/2                                         | 32 3/4    | 12 1/2a            | 12 1/2b   | Ward (Thos. W.) £1      | 3 3/8                | -                          | 5                   | 3     | 6                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 67/-                                           | 58/9      | 15c                | 20c       | Whitehead I & S. £1     | 62/6                 | -                          | 6                   | 8     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 4 1/2                                          | 2/-       | Nil                | Nil       | Yarrow & Co. £1         | 2/3                  | -3d                        | Nil                 | Nil   | Nil              | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 5 1/2                                          | 2 1/2     | Nil                | Nil       | Textiles                | 3 1/2                | -3d                        | Nil                 | Nil   | Nil              | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 8 1/2                                          | 2/9       | Nil                | Nil       | Bleachers £1            | 6/-                  | +1/-                       | Nil                 | Nil   | Nil              | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 30 1/2                                         | 25 1/2    | 10c                | 10c       | Bradford Dyers £1       | 9/9                  | -4 1/2                     | Nil                 | Nil   | Nil              | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 31 1/2                                         | 23/-      | 21 1/2b            | 2 1/2a    | Brit. Cel. Ord. 10/-    | 28 1/2               | +4 1/2                     | 7                   | 2     | 3                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 32 1/2                                         | 22/6      | 21 1/2a            | 2 1/2a    | Calico Printers £1      | 30/-                 | +2 1/2                     | 3                   | 0     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 45 1/2                                         | 1/9       | Nil                | Nil       | Coats, J. & P. £1       | 25 7/12              | -7 1/2                     | 5                   | 7     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 29/9                                           | 20/6      | +10c               | +10c      | Courtaulds £1           | 23/-                 | -                          | 5                   | 4     | 3                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 50/3                                           | 4/6       | Nil                | 11 1/2c   | English Sew. Ctn. £1    | 50/-                 | +2/6                       | 4                   | 0     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 13/9                                           | 4/6       | Nil                | 11 1/2c   | Fine Cotton Spn. £1     | 79 1/2               | -9d                        | 3                   | 19    | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 45/-                                           | 34 7/12   | 10c                | 10c       | Linen Thread Sck. £1    | 38/6                 | -                          | 5                   | 4     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 87/6                                           | 77/6      | 5a                 | 15b       | Whitworth & Milt. £1    | 83/9                 | -                          | 4                   | 15    | 6                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 90/6                                           | 58/9      | 5a                 | 10b       | Associated Elec. £1     | 61/3                 | -                          | 4                   | 18    | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 21/-                                           | 15/-      | 24b                | 7 1/2a    | Parsons & Baldwin £1    | 17/6                 | -1/3                       | 9                   | 0     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 36 1/2                                         | 31/-      | 10c                | 10c       | Callenders £1           | 34/6                 | +1/-                       | 5                   | 16    | 3                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 81/3                                           | 70/9      | 20c                | 20c       | Crompton Park A 5/-     | 76/-                 | +2/6                       | 5                   | 4     | 9                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 21/3                                           | 17/6      | 15b                | 5b        | English Electric £1     | 17/6                 | -                          | 5                   | 14    | 3                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 41/3                                           | 32/-      | 5a                 | 7 1/2b    | General Electric £1     | 38/9                 | -                          | 6                   | 9     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 26/9                                           | 20/3      | 7 1/2c             | 7 1/2c    | Healeys (W. T.) 5/-     | 21/3                 | 7 1/2                      | 7                   | 1     | 2                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| \$13                                           | \$7 1/4   | \$1c               | \$1 1/2c  | Johnson & Phillips £1   | \$7 1/2              | -3/8                       | 6                   | 13    | 3                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 68/-                                           | 60/-      | 9b                 | 6a        | Siemens £1              | 60/-                 | -3d                        | 6                   | 13    | 3                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 33/9                                           | 25/6      | 2a                 | 5a        | Brazil Trac., no par... | 25/6                 | -2/-                       | 6                   | 10    | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 38/3                                           | 34/3      | 5b                 | 3a        | Birmeth & Poole £1      | 29 1/2               | -2/-                       | 6                   | 10    | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 46/6                                           | 38/9      | 7 1/2b             | 3a        | Brit. Pow. & Lt. £1     | 35/-                 | -1/3                       | 4                   | 11    | 6                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 27 1/2                                         | 22/-      | 21 1/2a            | 3 1/2b    | City of London £1       | 39/6                 | -2/-                       | 5                   | 6     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 34 1/2                                         | 29 1/2    | 5b                 | 2 1/2a    | Clyde Valley Elec. £1   | 23/6                 | -1/6                       | 5                   | 1     | 1                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 29 1/2                                         | 23/9      | 4b                 | 3a        | County of London £1     | 30/-                 | -7 1/2                     | 5                   | 17    | 11               | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 51/-                                           | 42/6      | 9b                 | 3a        | Edmundson & Co. £1      | 23/9                 | -1/3                       | 5                   | 17    | 11               | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 39 1/2                                         | 28/6      | 4 1/2b             | 2 1/2a    | London Ass. Elec. £1    | 43/9                 | -1 1/4                     | 5                   | 9     | 9                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 32/3                                           | 40/-      | 6b                 | 4a        | Metro. Electric £1      | 37/6                 | -1/3                       | 4                   | 5     | 4                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 49/6                                           | 20/-      | +12 1/2a           | +12 1/2b  | Midland Counties £1     | 28/6                 | -1/-                       | 5                   | 0     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 38/6                                           | 32/-      | 21 1/2a            | 5 1/2b    | North-East. Elec. £1    | 41/3                 | -1/3                       | 5                   | 0     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 38/6                                           | 34/9      | 5b                 | 3a        | Paletine Elec. 'A' £1   | 20/-                 | -1/3                       | 5                   | 0     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
|                                                |           |                    |           | Scottish Power £1       | 32/6                 | -1 1/10                    | 4                   | 18    | 6                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
|                                                |           |                    |           | Yorkshire Electric £1   | 35/-                 | -                          | 4                   | 11    | 6                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
|                                                |           |                    |           | Gas                     | 18/9                 | -3d                        | 5                   | 19    | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 23 1/2                                         | 16/9      | 2 1/2b             | 2 1/2a    | Gas L. & C. £1          | 100                  | -3                         | 10                  | 0     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 131                                            | 98        | 4a                 | 6b        | Imp. Cont. Sck.         | 20/6                 | -                          | 5                   | 4     | 3                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 23 1/2                                         | 20 1/2    | 2 1/2b             | 2 1/2a    | Newc.—on-Tyne £1        | 77 1/2               | -                          | 7                   | 2     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 105 1/4                                        | 77 1/2    | 3b                 | 21 1/2a   | News-Correspondent Sck. | 47/6                 | +1/3                       | 6                   | 6     | 4                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 50 7/12                                        | 38 1/12   | 12 1/2c            | 15c       | Motor and Cycle         | 33/9                 | +1/3                       | 4                   | 8     | 10 1/2           | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 38/9                                           | 27 1/2    | 15b                | +12 1/2a  | Albion Motors Ord. £1   | 28/9                 | +1/3                       | 5                   | 5     | 4                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 37 1/2                                         | 26/3      | 50                 | 30c       | Assoc. Equip. Ord. £1   | 27/6                 | +1/3                       | 5                   | 4     | 5                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 28 7/12                                        | 23/6      | Nil                | 10c       | Austin 5/-              | 16/3                 | -1 1/4                     | 5                   | 14    | 3                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 21/-                                           | 16/3      | 66 1/2b            | 33 1/2a   | Birm. Sml. Arms £1      | 58/9                 | -1/3                       | 5                   | 8     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 20 1/12                                        | 15/-      | 5c                 | 5c        | Dennis 1/-              | 31/3                 | +1/3                       | 7                   | 4     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 60/9                                           | 51 10 1/2 | 12 1/2b            | 21 1/2a   | Ford Motors £1          | 42/6                 | +2/6                       | 9                   | 8     | 3                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 95/3                                           | 70 1/2    | 25c                | 25c       | Lucas, J. (G1)          | 51 1/8               | +1 1/8                     | 4                   | 16    | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 35 7/12                                        | 27/-      | 45c                | 45c       | Leyland Motors £1       | 16/3                 | -                          | 6                   | 18    | 3                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 49/3                                           | 35/-      | 15b                | 5a        | Morris Motors 5/-       | 58/9                 | -1/3                       | 5                   | 8     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 53 1/8                                         | 45 1/4    | 70c                | 17 1/2b   | Ral. Cycle Hold. £1     | 42/6                 | +2/6                       | 9                   | 8     | 3                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 19 7/12                                        | 13 11 1/4 | 4 1/2a             | 22 1/2c   | Rolls-Royce £1          | 51 1/8               | +1 1/8                     | 4                   | 16    | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
|                                                |           |                    |           | Stand. Motor 5/-        | 16/3                 | -                          | 6                   | 18    | 3                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
|                                                |           |                    |           | Shipping                | 55 1/2               | +5 1/2                     | 3                   | 11    | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 53 1/8                                         | 41 1/2    | 5a                 | 15b       | Clan Line Steam. £1     | 17/6                 | +3/6                       | 4                   | 4     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 3 1/12                                         | 1 1/12    | 5c                 | 4a        | Cunard £1               | 17/-                 | +1/6                       | 5                   | 11    | 5                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 20/9                                           | 15/-      | 5c                 | 4a        | Furness, Withy £1       | 6/6                  | +3d                        | Nil                 | Nil   | Nil              | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 23/9                                           | 16 1/6    | 5 1/2b             | 2c        | P. & O. Def. £1         | 15/-                 | -                          | 5                   | 6     | 9                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 18 10 1/2                                      | 14/-      | 5c                 | 5c        | Royal Mail Sck. £1      | 20 7/12              | -7 1/2                     | 6                   | 14    | 10 1/2           | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 15 1/2                                         | 5/9       | Nil                | Nil       | United Castle Ord. £1   | 28/9                 | -1/3                       | 6                   | 19    | 2                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
|                                                |           |                    |           | Tea and Rubber          | 1 10 1/12            | -2 1/4                     | Nil                 | 1     | 1                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 17/3                                           | 12/9      | 6c                 | 4c        | Allied Sumatra £1       | 3 1/2                | -                          | 5                   | 18    | 5                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 28 11 1/2                                      | 20/-      | 15c                | 8c        | Anglo-Dutch £1          | 26/3                 | -3d                        | 7                   | 12    | 5                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 29 1/2                                         | 19/6      | 2a                 | 5b        | Bah Lias £1             | 20 7/12              | -7 1/2                     | 6                   | 14    | 10 1/2           | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 36/-                                           | 27/3      | 4a                 | 6b        | Jhanzie Tea £1          | 28/9                 | -1/3                       | 6                   | 19    | 2                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 35/-                                           | 27/6      | 21 1/2a            | 7 1/2b    | Jorehaut Tea £1         | 1 10 1/12            | -2 1/4                     | Nil                 | 1     | 1                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 2 2 1/2                                        | 1/9       | 5c                 | Nil       | Jokai (Assam) £1        | 3 1/2                | -                          | 5                   | 18    | 5                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 3/9                                            | 2 1/2     | 4a                 | 6b        | Lingsi Plant. £1        | 26/3                 | -3d                        | 7                   | 12    | 5                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 31 1/2                                         | 24/-      | 15c                | 9c        | London And. 2/-         | 67/6                 | +6d                        | 8                   | 0     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
|                                                |           |                    |           | Rubber Trust £1         | 53 11 1/2            | +3 1/2                     | 2                   | 16    | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
|                                                |           |                    |           | United Serdang 2/-      | 6/-                  | -1 1/2                     | 6                   | 9     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
|                                                |           |                    |           | Oil                     | 35 1/2               | +3 1/2                     | 5                   | 8     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 98/9                                           | 63/9      | 5a                 | 15b       | Anglo-Iranian £1        | 86 1/2               | +5 1/2                     | 4                   | 9     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 28/3                                           | 21/-      | 27 1/2b            | 12 1/2a   | Apex (Trinidad) 5/-     | 85/-                 | +5 1/2                     | 5                   | 19    | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 66 10 1/2                                      | 46/-      | Nil                | 7 1/2c    | Attock £1               | 46 1/3               | +2/9                       | 5                   | 0     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 88 11 1/2                                      | 61/3      | 5a                 | 16b       | Burmah Oil £1           | 23 1/2               | +3 1/2                     | 2                   | 16    | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 9 10 1/2                                       | 3 1/8     | 10d ps             | 11 1/2 ps | Mexican Eagle M. 84     | 53 11 1/2            | +3 1/2                     | 2                   | 16    | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| £38 1/4                                        | £31 1/8   | 17c                | +20c      | Royal Eagle £100        | 6/-                  | -1 1/2                     | 6                   | 9     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 90 11 1/4                                      | 75/-      | +20c               | +20c      | Royal Transport £1      | 35 1/2               | +3 1/2                     | 5                   | 8     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 93/9                                           | 76 10 1/2 | 17 1/2b            | 7 1/2a    | Trinidad Lease £1       | 86 1/2               | +5 1/2                     | 4                   | 9     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 49 10 1/2                                      | 38/6      | 7c                 | 12c       | Trin. Pet. Develop £1   | 46 1/3               | +2/9                       | 5                   | 0     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
|                                                |           |                    |           | Miscellaneous           | 16 10 1/2            | -                          | 5                   | 18    | 6                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 18 10 1/2                                      | 15 7 1/2  | 5c                 | 5c        | Aerated Bread £1        | 20/-                 | -7 1/2                     | 7                   | 0     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 19/6                                           | 14/6      | 7c                 | 6c        | Allied News. £1         | 6/6                  | -3                         | 8                   | 16    | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 24/3                                           | 13/-      | 3b                 | 3b        | Amal. Metal £1          | 10 6 1/2             | -1/3                       | 9                   | 10    | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 13 11 1/2                                      | 10/3      | 10a                | 10a       | Amal. Press 10/-        | 7/6                  | -                          | 8                   | 7     | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 76/9                                           | 7/-       | 25c                | 12 1/2c   | Assoc. Brit. Pic. 5/-   | 50 1/2               | +3/9                       | 5                   | 12    | 0                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 68/-                                           | 49/6      | 85c                | 28 1/2c   | Assoc. Cement £1        | 71/9                 | +4 1/2                     | 6                   | 9     | 9d               | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 9 1/2                                          | 5 11 1/4  | 85c                | 28 1/2c   | Backs (John) £1         | 42 1/6               | +1/3                       | 3                   | 9     | 5                | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
| 45 7 1/2                                       | 37/9      | 32 1/2b            | 20 1/2c   | Beechams Pills 2/6      | 20 7 1/2             | -                          | Nil                 | Nil   | Nil              | 61 1/2               | 51 1/2                     | 7 1/2               | 20    |
|                                                |           |                    |           |                         |                      |                            |                     |       |                  |                      |                            |                     |       |

## Investment

TRANSPORT RECEIPTS  
BRITISH RAILWAY TRAFFICS

|                | Gross Receipts, week ended Aug. 27 (£'000) |             |             |             |                | Aggregate Gross Receipts, 34 weeks (£'000) |             |             |             |                |
|----------------|--------------------------------------------|-------------|-------------|-------------|----------------|--------------------------------------------|-------------|-------------|-------------|----------------|
|                | Passenger                                  | Merchandise | Coal & Coke | Total Goods | Total Receipts | Passenger                                  | Merchandise | Coal & Coke | Total Goods | Total Receipts |
| L.M. & S.—     |                                            |             |             |             |                |                                            |             |             |             |                |
| 1938           | 608                                        | 411         | 230         | 641         | 1,249          | 18,203                                     | 15,283      | 8,472       | 23,755      | 41,958         |
| 1939           | 602                                        | 509         | 272         | 781         | 1,383          | 17,994                                     | 15,979      | 8,969       | 24,948      | 42,942         |
| L. & N.E. (a)— |                                            |             |             |             |                |                                            |             |             |             |                |
| 1938           | 415                                        | 286         | 198         | 484         | 899            | 11,729                                     | 10,760      | 7,961       | 18,721      | 30,450         |
| 1939           | 429                                        | 375         | 227         | 602         | 1,031          | 11,687                                     | 10,974      | 8,490       | 19,464      | 31,151         |
| Great Western— |                                            |             |             |             |                |                                            |             |             |             |                |
| 1938           | 265                                        | 169         | 110         | 279         | 544            | 7,659                                      | 6,237       | 3,647       | 9,884       | 17,543         |
| 1939           | 288                                        | 222         | 110         | 332         | 620            | 7,674                                      | 6,836       | 3,783       | 10,619      | 18,293         |
| Southern—      |                                            |             |             |             |                |                                            |             |             |             |                |
| 1938           | 402                                        | 58          | 33          | 91          | 493            | 11,415                                     | 2,040       | 1,029       | 3,069       | 14,484         |
| 1939           | 420                                        | 64          | 35          | 99          | 519            | 11,493                                     | 2,094       | 1,082       | 3,176       | 14,669         |
| Total—         |                                            |             |             |             |                |                                            |             |             |             |                |
| 1938           | 1,690                                      | 924         | 571         | 1,495       | 3,185          | 49,006                                     | 34,320      | 21,109      | 55,429      | 104,435        |
| 1939           | 1,739                                      | 1,170       | 644         | 1,814       | 3,553          | 48,848                                     | 35,883      | 22,324      | 58,207      | 107,055        |

(a) Week ended August 26.

CUMULATIVE AND WEEKLY COMPARISONS  
(000's omitted)

|                                                         | L.M.S.   | L.N.E.R. | Great Western | Southern |
|---------------------------------------------------------|----------|----------|---------------|----------|
| Cumulative Figures                                      |          |          |               |          |
| Gross decrease, second half 1938, over second half 1937 | - 2,423  | - 1,812  | - 926         | - 54     |
| Gross increase, first half 1939, over first half 1938   | + 110    | + 7      | + 309         | + 57     |
| Gross increase, second half 1939, over second half 1938 | + 874    | + 694    | + 441         | + 128    |
| 8 weeks to Aug. 27, 1939 ...                            | + 874    | + 694    | + 441         | + 128    |
| Weekly Figures                                          |          |          |               |          |
| Av. weekly increase, 2nd half 1939                      | + 109.25 | + 86.75  | + 55.12       | + 16.00  |
| Latest week compared with 1938 ...                      | + 134    | + 132    | + 78          | + 26     |
| Latest week compared with average 1927-30               | - 117    | - 90     | - 48          | - 14     |

## IRISH RAILWAY TRAFFICS

| Company             | Gross Receipts, week ended Aug. 25, 1939 (£'000) |       |       | Aggregate Gross Receipts 34 weeks (£'000) |         |         |
|---------------------|--------------------------------------------------|-------|-------|-------------------------------------------|---------|---------|
|                     | Pass.                                            | Goods | Total | Pass.                                     | Goods   | Total   |
| Belfast & Co. Down— |                                                  |       |       |                                           |         |         |
| 1938                | 3.4                                              | 0.4   | 3.8   | 89.6                                      | 14.6    | 104.2   |
| 1939                | 3.7                                              | 0.4   | 4.1   | 92.3                                      | 14.8    | 107.1   |
| Great Northern—     |                                                  |       |       |                                           |         |         |
| 1938                | 15.2                                             | 9.8   | 25.0  | 379.3                                     | 300.0   | 679.3   |
| 1939                | 15.6                                             | 10.8  | 26.4  | 390.0                                     | 340.7   | 730.7   |
| Great Southern—     |                                                  |       |       |                                           |         |         |
| 1938                | 49.6                                             | 40.6  | 90.2  | 1,258.1                                   | 1,319.0 | 2,577.1 |
| 1939                | 52.1                                             | 38.4  | 90.5  | 1,259.6                                   | 1,356.2 | 2,615.8 |

## 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     |     |                                          |                 |                                |            |
| Financial, Land, etc.             |             | £                         | £                                                | £                                   | £              | £        | %   | £                                        | £               | £                              | %          |
| Goldsbrough, Mort & Co. ..        | Mar. 31     | 118,305                   | 120,227                                          | 238,532                             | ...            | 108,000  | 4½  | 8,500                                    | 122,032         | 153,343                        | 7          |
| Iron, Coal and Steel              |             |                           |                                                  |                                     |                |          |     |                                          |                 |                                |            |
| Brightside Foundry .....          | June 30     | 24,677                    | 137,000                                          | 161,677                             | 2,500          | 61,250   | 35  | 67,000                                   | 30,927          | 90,851                         | 25         |
| Lochgelly Iron, etc. ....         | May 31      | 15,791                    | 76,192                                           | 91,983                              | 6,957          | 33,485   | 12½ | 30,000                                   | 21,541          | 53,829                         | 10         |
| Thomas (Richard) & Co. ...        | Apr. 1      | ...                       | 298,465                                          | 298,465                             | ...            | ...      | ... | 298,465                                  | ...             | 1,074,946                      | 5          |
| Rubber                            |             |                           |                                                  |                                     |                |          |     |                                          |                 |                                |            |
| Pahang Para .....                 | Apr. 30     | 1,417                     | 940                                              | 2,357                               | ...            | ...      | ... | 1,500                                    | 857             | 3,648                          | 2·08       |
| Trusts                            |             |                           |                                                  |                                     |                |          |     |                                          |                 |                                |            |
| Compass Investment .....          | June 30     | 11,506                    | 22,881                                           | 34,387                              | 18,221         | 4,431    | 2   | ...                                      | 11,735          | 23,010                         | 2          |
| Second Alliance Trust.....        | July 31     | 15,000                    | 116,475                                          | 131,475                             | 26,400         | 61,600   | 21  | 30,000                                   | 13,475          | 111,901                        | 21         |
| Staveley Trust .....              | July 31     | 34,523                    | 13,331                                           | 47,854                              | ...            | ...      | ... | ...                                      | 47,854          | 27,321                         | Nil        |
| Waterworks                        |             |                           |                                                  |                                     |                |          |     |                                          |                 |                                |            |
| East Worcestershire .....         | June 30*    | 17,293                    | 6,655                                            | 23,948                              | 986            | 4,000    | 10  | 1,000                                    | 17,962          | 6,869                          | 10         |
| Other Companies                   |             |                           |                                                  |                                     |                |          |     |                                          |                 |                                |            |
| Allied Industrial Services ...    | June 30     | 1,511                     | 164,695                                          | 166,206                             | 12,000         | 93,750   | 50  | 50,000                                   | 10,456          | 124,901                        | 70(b)      |
| Fenner (J. H.) and Co.....        | June 30     | 3,410                     | 22,388                                           | 25,798                              | 4,984          | 6,797    | 7½  | 1,500                                    | 12,517          | (a)                            | (a)        |
| Ketton Portland Cement.....       | June 30     | 20,032                    | 73,732                                           | 93,764                              | 15,225         | 21,750   | 15  | 20,000                                   | 36,789          | 60,203                         | 15         |
| Triplex Safety Glass .....        | June 30     | 34,308                    | 130,626                                          | 164,934                             | ...            | 93,833   | 20  | 38,605                                   | 32,496          | 128,208                        | 25c        |
| United Indigo and Chemical        | June 30     | 14,730                    | 4,368                                            | 19,098                              | 4,500          | ...      | ... | ...                                      | 14,598          | 2,864                          | Nil        |
| Total Profits, 1939, in £'000's : | No. of Cos. |                           |                                                  |                                     |                |          |     |                                          |                 |                                |            |
| To August 26 .....                | 1,700       | 71,800                    | 216,137                                          | 287,937                             | 41,808         | 115,516  | ... | 54,780                                   | 75,832          | 234,043                        | ...        |
| To September 2 .....              | 1,713       | 72,109                    | 217,303                                          | 289,412                             | 41,895         | 115,998  | ... | 55,326                                   | 76,193          | 235,905                        | ...        |

\* Half year.

(a) No comparable figure.

(b) Absorbed £70,000.

(c) Absorbed £90,625.

## LONDON TRANSPORT BOARD

|                                                       | Receipts   | Compared with prev. Year |
|-------------------------------------------------------|------------|--------------------------|
| Week ending Aug. 26, 1939, before pooling             | 568,400    | + 18,400                 |
| Total, 8 weeks to date                                | 4,635,000  | + 184,800                |
| L.P.T.B. receipts, 52 weeks to June 24, 1939          | 29,736,000 | + 347,000                |
| L.P.T.B. receipts, 52 weeks to June 25, 1938          | 29,388,200 | + 657,100                |
| L.P.T.B. receipts, 52 weeks to June 26, 1937          | 28,732,000 | + 255,000                |
| L.P.T.B. receipts, year to June, 1938, after pooling  | 30,923,828 | + 676,450                |
| London Transport Pool receipts, year to June 30, 1938 | 42,120,179 | + 742,259                |

OVERSEAS WEEKLY TRAFFIC RECEIPTS  
INDIAN

| Name                | Weeks Ending | Gross Receipts for Week |            | Aggregate Gross Receipts |             |
|---------------------|--------------|-------------------------|------------|--------------------------|-------------|
|                     |              | 1939                    | + or -     | 1939                     | + or -      |
| Bengal & N. Western | 18 Aug. 10   | Rs. 47,36,346           | - 83,827   | Rs. 1,29,18,267          | - 13,31,543 |
| Bengal-Nagpur       | 18 10        | 24,22,000               | + 4,35,668 | 3,73,74,113              | + 35,74,292 |
| Bombay, Bar. & C.I. | 20 20        | 24,87,000               | + 56,000   | 4,39,73,000              | - 8,12,000  |
| Madras & S. Mah.    | 18 10        | 18,61,000               | + 1,10,740 | 2,92,34,362              | + 13,37,959 |
| S. Indian           | 17 July 31   | 16,15,681               | + 1,10,019 | 1,88,82,664              | + 1,82,574  |

± 10 days.

† 11 days.

## CANADIAN

|                   |            |              |           |                |             |
|-------------------|------------|--------------|-----------|----------------|-------------|
| Canadian National | 33 Aug. 21 | \$ 3,574,723 | + 204,332 | \$ 113,722,246 | + 6,936,955 |
| Canadian Pacific  | 33 21      | 2,636,000    | + 19,000  | 81,340,000     | + 1,332,000 |

## SOUTH &amp; CENTRAL AMERICAN

|                   |            |           |           |            |             |
|-------------------|------------|-----------|-----------|------------|-------------|
| Antofagasta       | 34 Aug. 27 | \$ 17,500 | + 3,600   | \$ 439,240 | - 89,260    |
| Argentine N.E.    | 8 26       | 201,600   | + 4,600   | 1,507,300  | - 58,500    |
|                   |            | 12,506    | + 285     | 93,504     | - 5,630     |
|                   |            | 214,000   | + 69,000  | 10,055,000 | + 238,000   |
| B.A. and Pacific  | 8 26       | 75,310    | + 4,280   | 623,760    | + 14,577    |
| B.A. Central      | 5 July 29  | 106,800   | + 14,800  | 516,400    | + 10,400    |
| B.A. Gt. Southern | 8 Aug. 26  | 1,911,000 | + 95,000  | 15,577,000 | + 1,178,000 |
|                   |            | 118,548   | + 5,894   | 966,315    | - 73,078    |
| B.A. Western      | 8 26       | 640,000   | + 56,000  | 5,494,000  | + 439,000   |
|                   |            | 39,702    | + 3,474   | 340,819    | + 27,235    |
| Central Argentine | 8 26       | 1,080,850 | + 263,350 | 17,152,100 | + 3,160,200 |
|                   |            | 122,881   | + 16,336  | 1,064,026  | + 196,041   |
| Central Uruguay   | 6 12       | 141,587   | + 1,252   | 994,553    | + 62,271    |
|                   |            | 14,904    | + 1,744   | 104,690    | + 3,968     |
| Leopoldina        | 34 26      | 213,000   | + 161,000 | 59,079,000 | + 829,000   |
|                   |            | 23,086    | + 3,463   | 672,620    | + 6,127     |
| Mexican Railway   | 7 21       | 286,000   | + 35,500  | 2,003,100  | + 14,300    |
| Nitrate           | 32 15      | 4,881     | + 971     | 75,199     | + 21,158    |
| United of Havana  | 8 26       | 16,575    | + 152     | 129,731    | + 6,323     |

\* 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 | 33 Aug. 20 | £ 248,200 | - 2,900 | £ 5,821,400 | - 310,000 |
|------------------|------------|-----------|---------|-------------|-----------|

± 10 days.

## Industry and Trade

## COMMODITY STATISTICS

## Coal

## COAL OUTPUT ('000 tons)

| District                         | Week ended    |               | Jan.-June |           |
|----------------------------------|---------------|---------------|-----------|-----------|
|                                  | Aug. 12, 1939 | Aug. 19, 1939 | 1938      | 1939      |
| Northumberland                   | 184.2         | 279.0         | 7,649.8   | 7,804.5   |
| Durham                           | 262.5         | 620.6         | 18,773.8  | 18,631.8  |
| Yorkshire                        | 565.2         | 854.7         | 25,237.0  | 25,898.7  |
| Lancs, Cheshire and N. Wales     | 152.2         | 331.7         | 10,006.6  | 10,046.5  |
| Derby, Notts & Leicester         | 349.5         | 649.5         | 18,692.6  | 19,803.9  |
| Staffs, Worcs, Salop and Warwick | 13.6          | 355.5         | 11,557.5  | 12,098.6  |
| South Wales & Monmouth           | 237.8         | 666.5         | 21,456.6  | 20,984.8  |
| Other English districts*         | 39.1          | 113.2         | 3,171.1   | 3,282.1   |
| Scotland                         | 600.3         | 613.4         | 17,284.4  | 17,650.3  |
| Total                            | 2,404.4       | 4,484.1       | 133,829.4 | 136,201.2 |

\* Including Cumberland, Gloucester, Somerset and Kent.

## Cotton

RAW COTTON delivered to Spinners  
(000 bales)

| Variety         | Week ended    |               | Total Deliveries |              |
|-----------------|---------------|---------------|------------------|--------------|
|                 | Aug. 18, 1939 | Aug. 25, 1939 | Aug. 1, 1938     | Aug. 1, 1939 |
| American        | 14.8          | 10.6          | 72               | 49           |
| Brazilian       | 6.3           | 6.5           | 13               | 25           |
| Peruvian, etc.  | 3.9           | 4.0           | 6                | 14           |
| Egyptian        | 5.5           | 5.1           | 18               | 17           |
| Sudan Sakel     | 4.3           | 4.3           | 16               | 15           |
| East Indian     | 6.0           | 3.2           | 59               | 20           |
| Other countries | 4.3           | 3.7           | 8                | 14           |
| Total           | 45.1          | 37.4          | 192              | 154          |

## Metals

## SALES ON LONDON METAL EXCHANGE

|         | Week ended    |               | From Jan. 1 to |               |
|---------|---------------|---------------|----------------|---------------|
|         | Aug. 23, 1939 | Aug. 30, 1939 | Aug. 31, 1938  | Aug. 30, 1939 |
| Copper  | Tons 9,500    | Tons 14,200   | Tons 312,475   | Tons 214,485  |
| Tin     | 1,285         | 1,715         | 57,460         | 46,960        |
| Lead    | 7,800         | 11,350        | 231,700        | 210,650       |
| Spelter | 1,750         | 7,000         | 196,325        | 123,695       |

## U.K. STOCKS

|                                 | Aug. 19, 1939 | Aug. 26, 1939 |
|---------------------------------|---------------|---------------|
| Copper (Br. official w'houses): | Tons 4,745    | Tons 4,701    |
| Refined                         | 20,891        | 18,745        |
| Rough                           | 9,857         | 9,476         |
| Tin (London and Liverpool)      | ...           | ...           |

METALS—(cont.)  
TINPLATE INDUSTRY

|                                   | Week ended    |               |               |
|-----------------------------------|---------------|---------------|---------------|
|                                   | Aug. 20, 1938 | Aug. 12, 1939 | Aug. 19, 1939 |
| Production—per cent. of capacity  | 48.57         | Holiday       | 65.95         |
| Shipments—Tons                    | 3,193         | 2,529         | 1,209         |
| Stocks—warehouse and in vans—Tons | 3,021         | 1,704         | 5,292         |
| Shipments—Tons                    | 161,527       | 152,238       | ...           |

## Foods

WORLD SHIPMENTS OF WHEAT AND FLOUR  
(000 quarters)

|                                   | Week ended          |                     | From Aug. 1<br>to   |                     |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                   | Aug.<br>19,<br>1939 | Aug.<br>26,<br>1939 | Aug.<br>27,<br>1938 | Aug.<br>26,<br>1939 |
| From—                             |                     |                     |                     |                     |
| N. America .....                  | 729                 | 480                 | 2,077               | 2,306               |
| Argentina and<br>Uruguay .....    | 334                 | 530                 | 540                 | 1,712               |
| Australia .....                   | 145                 | 211                 | 1,174               | 576                 |
| Russia .....                      | ...                 | ...                 | 1,559               | 321                 |
| Danube and dist. ....             | 92                  | 123                 | 294                 | 336                 |
| India .....                       | ...                 | ...                 | 312                 | ...                 |
| Other countries ...               | 62                  | 50                  | ...                 | 216                 |
| Total .....                       | 1,362               | 1,394               | 5,956               | 5,178               |
| To—                               |                     |                     |                     |                     |
| U.K. ....                         | 495                 | 415                 | 1,217               | 1,581               |
| "Orders" .....                    | 193                 | 147                 | 1,927               | 734                 |
| France .....                      | 15                  | 10                  | 101                 | 50                  |
| Belgium .....                     | 110                 | 94                  | 492                 | 398                 |
| Holland .....                     | 27                  | 49                  | 456                 | 242                 |
| Germany .....                     | 131                 | 142                 | 354                 | 383                 |
| Italy .....                       | 34                  | 69                  | 38                  | 163                 |
| Spain and Portugal .....          | ...                 | ...                 | 117                 | ...                 |
| Greece .....                      | 3                   | 9                   | 122                 | 60                  |
| Scandinavia .....                 | 43                  | 61                  | 60                  | 211                 |
| Other European<br>Countries ..... | 25                  | ...                 | 37                  | 74                  |
| Ex-European<br>Countries .....    | 286                 | 398                 | 1,035               | 1,276               |
| Total .....                       | 1,362               | 1,394               | 5,956               | 5,178               |



## BRITISH WHOLESALE PRICES

| Aug. 23, Aug. 30,<br>1939 1939   |  |  |  | Aug. 23, Aug. 30,<br>1939 1939           |  |  |  | Aug. 23, Aug. 30,<br>1939 1939                            |  |  |  |
|----------------------------------|--|--|--|------------------------------------------|--|--|--|-----------------------------------------------------------|--|--|--|
| <b>CEREALS AND MEAT</b>          |  |  |  | <b>SUGAR (per cwt.)—cont.</b>            |  |  |  | <b>MISCELLANEOUS</b>                                      |  |  |  |
| <b>GRAIN, etc.—</b>              |  |  |  | <b>Crushed</b>                           |  |  |  | <b>CEMENT, best Eng. Portland, d/d site, London area,</b> |  |  |  |
| Wheat—                           |  |  |  | Granulated                               |  |  |  | in paper bags 20 to ton (free, non-returnable)—           |  |  |  |
| No. 2, N. Man. 496 lb.           |  |  |  | Home Grown                               |  |  |  | 4-ton loads and upwards per ton                           |  |  |  |
| Eng. Gaz. av. per cwt.           |  |  |  | <b>TEA* (Auction Average) (per lb.)—</b> |  |  |  | <b>CHEMICALS—</b>                                         |  |  |  |
| Liv., Oct., per cental           |  |  |  | N. India                                 |  |  |  | Acid, citric, per lb., less 5% ...                        |  |  |  |
| Flour, per 280 lb.—              |  |  |  | S. India                                 |  |  |  | " Nitric                                                  |  |  |  |
| Straights, d/d London            |  |  |  | Ceylon                                   |  |  |  | " Oxalic, net                                             |  |  |  |
| Manitoba, ex store               |  |  |  | Java                                     |  |  |  | " Tartaric, English, less 5%                              |  |  |  |
| Barley, Eng. Gaz., av. per cwt.  |  |  |  | Sumatra                                  |  |  |  | Alcohol, Plain Ethyl, per proof gal.                      |  |  |  |
| Oats,                            |  |  |  | Africa                                   |  |  |  | Ammonia, carb. per ton                                    |  |  |  |
| Maize, La Plata, landed, 480 lb. |  |  |  | Total                                    |  |  |  | " Sulphate                                                |  |  |  |
| Rice, No. 2 Burma, per cwt.      |  |  |  | <b>TOBACCO (per lb.)—</b>                |  |  |  | Borax, gran. per cwt.                                     |  |  |  |
| <b>MEAT—</b>                     |  |  |  | Virginia, stemmed and un-                |  |  |  | " powder                                                  |  |  |  |
| Beef, per 8 lb.—                 |  |  |  | stemmed, common to fine                  |  |  |  | Nitrate of soda per ton                                   |  |  |  |
| English long sides               |  |  |  | Rhodesian, stemmed and un-               |  |  |  | Potash, Chlorate, net per ton                             |  |  |  |
| Argentine chilled hinds          |  |  |  | stemmed                                  |  |  |  | " Sulphate per ton                                        |  |  |  |
| Mutton, per 8 lb.—               |  |  |  | Nyasaland, stemmed and un-               |  |  |  | Soda Bicarb. per ton                                      |  |  |  |
| English wethers                  |  |  |  | stemmed                                  |  |  |  | Crystals per ton                                          |  |  |  |
| N.Z. frozen wethers              |  |  |  | East Indian                              |  |  |  | Sulphate of copper per ton                                |  |  |  |
| Lamb, per 8 lb.—                 |  |  |  | <b>TEXTILES</b>                          |  |  |  | <b>COPRA (per ton)—</b>                                   |  |  |  |
| N.Z. frozen                      |  |  |  | <b>COTTON (per lb.)</b>                  |  |  |  | S.D. Straits, c.i.f.                                      |  |  |  |
| Pork, English, per 8 lb.         |  |  |  | Raw, Mid-American                        |  |  |  | <b>HIDES (per lb.)—</b>                                   |  |  |  |
| <b>BACON (per cwt.)—</b>         |  |  |  | Giza, F.G.F.                             |  |  |  | Wet salted, Australian                                    |  |  |  |
| English                          |  |  |  | Yarns, 32's Twist                        |  |  |  | West Indian                                               |  |  |  |
| Danish                           |  |  |  | " 40's Twist                             |  |  |  | Cape                                                      |  |  |  |
| Dutch                            |  |  |  | " 60's Twist (Egyptian)                  |  |  |  | Dry and Drysalted Cape                                    |  |  |  |
| Irish                            |  |  |  | Cloth, 32 in. Printed, 116 yds.          |  |  |  | Market Hides, Manchester—                                 |  |  |  |
| <b>HAMS (per cwt.)—</b>          |  |  |  | " 16 x 16, 32's & 50's                   |  |  |  | Best heavy ox and heifer                                  |  |  |  |
| Canadian                         |  |  |  | " 36 in. Shirtings, 75 yds.              |  |  |  | Best cow                                                  |  |  |  |
| United States                    |  |  |  | " 19 x 16, 32's & 40's                   |  |  |  | Best calf                                                 |  |  |  |
| <b>OTHER FOODS</b>               |  |  |  | " 38 in. ditto, 38 yds.                  |  |  |  | <b>INDIGO (per lb.)—</b>                                  |  |  |  |
| <b>BUTTER (per cwt.)—</b>        |  |  |  | " 18 x 16, 10 lb.                        |  |  |  | Bengal, gd. red-vio. to fine                              |  |  |  |
| Australian                       |  |  |  | " 16 x 15, 8 1/4 lb.                     |  |  |  | <b>LEATHER (per lb.)—</b>                                 |  |  |  |
| New Zealand                      |  |  |  | <b>FLAX (per ton)—</b>                   |  |  |  | Sole Bends, 8/12 lb.                                      |  |  |  |
| Danish                           |  |  |  | Livonian ZK                              |  |  |  | Bark-Tanned Sole                                          |  |  |  |
| <b>CHEESE (per cwt.)—</b>        |  |  |  | Pernau HD                                |  |  |  | Shoulders from DS Hides                                   |  |  |  |
| Canadian (new)                   |  |  |  | Slanetz Medium, 1st sort                 |  |  |  | Eng. or WS do.                                            |  |  |  |
| New Zealand                      |  |  |  | <b>HEMP (per ton)—</b>                   |  |  |  | Bellics from DS do.                                       |  |  |  |
| English Cheddars                 |  |  |  | Italian PC                               |  |  |  | Eng. or WS do.                                            |  |  |  |
| Dutch                            |  |  |  | Manilla, Aug.-Oct. "J2"                  |  |  |  | Dressing Hides                                            |  |  |  |
| <b>COCOA (per cwt.)—</b>         |  |  |  | <b>JUTE (per ton)—</b>                   |  |  |  | Ro. Eng. Calf, 20/35 lb. per doz.                         |  |  |  |
| Accra, g.f.                      |  |  |  | Native 1st mks., c.i.f. H.A.R.B.         |  |  |  | <b>PETROLEUM PRODUCTS (per gall.)—</b>                    |  |  |  |
| Trinidad                         |  |  |  | Aug.-Sept.                               |  |  |  | Motor Spirit No. 1, London                                |  |  |  |
| Grenada                          |  |  |  | Oct.-Nov.                                |  |  |  | Petroleum, Amer. rid. bri. Lond.                          |  |  |  |
| <b>COFFEE (per cwt.)—</b>        |  |  |  | <b>SISAL (per ton)—</b>                  |  |  |  | Fuel oil, in bulk, for contracts,                         |  |  |  |
| Santos supr. c. & f.             |  |  |  | African, Aug.-Oct.                       |  |  |  | ex instal. Thames—                                        |  |  |  |
| Costa Rica, medium to good       |  |  |  | <b>SILK (per lb.)—</b>                   |  |  |  | Furnace                                                   |  |  |  |
| Kenya, medium                    |  |  |  | Canton                                   |  |  |  | Diesel                                                    |  |  |  |
| <b>EGGS (per 120)—</b>           |  |  |  | Japan                                    |  |  |  | <b>ROSIN (per ton)—</b>                                   |  |  |  |
| English (15-15 1/2 lb.)          |  |  |  | Italian, raw, fr. Milan                  |  |  |  | American                                                  |  |  |  |
| Danish (15 1/2 lb.)              |  |  |  | <b>WOOL (per lb.)—</b>                   |  |  |  | <b>RUBBER (per lb.)—</b>                                  |  |  |  |
| <b>FRUIT—</b>                    |  |  |  | English, Southdown, greasy               |  |  |  | St. ribbed smoked sheet                                   |  |  |  |
| Oranges, Brazilian (Peras) boxes |  |  |  | " Lincoln hog, washed                    |  |  |  | Fine hard Para                                            |  |  |  |
| " S. African (Navels) boxes      |  |  |  | Queensland, scd. super combg.            |  |  |  | <b>SHELLAC (per cwt.)—</b>                                |  |  |  |
| Lemons, Naples boxes             |  |  |  | N.S.W. greasy, super combg.              |  |  |  | TN Orange                                                 |  |  |  |
| " Californian boxes              |  |  |  | N.Z. greasy, half-bred 50-56             |  |  |  | London town                                               |  |  |  |
| " Murcia, I cases                |  |  |  | " Crossbred 40-44                        |  |  |  | <b>TALLOW (per cwt.)—</b>                                 |  |  |  |
| Apples, W. Australian            |  |  |  | Tops                                     |  |  |  | Swedish u/s 3 x 8 per std.                                |  |  |  |
| Grapefruit, S. Afrn. (M.S.) bxs  |  |  |  | Merinos 70's average                     |  |  |  | " 2 1/2 x 7                                               |  |  |  |
| " Brazilian (M.S.) bxs           |  |  |  | " 64's                                   |  |  |  | " 2 x 4                                                   |  |  |  |
| Pears (Californian) Bartlett's   |  |  |  | Crossbred 48's                           |  |  |  | Canadian Spruce, Deals                                    |  |  |  |
| <b>LARD (per cwt.)—</b>          |  |  |  | " 46's                                   |  |  |  | Pitchpine                                                 |  |  |  |
| Irish, finest bladders           |  |  |  | <b>MINERALS</b>                          |  |  |  | Rio Deals                                                 |  |  |  |
| U.S.                             |  |  |  | <b>COAL (per ton)—</b>                   |  |  |  | Teak                                                      |  |  |  |
| <b>PEPPER (per lb.)—</b>         |  |  |  | Welsh, best Admiralty                    |  |  |  | Honduras Mahogany logs c. f.                              |  |  |  |
| Black Lampong (in Bond)          |  |  |  | Durham, best gas, f.o.b. Tyne            |  |  |  | English Oak Planks                                        |  |  |  |
| " (Duty paid)                    |  |  |  | Sheffield, best house, at pits           |  |  |  | English Ash Planks                                        |  |  |  |
| White Muntok (f.a.q.) (in Bond)  |  |  |  | <b>IRON AND STEEL (per ton)—</b>         |  |  |  | <b>VEGETABLE OILS (per ton net)—</b>                      |  |  |  |
| " (Duty paid)                    |  |  |  | Copper—                                  |  |  |  | Linseed, naked                                            |  |  |  |
| <b>POTATOES (per cwt.)—</b>      |  |  |  | Standard cash                            |  |  |  | Rape, refined                                             |  |  |  |
| English, King Edward, Siltland   |  |  |  | Three months                             |  |  |  | Cotton-seed, crude                                        |  |  |  |
| Wisbech, King Edward (per ton)   |  |  |  | Tin—                                     |  |  |  | Coconut, crude                                            |  |  |  |
| <b>SUGAR (per cwt.)—</b>         |  |  |  | Standard cash                            |  |  |  | Palm                                                      |  |  |  |
| Centrifugals, 96°, prpt. shipm.  |  |  |  | Three months                             |  |  |  | Oil Cakes, Linseed, Eng.                                  |  |  |  |
| c.i.f. U.K./Cont.                |  |  |  | Lead, soft foreign                       |  |  |  | La Plata                                                  |  |  |  |
| Refined London—                  |  |  |  | English, pig                             |  |  |  | Calcutta                                                  |  |  |  |
| Yellow Crystals                  |  |  |  | Spelter, G.O.B.—                         |  |  |  | Turpentine                                                |  |  |  |
| Cubes                            |  |  |  | Spot                                     |  |  |  |                                                           |  |  |  |

\* Weeks ended Aug. 17th and Aug. 24th

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

## THE ECONOMIST

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## NOTES OF THE WEEK

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of the future will find the slightest reason for doubting that Hitler deliberately and wantonly provoked the new war.

After the first breach of the peace the rest followed automatically. There was a last-minute proposal by Signor Mussolini for a five-Power conference "for the purpose of revising the clauses of the Treaty of Versailles which are the actual cause of the trouble in the European situation." Throughout Friday and Saturday this proposal had the effect of delaying French and British action; but it also had the merit of demonstrating once again the democracies' desire not to neglect any possibility of a peaceful and honourable solution. But the Italian initiative broke down because Germany would not accept the Franco-British stipulation that the invading troops must be withdrawn. As it was, the House of Commons had shown in unmistakable fashion on Saturday afternoon that there was no shadow of desire to depart from Britain's obligations to Poland, which had been solemnly invoked. The collapse of the Italian initiative led immediately to the last diplomatic steps. The British and French Ambassadors in Berlin each delivered an ultimatum on Sunday and, satisfactory replies not being given, a state of war between Great Britain and Germany existed from 11 a.m. and between France and Germany from 5 p.m. on Sunday, September 3, 1939.

This was the beginning. What the end will be no man can tell. But if we cannot yet say where the road on which we have entered is leading us, we can at least record where we hope to go. What are the objects so essential to our national existence and well-being that we are prepared, as a nation and as individuals, to go through the valley of the shadow of death to reach them? What are we fighting for? The question can be answered, and truthfully answered, with abstractions, as it was admirably done by the Prime Minister on Sunday. "It is the evil things that we shall be fighting against—brute force, bad faith, injustice, oppression and persecution." But the ordinary man does not easily think in abstractions. His grim determination is based on concrete realities. He wants to live free to hold his own opinions, free to indulge in the luxury of argument and disagreement, free to spend his leisure hours at his own fireside or at his own pursuits, free to devote his productive powers to meeting the material wants of himself and his fellows, free to build up a higher standard of living instead of a higher standard of aggressive power, free to bring up a family without the haunting menace of insecurity. In the last few years, even the most thoughtless man in the street has realised that Hitlerism makes all these elements of civilised living impossible. It suppresses opinion; it monopolises leisure for the countless drills and displays necessary to the generation of "spontaneous enthusiasm;" it drains off for military purposes all production above the minimum necessary to keep the people alive; it propagates the nauseous doctrine that children are born for the cannon. Hitlerism has done these things to Germany for more than six years, and it has built up on this fundamental iniquity a superstructure of added brutality and senseless racial persecution. But in the last three years it has started doing these things to us too. It has started compelling us to devote our energies to re-armament, our leisure to drilling, our income to taxes; it has cast over our lives the shadow of doom. Hitler has proved that we cannot be indifferent to the ways in which other people govern themselves. He has convinced the easy-going, tolerant British democracy that it must go through another bout of agony if ever again Englishmen are to live in peace and wealth and contentment.

It has proved impossible, in the conditions of this week, to prepare the extended survey of Russia's resources in relation to Germany's needs which it had been hoped to include in this issue of *The Economist*. It is still hoped to publish it next week.

To say that we are fighting to make the world safe for democracy would be to invite derisive comment. But we are fighting, in the most literal sense, to safeguard democracy in those countries of Western Europe and overseas where it has taken root. And democracy in Britain and France will not be safe if they are faced with brutal dictatorships in any Great Power. Democracy and dictatorship cannot long exist side by side; if they do, the bad will drive out the good, either through a military conquest of the democracies or by forcing them, in self-defence, as we have been forced in recent years, not indeed to abandon democracy, but to divert it to evil purposes of organising for strength instead of for wealth. Many people have asked in these past years of strain what good a war would do. The answer is, of course, that a war does no good; but it has become the only way of preventing infinitely greater harm.

And why has it become the only way? That is a question that only history can finally answer. But one moral can be drawn now which history will not upset. We have had many chances of strangling in their infancy the forces of aggression and brutality which have now engulfed the world in war. As each issue has arisen, we have refused to meet the risks attached to the suppression of brute force. And, as issue has followed issue, we have seen the price of security rise, in a steady Sibylline progress, until now it has reached the most awful height that a nation ever had to face. Before we plunge into war, this lesson must be drawn from twenty-one years of uneasy peace: security cannot be attained by avoiding risks; a policy of limited commitments leads inevitably to the unlimited commitment of war; safety cannot be found without courage. Let us never again make the mistake of being involved in the maintenance of peace without being committed to its enforcement.

These considerations provide two of the pillars of the eventual peace settlement: it must bring the end of armed dictatorship; and it must provide for a world-wide system of enforcing peace. A third pillar must, of course, be the restoration of their independence to those people who have lost it, primarily the Czechs. But these three aims achieved, the fourth must be an avoidance of any merely vengeful or repressive provisions against Germany, which would provide genuine grievances for a new Hitler. If she is democratic, if she co-operates in the new international order, if she restores her unjust conquests, it will be to our interests at the end of this war (as we can now see that it was to our interest in 1918) to help her to unity, equality, wealth and self-respect. The only alternative policy would be one of permanent partition and garrisoning of a defeated Germany, for which the democracies have neither the strength nor the moral mandate.

These, then, are the four principles of peace: Democracy, an International Order, Restitution and Generosity. Their translation into precise details is a matter which cannot now be undertaken. But there are certain points to which it is essential that we should all now commit ourselves as publicly as we can, while our visions are still unclouded. There must be no annexations of German territory and no indemnities. There must be disarmament, but no expectation that Germany will remain disarmed while other nations are armed. There must be a genuine sharing of colonial benefits and responsibilities through the widest extension of the mandatory principle. There must be a new League of Nations, with the hesitations and half-commitments of the old removed. There must be an end of the more senseless forms of economic nationalism.

In the madness and the agony that is to come, we must cling fast to these principles. Only so can we be quite sure that, in defending democracy, we shall not betray it, and that the freedom for which we fight is that freedom for all men on which alone permanent peace can be built.

## Canada — Empire Arsenal

POWER to produce ranks high among the decisive factors in any major war. It has already been emphasised in this journal (September 2nd, pages 434-7) that Great Britain possesses a marked advantage over Germany in this respect. But it is the British Empire, and not Britain alone, which has declared war on Germany. To Britain's material advantage must be added the continuing contribution which can be made by the Dominions and colonial territories. Outstanding among these is Canada, who may well supplement her traditional part of Empire Granary with that of Empire Arsenal.

The logic of such a development is immediately apparent. Canada is reasonably safe from the hazard of air bombing, and at the same time the most accessible of the outlying parts of the Empire to Britain. Additional factors are that the extent and variety of Canada's natural resources render them of peculiar value in a war emergency, while the Dominion has made such progress in diversified manufacturing as to have laid a sound foundation on which to build war industries.

Just what Canada to-day might be capable of in this direction is faintly foreshadowed in her record of accomplishment during the Great War. The achievements of the half-million soldiers Canada raised and the 400,000 odd she sent overseas, as well as the thousands who served with the Royal Air Force, tend to overshadow the accomplishments of those who served no less in other fields.

Food production was augmented to make greater shipments possible. This was attributable to the efforts of patriotic Canadian farmers with a very depleted labour force, supplemented by town and city men who gave up their holidays to help bring in the harvests. Campaigns for increased food production resulted in the extension of the officially estimated area of farm crops from 33 million acres in 1914 to 51 million acres in 1918, an increase of 54 per cent. A vastly enhanced wheat and other food production developed out of the extension of a peace-time activity.

What Canada accomplished in activities new and strange to her was yet more remarkable. As a result of overtures from the Imperial War Office the Canadian Minister of Militia appointed a Shell Committee in September, 1914, to undertake the task of organising the supply of shrapnel to the British Government, and the first shipments were made in December, 1914. By May 31, 1915, about 400 establishments were engaged in the manufacture of shells. In November, 1915, the work of the Shell Committee was transferred to the Imperial Munitions Board, which was directly responsible to the Imperial Ministry of Munitions.

Canadian accomplishment in the subsequent years of hostilities received recognition in a report of the Imperial War Cabinet for 1917. "Canada's contribution during the last year has been very striking. Fifteen per cent. of the total expenditure of the Ministry of Munitions in the last six months was incurred in that country. She has manufactured nearly every type of shell from the 18-pounder to the 9.2 inch. In the case of the 18-pounder no less than 55 per cent. of the output of shrapnel shells in the last six months came from Canada, and most of these were complete rounds of ammunition which went direct to France. Canada also contributed 42 per cent. of the total 4.5 inch shells, 27 per cent. of the 6-inch shells, 20 per cent. of the 60-pounder H.E. shells, 15 per cent. of the 8-inch shells, and 16 per cent. of the 9.2-inch."

A further idea of what Canada was able to do for the British Army in the field by supplying munitions is furnished by the following figures of the value of production: 1914, \$28,164; 1915, \$57,213,688; 1916, \$296,505,257; 1917, \$388,213,553; 1918, \$260,711,751. In addition, as

a result of industries new to Canada established under the direction of the Imperial Munitions Board, shipbuilding contracts were awarded to the extent of \$70 millions, and some 2,900 airplanes were built. All this was accomplished by a country totally unprepared, with a substantial part of its man power actually in the field of hostilities, and having to learn a great deal about many lines of production. To-day, the possibility of hostilities has been anticipated and plans have been laid (only some of which it is reasonable to conclude have been disclosed) which could put Canada on a war footing as the arsenal of the British people. In every physical way she will be found better prepared and equipped to play the rôle than she was in 1914-18.

Primarily Canada will appear again in the part of emergency food provider. She will start out from a much more favourable position than she did in 1914. With her population but slightly augmented, the Dominion has added nearly 10 million acres to the area of possible food production on top of the artificially swollen figure of 1918. She is still able to export more than 80 per cent. of the wheat she raises, which in the record year 1928 amounted to over 500 million bushels. In 1938 the crop was 350 million bushels, and this year it promises to get near the 400 million mark.

War-power still depends largely on minerals, and since the signing of the Armistice there has been a great expansion of the Canadian mineral industry, the annual value of minerals produced having more than doubled. Canada is still producing 87 per cent. of the world's supply of nickel, a mineral in great demand for war purposes. In addition, she accounts for 11 per cent. of the world's copper, 11 per cent. of lead, and 9 per cent. of zinc. The iron and steel industry, which under war-time stimulus reached an output figure of over a million tons of pig iron a year, is presently equipped under peace-time demand to produce 1,500,000 tons annually. Upon the emergency war-time construction of aircraft has been built a substantial industry to meet domestic requirements, which is capable of considerable and rapid expansion. The investigation and development of natural resources, which proceeds unceasingly in Canada, have in the post-war period revealed new possessions of the utmost value to the Empire in war-time.

Before the crisis of September, 1938, the British Government revealed that it hoped to encourage the creation of war supplies industries which could be expanded substantially through obtaining Canadian Government co-operation and increased participation in defence expenditures. It made the placing of business in the Dominion contingent upon Canada's co-operating in the matter of expense through contributing to Empire defence. On this understanding the British Government undertook to supplement any Canadian Government orders with additional orders sufficient to make it worth while for Canadian companies to install additional machinery and make other plant changes necessary for development of armament manufacture. Much attention has also been given to the plant facilities of leading companies which obtained experience in armament production during the Great War and whose ability to handle war supplies work is known in Government circles as a result of plan surveys in recent years. It was revealed some time ago that plans existed for the rapid transformation of these factories from their peace-time occupations to the making of shells.

More immediate is the co-operation between Canada and Britain in preparations for war in the air. Geographical position alone would make this a logical development since



Canada is the only Dominion accessible by air to Great Britain without involving passage over any foreign country, while, though remote from any likely theatre of war, planes manufactured in Canada can be flown to Britain without extra fuel tanks. Federal and Provincial Government and commercial aviation requirements in the post-war period have developed a substantial manufacturing industry, to which Britain and the United States have contributed and which is capable of considerable expansion. The Commercial Air Transport and Manufacturers' Association, established in 1934, comprises sixteen operating companies, fifteen manufacturing companies and eight associate member firms providing equipment or service to the industry.

Plans recently concluded involve not only the placing of large-scale and long-term contracts with private Canadian plants for the manufacture of bombers but for the training of fliers from Britain in Canadian schools. Nine of the Dominion's leading industrial organisations have formed a central organisation and are building two plants for the construction of these bombers, existing plants being found insufficiently large for the contracts of the British Government. The preliminary order for long-range bombers involves an expenditure of nearly \$100 millions, which may be compared with the \$14 millions spent by the Imperial Munitions Board for the construction of planes in Canada in 1918. In addition, orders for training craft in large quantities are also anticipated from the British Government.

Individual manufacturers in Canada are to build parts for the bombing planes, and the ships will then be completed and assembled at the central plants, engines shipped from Britain installed, and the craft flown across the Atlantic. Pilots for the British flying service will in the first place be trained at the Government training school at Camp Borden, and thereafter as the plan expands other

training schools will be established for the purpose right across Canada. The success of both these branches of work would seem to be assured by the splendid records Canadian aviators and manufacturers have already made.

A new field in which Canada has recently acquired some potential importance is that of oil production. It would be a mistake to assume that the output of the Turner Valley field in Alberta will make more than a minor contribution to the Empire's oil resources. But it would also be a mistake to conclude that the present production of between 20,000 and 30,000 barrels per day represents a maximum. It is the opinion of experts of the Government Geographical Survey Department that another field of crude oil other than the Turner Valley, which is the main producing area at present, will be found in Alberta before long, and compared with the mere strip of twenty-five miles which comprises the Turner Valley producing field it has been estimated that 100,000 square miles in Alberta is favourable for oil development. The important thing is that oil in volume is to-day an actuality in Alberta, within the Empire, relatively inaccessible to enemy attack. As part of Britain's re-armament programme one may hope to see investigation and drilling continue at a very much accelerated rate.

Not alone by reason of her geographical position, but on account of the development which has taken place in the post-war period in mineral investigation and exploitation, in the progress of the various phases of aviation and in industrial expansion Canada is a greater Empire asset to-day than she was in 1914 and is capable of an enlarged service. The Dominion is revealed as occupying a place of new and greater importance in the scheme of Empire defence and in the prosecution of a war in which the Empire is involved. Quite apart from the organising of a militant force Canada's aid is invaluable. It is well this is being increasingly recognised.

## The Damning Documents

ON Friday evening of last week, some twelve hours after the German warcraft had launched their first bombs on Polish territory, the British Government published as a White Paper the text of the correspondence it had had since August 22nd with the German Government. These documents lay bare the diplomatic subterfuge with which the Nazis prepared for the invasion of Poland. And in proving beyond any doubt that, from the very beginning, the Nazis meant to have war, they also prove that the British Government meant to have peace, and did everything possible to keep the peace.

The main points in the British and German communications, which are taken in turn, are summarised below:—

1. Letter of August 22nd from the Prime Minister to the German Chancellor:—

It stated that measures taken by His Majesty's Government had been rendered necessary by military movements reported from Germany, and by belief evident in some quarters in Berlin that after German-Soviet Agreement Britain would not stand by Poland.

No greater mistake could be made. Whatever may prove to be the nature of the German-Soviet Agreement, it cannot alter Great Britain's obligation to Poland which His Majesty's Government have stated in public repeatedly and plainly, and which they are determined to fulfil.

It continued that "it would be a dangerous illusion to think that, if war once starts, it will come to an early end even if a success on any one of the several fronts on which it will be engaged should have been secured." War between the two peoples would be the greatest calamity that could occur. There was nothing in the questions arising between Germany and Poland which could not be resolved without the use of force, if only confidence could be restored to enable discussions in a different atmosphere from that which prevailed to-day.

2. Communication from Herr Hitler to the Prime Minister, handed to His Majesty's Ambassador on August 23, 1939.

Germany has never sought conflict with England and has never interfered in English interests. But Germany possesses certain definite interests which it is impossible to renounce. "These do not extend beyond the limits of the necessities laid down by former German history and deriving from vital economic pre-requisites." To these questions belong the German City of Danzig, and the connected problem of the Corridor. Germany was prepared to negotiate "on the basis of a proposal of truly unparalleled magnanimity." But Britain's guarantee had encouraged Poland "to unloosen a wave of appalling terrorism against the one and a-half million German inhabitants living in Poland." This was intolerable to the German Reich.

Britain's assistance to Poland could "make no change in the determination of the Reich Government to safeguard its interests." Germany, if attacked by England, would be found prepared and determined. "I have already more than once declared before the German people and the world that there can be no doubt concerning the determination of the new German Reich to accept, for however long it might be, every sort of misery and tribulation rather than to sacrifice its national interests, let alone its honour." There was information that the British and French Governments had the intention to carry out measures of mobilisation.

I therefore inform your Excellency that, in the event of these military announcements being carried into effect, I shall order immediate mobilisation of the German forces.

3. Supplementary Communication from Herr Hitler handed to His Majesty's Ambassador on August 25, 1939.

The Fuehrer said he desired to make a move towards England as decisive as that made towards Russia. He then made three points: that Poland's actual provocations had become intolerable, and it made no difference who was responsible; that Germany was "in all conditions determined to

abolish these Macedonian conditions on her eastern frontier and, what is more, to do so in the interests of quiet and order, but also in the interests of European peace"; that the "problem of Danzig and the Corridor must be solved."

The German Chancellor then said that, after the solution of that problem, he was prepared and determined to approach England once more with a large comprehensive offer. He accepted the British offer if:—

(1) His colonial demands which were limited and could be negotiated by peaceful methods were fulfilled, and in this case he was prepared to fix the longest time limit.

(2) His obligations towards Italy were not touched—he did not demand that England give up her obligations towards France.

(3) He also desired to stress the irrevocable determination of Germany never again to enter into conflict with Russia. He would, after entering into agreements with England, be ready to accept a reasonable limitation of armaments which corresponded to the new political situation, and which was economically tolerable. He renewed his assurances that he was not interested in Western problems.

4. Reply of His Majesty's Government dated August 28, 1939, to the German Chancellor's Communications of August 23 and 25, 1939.

The German Chancellor's proposals affecting the ultimate relations between Germany and Great Britain were stated in very general form and would require closer definition, but His Majesty's Government were fully prepared to take them, with some additions, as subjects for discussion and they would be ready, if the differences between Germany and Poland were peacefully composed, to proceed so soon as practicable to such discussion with a sincere desire to reach agreement. As to the settlement of the German-Polish dispute, everything turned on the nature of the settlement and method by which it was to be reached. On those points the Chancellor's message was silent. His Majesty's Government could not, for any advantage offered to Great Britain, acquiesce in a settlement which put in jeopardy the independence of a State to whom they had given their guarantee.

The next step should be the initiation of direct discussions between the German and Polish Governments on a basis which would include the safeguarding of Poland's essential interests and the securing of the settlement by an international guarantee. The British Government had already received from the Polish Government a definite assurance that they were prepared to enter into discussions on this basis. If such discussion led to agreement then the way would be open to the negotiation of that wider and more complete understanding between Great Britain and Germany which both countries desired.

5. Reply of the German Chancellor to the Communication of August 28, 1939, from His Majesty's Government. Handed to Sir Neville Henderson during the evening of August 29th.

After referring to "persecution of the large German national group in Poland," and stating that this condition of affairs was intolerable, the communication stated that "the demands of the German Government are in conformity with the revision of the Versailles Treaty in regard to this territory which has always been recognised as being necessary: viz., return of Danzig and the Corridor to Germany, the safeguarding of the existence of the German national group in the territories remaining to Poland."

The German Government was prepared to enter into direct discussions, desiring in this way to give the British Government and nation a proof of the sincerity of Germany's intentions to enter into a lasting friendship with Great Britain. In the event of a territorial re-arrangement in Poland they would no longer be able to bind themselves to give guarantees or to participate in guarantees without the U.S.S.R. being associated therewith. They never had any intention of touching Poland's vital interests or questioning the existence of an independent Polish State.

The German Government, accordingly, in the circumstances, agree to accept the British Government's offer of their good offices in securing the dispatch of a Polish emissary with full powers. They count on the arrival of this Emissary on Wednesday, August 30, 1939. The German Government will immediately draw up proposals for a solution acceptable to themselves and will, if possible, place these at the disposal of the British Government before the arrival of the Polish negotiator.

6. Telegram from H.M. Government to Sir Neville Henderson sent at 2 a.m. on August 30, 1939.

Careful consideration would be given to German Government's reply but it was, of course, unreasonable to expect that they could produce a Polish representative in Berlin to-day, and German Government must not expect this.

Documents 7 and 8 are telegrams from the British Government referring to the danger of frontier incidents.

9. Telegram from H.M. Government to Sir N. Henderson, sent at 6.50 p.m. on August 30, 1939.

The British Government could not advise the Polish Government to comply with German request for a Polish representative with full powers to come to Berlin to receive German proposals, a procedure which was wholly unreasonable. Adoption of normal diplomatic procedure suggested.

10. Reply of H.M. Government to the German Chancellor's Communication on August 29, 1939. This Reply was handed by Sir N. Henderson to Herr von Ribbentrop at Midnight on August 30, 1939.

After noting the various points so far established, the reply states that His Majesty's Government must make an express reservation in regard to the statement of the particular demands put forward by the German Government in an earlier passage in their reply. His Majesty's Government were at once informing the Polish Government of the German Government's reply. The method of contact and arrangements for discussions must obviously be agreed with all urgency between the German and Polish Governments, but in His Majesty's Government's view it would be impracticable to establish contact so early as to-day. His Majesty's Government fully recognised the need for speed in the initiation of discussion. They would suggest that a temporary *modus vivendi* might be arranged for Danzig.

11. Translation of a Message which was communicated to H.M. Ambassador in Berlin by the State Secretary in the evening of August 31st.

After a long argumentation, the following sixteen proposals were submitted:—

1. The Free City of Danzig should return to the Reich.
2. A plebiscite should be held in Polish territory north of a line Marienwerde-Graudenz-Kulm-Bromberg (inclusive) and thence running in a westerly direction to Shoenlanke.
3. Those who might vote included all Germans either domiciled there on January 1, 1918, or by that date born there, and similarly of Poles, Kashubes, etc. Germans who had left the territory should return to it to vote. The plebiscite area would be placed under an international commission as in the case of the Saar territory. Powers represented would be Italy, the Soviet Union, France and England. Polish authorities would evacuate the area within a period of the utmost brevity.
4. Gdynia would be excluded from the plebiscite area.
5. The plebiscite would not take place for twelve months.
6. During that period free transit traffic would be established.
7. The plebiscite would be decided by simple majority of votes recorded.
8. If the plebiscite area went to Poland, Germany would receive an extra-territorial traffic zone, and the same in the contrary case.
9. If the area returned to the Reich, latter declared its right to proceed to an exchange of populations.
10. Special rights for Poland in Danzig would be negotiated on a basis of special rights for Germany in Gdynia.
11. Both Danzig and Gdynia would be demilitarised.
12. The peninsula of Hela would in either case be demilitarised.
13. An international committee of enquiry would be set up to deal with minority complaints on both sides. Economic or other damage, etc., to be made good as from 1918.
14. Germany and Poland would conclude a minorities agreement.
15. In the event of agreement, Germany and Poland would immediately demobilise their armed forces.
16. Further measures to be conjointly agreed upon.

Document 12 is a telegram (acknowledged by Document 13) referring to Polish Government's action through its Berlin Ambassador and to need for *modus vivendi* in Danzig.

14. The concluding document is an explanatory Note upon the actual course of events. *Inter alia*, it points out that:—

the German reply in writing was handed to H.M. Ambassador at 7.15 p.m. on August 29th. Apart from the complete distortion of events leading up to the crisis, the German Government's reply demanded the arrival in Berlin of a Polish emissary with full powers during the course of the following day.

The reply of the British Government is self-explanatory. It was communicated by H.M. Ambassador to the German Minister for Foreign Affairs at midnight on August 30th. Herr von Ribbentrop's reply was to produce a long document which he read out rapidly in German. It was apparently the sixteen-point plan which the German Government have since published. When Sir Neville Henderson asked for the text of these proposals in accordance with the undertaking in the German reply of August 29th, Herr von Ribbentrop asserted that it was now too late, as the Polish plenipotentiary had not arrived in Berlin by midnight, as had been demanded by the German Government in their communication of the previous evening.

The Note points out that the Polish Government would authorise their Ambassador to inform the German Government that they accepted the British proposals for negotiations, and that:—

The Polish Ambassador in Berlin (M. Lipski) was not received by Herr von Ribbentrop until the evening of August 31st. After this interview the German Government broadcast their proposals forthwith. M. Lipski at once tried to establish contact with Warsaw, but was unable to do so because all means of communication between Poland and Germany had been closed by the German Government.

#### The Ultimatum to Germany

Speaking in the House of Commons on Friday, September 1st, the Prime Minister noted that the German Government's reply to the Polish acceptance of the British proposals for negotiation was that "without another word, German troops crossed the Polish frontier this morning at dawn and are since reported to be bombing open towns."

In these circumstances, he said, there was only one course open to us. His Majesty's Ambassador in Berlin and the French Ambassador had been instructed to hand the German Government the following document:—

Early this morning the German Chancellor issued a proclamation to the German Army which indicated clearly that he was about to attack Poland. Information which has reached his Majesty's Government in the United Kingdom and the French Government indicates that German troops have crossed the Polish frontier and that attacks upon Polish towns are proceeding. In these circumstances it appears to the Governments of the United Kingdom and of France that by their action the German Government have created conditions—namely, an aggressive act of force against Poland threatening the independence of Poland—which call for the implementation by the Governments of the United Kingdom and of France of the undertaking to Poland to come to her assistance. I am accordingly to inform your Excellency that unless the German Government are prepared to give his Majesty's Government satisfactory assurances that the German Government have suspended all aggressive action against Poland and are prepared promptly to withdraw their forces from Polish territory, his Majesty's Government in the United Kingdom will without hesitation fulfil their obligations to Poland.

If a reply to this last warning was unfavourable, and he did not suggest that it was likely to be otherwise, His Majesty's Ambassador was instructed to ask for his passports. In that case we were ready.

## Defence Measures

THE measures necessary to the defence of Britain are now coming into force with a rapidity and smoothness which constitute ample evidence of thorough and detailed preparation. In the last two issues of *The Economist* summaries have been published of the measures taken since the announcement of the Russo-German Pact on August 21st. These measures have so far been classified under the two heads of Departmental Instructions, representing detailed steps taken to implement existing civil defence legislation, and Emergency Powers, which were enumerated in the Defence Regulations published on Monday, August 28th, under the authority of the Emergency Powers (Defence) Act. Two new categories must now be added. They are Orders in Council made under the Defence Regulations, and New Legislation, of which there has been a considerable quantity since the summoning of Parliament on Friday, September 1st.

#### DEPARTMENTAL INSTRUCTIONS

An extension of A.R.P. measures on Thursday evening, August 31st, involving instructions to local controllers to assume duty, was accompanied by the issue of instructions to complete the distribution of civilian respirators and to protect essential A.R.P. buildings. All overseas telephone services were cut off.

By Friday the full machinery of civil defence was in operation. All A.R.P. personnel were called up for duty, as were the Police War Reserve; the use of sirens for other purposes than the giving of air-raid warnings was prohibited; a complete black-out was ordered to take effect at sunset; and the arrangements for evacuation were put into operation. While the exodus was in progress from the areas already scheduled, a number of new towns were added to the list. It was announced that a scheme had been prepared for issue by the Ministry of Health for the maintenance of essential buildings, other than dwelling-houses, in war time. The exigencies of emergency conditions necessitated the setting up of a censorship on letters to places abroad, but at the same time a number of arrangements were made for the adequate functioning of peace-time activities. These included appeals for helpers to assist in bringing in the harvest, and to those goods vehicle

#### The German Reply

The German reply to the British Note calling for the withdrawal of troops was handed to the British Ambassador in the form of a memorandum, and was a blunt refusal. The main points were as follows:—

The Reich Government and the German nation refuse to accept or even to satisfy the demands in the form of an ultimatum from the British Government. But for the intervention of the British Government a settlement satisfactory to both sides would have been found to the disputes between Germany and Poland. The German Government watched patiently the torture of the German population by the Poles for five months before taking matters into their own hands. The British Government rebuffed Signor Mussolini's peace proposal, although the German Government had been willing to accept it. British politicians have for years been preaching the annihilation and obliteration of the German nation. The German Government are determined to defend their freedom and independence, and will answer British aggression with like arms and in a like way.

The British ultimatum expired at 11 a.m. on September 3rd, and the French ultimatum at 5 p.m. on the same day. From then onwards a state of war existed between Britain and France on the one hand, and Germany on the other.

#### The Italian Mediatory Move

An official account of a diplomatic intervention by Signor Mussolini was issued in Rome on September 4th. On August 31st the Duce, it stated, informed the British and French Governments that he could call an international conference on September 5th for the purpose of a peaceful revision. The replies arrived on September 1st.

With the replies of the French and British Governments favourable in principle, the Italian Government informed Chancellor Hitler at 10 o'clock on September 2nd that there was still a possibility of calling a conference. Hitler replied that he must first know if the Note presented by Britain and France had the character of an ultimatum, since in that case all negotiation would be useless, and if he could count on a delay of 24 hours to consider and take his decisions on the subject. At a late hour in the afternoon there reached Rome from London and Paris affirmative replies on these two questions, and that a withdrawal of German forces was a fundamental condition of British and French participation in a conference.

operators who had not yet done so to register their vehicles in the emergency index or to join groups to ensure the fullest use of existing transport. A detail of civilian life was provided for by the issue of special instructions to pensioners and persons insured under National Health schemes.

Civil Defence preparations continued at an accelerated rate on Saturday, and the Lord Privy Seal made a statement emphasising the fact that still more volunteers were required if the work was to be completed with the maximum speed and thoroughness. Detailed instructions to vehicle drivers in air raids were issued and an appeal was made for the fullest co-operation of householders in making the black-out completely effective. The arrangements of the Ministry of Health for an emergency medical service were advanced one stage further by the issue of instructions to doctors enrolled for whole-time duty at specified hospitals to report at once and for certain members of the Civil Nursing Reserve to do likewise. Further rearrangement of peace-time activities included the restriction of Empire air-mail services; the ordering home of fishing vessels off the East Coast; the cancellation of all special excursion trains on the L.M. & S. Railway; the coming into force of the Board of Trade scheme for the insurance against King's enemy risks of certain goods owned by sellers; and the setting-up of a War Risks Insurance Office for cargoes.

The declaration of war on Sunday morning was received by a country whose civil and commercial life had in many respects already been placed on a war footing. It was immediately followed by a number of Government announcements which modified still further the normal functioning of peace-time activities. All cinemas, theatres and other places of entertainment were closed; gatherings involving large numbers congregating together were prohibited until further notice; schools in evacuation areas were closed for a period of at least a week; the general public were warned to keep off the streets; and special arrangements were made for reporting by the unemployed at Labour Exchanges. Special provisions concerning commerce and finance included the closing of banks for Monday, September 4th; special arrangements to maintain essential financial services applying to approved acceptors whose bills are normally discounted in the London Discount Market, supplementing the provisions of the Courts (Emergency Powers) Act; Treasury restrictions on fresh issues

of capital; a Board of Trade announcement that trading with the enemy becomes unlawful on the outbreak of war; the publication of the fact that British merchant vessels are liable to examination by the British Naval Contraband Control Service; the requisitioning of privately owned goods railway wagons by the Minister of Transport; and the closing of Billingsgate market, accompanied by alternative arrangements for the sale of fish. The first steps towards rationing were taken, with the appointment by the Minister of Supply of fifteen Controllers of Materials and the announcement by the Secretary for Mines of the arrangements for the pooling and utilisation of petrol supplies. Finally, a notice was issued requiring the registration of aliens.

Monday saw the Proclamation in *The London Gazette* of a list of articles to be treated as contraband of war. It included arms, fuel, means of transport, coin and bullion. Food and clothing were declared conditional contraband. The Controller of Clearing Offices made an announcement of the arrangements concerning the carrying on of Anglo-Spanish, Anglo-Rumanian, Anglo-Italian and Anglo-Turkish clearings. In the official sphere of civil defence it was announced that more stretcher-bearers and ambulance drivers were required in the London area, and that the Minister of Transport had authorised the issue of a special National Service driving licence to holders of provisional licences who might otherwise experience some delay in taking the necessary test. The duty of farmers in the growing of home food supplies was emphasised in a broadcast message by the Minister of Agriculture, and once again the appeal was reinforced in a practical manner, on Tuesday, by an arrangement with the War Office under which a certain number of serving soldiers will be enabled to assist in bringing in the harvest.

#### EMERGENCY POWERS

The first 96 Regulations under the *Emergency Powers (Defence) Act* were summarised in the last issue of *The Economist* on pages 439-440. A subsequent Order-in-Council has added 32 new Regulations and a Schedule concerning amendments to the Official Secrets Acts, 1911 and 1920. The new Regulations may be summarised as follows:—

#### THE DEFENCE REGULATIONS 1939

##### Part I.—Provisions for the Security of the State

###### *Interference with Essential Services*

1A. Interference with His Majesty's servants in the performance of their duties, or with other persons performing essential services, is forbidden. The regulation does not cover strikes, or peacefully persuading others to take part in a strike.

###### *Assisting the Enemy and Sabotage*

2A. The doing of any act likely to assist an enemy, or sabotage of any article used or intended to be used in His Majesty's service, are offences punishable with penal servitude for life.

###### *Safeguarding Information Useful to an Enemy*

6. Existing Acts concerning Patents, Designs and Trade Marks may be ignored by a Secretary of State or the Admiralty who wishes to restrict the publication of information, to require details or to use plans and documents. Applications for the grant of a patent or the registration of a design may only be made by permission of the Comptroller-General of Patents.

###### *Restrictions on Movements and Activities of Persons*

18A. The movements of suspected persons may be restricted by order.

18B. The use of certain articles by suspected persons and their employment and communications with other persons may be restricted by order. Orders may also be made for their detention. Objections to such orders may be submitted to advisory committees constituted under the Regulation.

18C. No person shall assist a prisoner of war to escape. Access to prisoners of war and their conduct, movements and employment may be regulated by order.

20. Aliens may not change their names or trade under other names than their own. Change of name by British subjects is made subject to new restrictions.

##### Part II.—Public Safety and Order

###### *Public Safety*

30. In the case of deaths occurring in consequence of war operations, the usual arrangements for burial, inquests and the issue of certificates may not apply.

31. Interim superintendent registrars and deputy registrars of births, marriages and deaths may be appointed.

33. Certain women may be exempted by order from Acts relating to midwives where circumstances require it.

37. A curfew may be instituted by order.

###### *Public Order*

39A. No person shall endeavour to cause disaffection among His Majesty's servants or have in his possession or control documents whose dissemination would represent an attempt to cause disaffection. The provisions of s.3 of the Police Act (which penalises the causing of disaffection among the police) are ex-

tended to special constables and members of railway and dock police forces.

39B. Propaganda likely to be prejudicial to the defence of the realm or of the efficient prosecution of the war is forbidden.

39C. Local or general orders may be made prohibiting the display of flags.

39D. Proceedings for an offence against the Unlawful Drilling Act, 1819, may, with the consent of the Director of Public Prosecutions, be taken under the Summary Jurisdiction Acts. The maximum penalties are three months' imprisonment or £100 fine or both.

39E. Public processions and meetings may be prohibited by order if they are likely to cause serious public disorder or promote disaffection.

40. The Secretary of State may appoint additional inspectors of constabulary.

##### Part III.—Ships and Aircraft

45A. The Board of Trade may by order regulate employment in British (other than Dominion) ships and aircraft.

45B. The Board of Trade may make limited or general orders prohibiting the employment of certain persons as agents abroad for ships and aircraft.

Amendment to Regulation 47. The provision that it shall be unlawful, except under Board of Trade authority, to transfer or mortgage or transfer any mortgage of any British ship or share of such ship, is withdrawn.

47A. Deserters from ships may be conveyed back by ships' officers, constables or commissioned officers of His Majesty's forces.

##### Part IV.—Essential Supplies and Work

###### *General Provisions (Powers over Land, Property and Undertakings)*

59. Orders may be made exempting factories, mines and quarries from the provisions of Acts regulating them.

60. Provision may be made by order for the safety and welfare of factory workers.

###### *Agriculture and Fisheries*

Amendment to Regulation 68. The functions of the Board of Trade under this Regulation (which concerns the felling and sale of trees) are transferred to the Minister of Supply.

##### Part V.—General and Supplementary Provisions

79. The finder of derelict articles believed to have been used or intended to be used by armed forces must report their whereabouts to the police, or, in the case of a document, deliver it. He may not otherwise tamper with the article.

80. Penalties under the Geneva Convention Acts, 1911 and 1937 (misuse of the Red Cross), are increased.

80A. Articles and information must be provided for authorised persons.

88A. Justices of the peace and superintendents or superior police officers may authorise entry and search of premises to obtain evidence of offences.

88B. Constables and members of His Majesty's forces in uniform may stop and search vehicles.

88C. Constables and other authorised persons have power to arrest without warrant.

##### ORDERS-IN-COUNCIL

Orders-in-Council under the Defence Regulations began to appear immediately after the issue of those Regulations and the earliest were mentioned in the last issue of *The Economist*. Since then a number of others have appeared. By a Board of Trade amending Order of Thursday, August 31st, the export from the United Kingdom to any destination of civil aircraft or aircraft engines is now strictly regulated. On Friday four important Orders decreed the complete mobilisation of all the forces, placed the railways under the control of the Minister of Transport, provided for a black-out at sunset and prohibited the export from the United Kingdom of a large number of commodities including flour, tinned meat, fruit, vegetables and sugar.

Over the week-end Orders made by the Home Secretary prohibited the landing or embarkation of British subjects except at certain approved ports and an amendment to the Aliens Order laid down certain new provisions affecting aliens at present in this country. The iron and steel industry was at the same time placed under the control of the Minister of Supply by Order and maximum prices were established. Four Orders by the Secretary for Mines regulated the export and wholesale and retail prices of coal, and laid down the standards for autumn rations for fuel and lighting. The last-named Order will be administered through local fuel overseers and local advisory committees of the supplying interests. The prices and distribution of a number of essential materials were placed under control by Orders made by the Minister of Supply. The materials concerned were iron and steel, non-ferrous metals, aluminium, wool, flax, hemp, jute, silk, rayon, timber, paper, leather, molasses and industrial alcohol. The Cultivation of Lands Order made by the Minister of Agriculture authorised a War Agricultural Executive Committee in each county to exercise on his



behalf the powers conferred by the Defence Regulations for the increase of home food production.

Monday's crop of Orders were almost entirely concerned with the control of commodities. The Minister of Supply authorised the control of supplies and prices of paper and paper-making materials by the Paper Control—a Department of the Ministry; the control of prices of rayon yarn by another Department to be called the Silk and Rayon Control; and the establishment of further controls for timber, non-ferrous metals, raw hides, skins, and leather, hemp and molasses and industrial alcohol. The prices of meat and flour were fixed by Order. The only Order not concerned with particular commodities was the Control of Traffic at Ports Order under which the Minister of Transport appointed a committee for each of the principal commercial ports to secure efficient operation.

Further steps towards the ordering of industry and trade for the efficient prosecution of the war were made through a series of Orders issued on Tuesday. Board of Trade Orders provided that ships may be built or repaired in the United Kingdom only under licence, and that flour and provender should be placed under the control of the Board. Particulars of the Wool and Jute Controls were covered in Orders from the Ministry of Supply. The Sugar (Provisional Prices) Order from the Food (Defence Plans) Department fixed the maximum wholesale and retail prices for that commodity. Finally, a Board of Trade Order authorised the setting up of Food Control Committees by local authorities other than county councils.

#### DEFENCE LEGISLATION

In the House of Commons on Friday night, September 1st, sixteen Bills were passed into law. These were the first items in a new category of defence measures—legislation to deal with war emergency. Those which are particularly relevant to civil defence are summarised below.

##### Compensation (Defence) Act

This Act lays down the principles of compensation in respect of action taken in the exercise of emergency powers and aims at securing that claimants will not gain advantage from the emergency.

##### Consolidated Fund Appropriation (No. 2) Act

This authorises the issue of £500 millions from the Consolidated Fund to supplement the spending authority of the Government.

##### Courts (Emergency Powers) Act

The general scheme of this Act is that in the main in a series of cases where people have rights against others they should not be permitted to proceed against them except with the leave of the court.

##### Currency (Defence) Act

The use of the Exchange Equalisation Account for purposes that arise in war is authorised by this Act. It also makes postal orders and certain bank notes legal tender, and constitutes advances by the Bank of England out of Government funds to approved banks and acceptors a prior floating charge on the assets of the borrower in favour of the bank.

##### Essential Buildings and Plant (Repair of War Damage) Act

This Act provides for the repair of buildings used for purposes essential to the welfare of the civil population, and the reinstatement of the plant of undertakings carried on for such purposes, where they are damaged by war.

##### Housing (Emergency Powers) Act

Similar provisions to those made in the last-named Act are provided for dwelling houses. Local authorities are empowered to do the necessary work.

##### Import, Export and Customs Powers (Defence) Act

The Board of Trade receives powers to regulate imports and exports. The control is extended to coastwise shipping and ships' stores.

##### Landlord and Tenant (War Damage) Act

The object of this Act is to modify the rights and liabilities of landlords, tenants and other persons interested in land damaged by war.

##### Regional Commissioners Act

The payment of salaries and allowances to Regional Commissioners and other persons appointed for the securing of the co-ordination of civil defence is provided for. When a Member of the House of Commons is appointed to one of these positions the disqualification which normally attaches

to a Member accepting an office of profit under the Crown will not apply.

##### Ships and Aircraft (Transfer Restrictions) Act

The object of this Act is to restrict the transfer and mortgage of ships and aircraft without the licence of the President of the Board of Trade or the Secretary of State for Air.

Other Acts passed on the same day (Friday) were the Armed Forces (Conditions of Service) Act, the Government of India Act (Amendment) Act, the Rent and Mortgage Interest Restrictions Act, the War Damage to Land (Scotland) Act, the Ministers of the Crown (Emergency Appointments) Act and the Prize Act.

On Saturday and Sunday, September 2nd and 3rd, further Acts were passed. They were:—

##### National Service (Armed Forces) Act

This is the Act which renders all fit male British subjects of the ages of 18 to 40 inclusive liable to be called up for service in the armed forces during the war emergency.

##### National Health Insurance and Contributory Pensions (Emergency Provisions) Act

The existing law is amended to secure that persons insured under the scheme of National Health Insurance and Contributory Pensions do not suffer any loss of rights under these schemes by reason of joining the Armed Forces or entering upon war occupations.

##### Personal Injuries (Emergency Provisions) Act

This provides for grants to be made in respect of personal injuries or death caused by air raids or other operations of war to the civil population.

The Isle of Man (War Legislation) Act, the House of Commons (Service in His Majesty's Forces) Act and the Pensions (Navy, Army, Air Force and Mercantile Marine) Act were also passed on Saturday.

On Monday the Education (Scotland) (War Service Superannuation), Royal Marines, Navy and Marines (Wills), and Military and Air Forces (Prolongation of Service) Acts were passed.

Six more Acts were passed on Tuesday. They were:—

##### Local Government Staffs (War Service) Act

Local authorities are empowered to make up the balance of the civil pay of their employees undertaking war service, including civil defence.

##### National Registration Act

The object of this Act is to put into operation the measures already prepared for the establishment of a system of national registration and to entrust the work to the Minister of Health and the Secretary of State for Scotland.

##### Teachers' Superannuation (War Service) Act

This enables teachers to retain their pension privileges when undertaking war service.

##### Trading with the Enemy Act

The powers of the common law relating to trading with the enemy are made the subject of Statute. Specific machinery for enforcing the law and the enumeration of offences are enumerated in the Act.

##### Unemployment Assistance (Emergency Powers) Act

Unemployment assistance is extended so that allowances can be paid to those who are at present outside the scope of the Act but may be in distress through circumstances caused by the war.

##### Unemployment Insurance (Emergency Powers) Act

The object of this Act is to modify the Unemployment Insurance scheme by regulation when need arises during the war.

Five Acts passed on Wednesday included:—

##### Import Duties (Emergency Provisions) Act

This Act suspends the statutory functions of the Import Duties Advisory Committee for the period of the emergency and gives the Treasury power to make Orders or grant licences or approve schemes.

##### Income Tax Procedure (Emergency Provisions) Act

The effect of this Act is to allow during the war any necessary modifications of the territorial basis of the division of functions which obtains under the existing Income Tax Acts.

The other Acts passed on this day were the Exchequer and Audit Departments (Temporary Provisions), Government and Other Stocks (Emergency Provisions), and Sheriff Courts (Scotland) Acts.

## NOTES OF THE WEEK

**The New Government.**—The outbreak of war was immediately followed by the formation of a War Cabinet. Of its nine members, six—the Prime Minister, the Chancellor of the Exchequer, the Foreign Secretary, the Minister for the Co-ordination of Defence, the Secretary for War, and the Air Minister—are those who have hitherto held the same offices. A seventh member, Sir Samuel Hoare, survives from the previous Cabinet, but in the new office of Lord Privy Seal. There are thus only two newcomers. But they are powerful reinforcements indeed: Mr Winston Churchill as First Lord of the Admiralty and Lord Hankey (who has sat in Cabinets longer than any man living) as Minister without Portfolio. There have also been some changes in the Ministry outside the War Cabinet (which is also, apparently, to be the only Cabinet). Sir John Anderson, exchanging offices with Sir Samuel Hoare, becomes Home Secretary and also Minister for Home Security. Mr Eden becomes Dominions Secretary (with the right to attend sittings of the Cabinet). Lord Stanhope replaces Lord Runciman as Lord President of the Council, and Sir Thomas Inskip (re-christened Lord Caldicote) replaces Lord Maugham on the Woolsack. Lord Macmillan is the first Minister of Information and Mr R. H. Cross is the Minister of Economic Warfare. Among the minor appointments, the chief change of note is the reappearance of Major Gwilym Lloyd George as Parliamentary Secretary to the Board of Trade.

In the main, then, and with the major exceptions of Mr Churchill and Lord Hankey, the new Government is the old Government. That this is so is due to the refusal of the Labour or Liberal Parties to accept the invitations that were sent to them to join the Government. These refusals were given on slightly different grounds: the Labour Party as a matter of principle, the Liberal Party because it was not intended to include its representative in the War Cabinet and the party, if it accepted, would therefore be in the position of being bound without having a voice in policy. These decisions cannot be criticised; but they can be regretted. It is an advantage to have an opposition criticising in detail; but it might be even more advantageous if this stimulus were given inside the administration, and if a team that is tired by eight years in office could draw on the fresh personnel in and behind the Labour and Liberal parties. It seems also to be a pity that a more rigorous selection has not been made within the ranks of the Government's own supporters. This Government has had its successes and its failures and both now seem to be equally rewarded. When one reflects on the opportunities that were missed in the field of foreign affairs in the early years of the Government's life (when the drift to war could have been arrested at a risk negligible compared with those we are now running) and on the inexplicable two-year delay in organising civil defence (which left us defenceless last September), the personnel of the War Cabinet is surprising.

**The Nature of a War Cabinet.**—The use of the term "War Cabinet" may, perhaps, lead to the conclusion that the present body is strictly analogous to that formed by Mr Lloyd George in 1916. But the Lloyd George War Cabinet had six members, only one of whom (Bonar Law, Chancellor of the Exchequer and Leader of the House of Commons) had any departmental responsibilities. This had two advantages: the members of the War Cabinet could devote all their energies to solving the problems that only a Cabinet can solve; and there was no preference to some departments represented in the Cabinet over the remainder. The new War Cabinet differs in both these respects. Only three of its nine members are free of departmental responsibility, and while the fighting forces are represented, many of the no less important Ministries are not. It will remain to be seen how this

system will work. The Government will be judged entirely by results and there is nothing lacking in the speed and vigour with which it is tackling its colossal task.

**The War in Poland.**—The strategic retreat of the Polish armies is proceeding, and, if the relatively small number of prisoners taken by the Germans and the relative slowness of the German advance are given their due significance, it will be seen that the retreat is far from being a defeat. Broadly, the Germans have developed a pincer movement by advancing simultaneously in the north and in the south; and on both these sectors they have developed subsidiary pincer movements to pinch off individual towns and strong points. In the north they have advanced along the railways (which, it should be remembered, were built



in the first place for military movements against the Russian Empire) from Chojnice and Schneidemuehl, and, at the same time, from the Danzig territory towards Tszew and from East Prussia towards Grudziadz (Graudenz). The effect of this has been to cut off the Polish forces operating in the Corridor; by Wednesday the pincers had closed on Bydgoszcz (Bromberg) and the Corridor had been cut by German troops. Another northern pincer movement began on the second or third day's fighting with a German

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advance from the Tannenberg area in East Prussia towards Mława and Przasnysz; on Thursday the Polish army, based on Ciechanów, were holding down this sector as well as the town of Toruń, menaced now from the direction of Bydgoszcz and Grudziądz. In the south there is the same story of hard-fought rearguard action. The Germans came in at three main points, the first push aimed at Czeszochowa, the second at Kattowice and the Upper Silesian industrial area generally, and the third from Slovakia through the Jablunka Pass. The terrain of the Moravian Gap favours an invading army, and by Thursday the advance had gone far across the frontier, taking in the whole of the industrial area and, on German claims, the city of Cracow. The main body of their troops is now as far as or beyond Łódź against determined resistance and skilful retreat. From all accounts it would seem that the Poles have not yet engaged the mass of their army or artillery, preferring to wait until they have established themselves on a line (formed partly by the Rivers Vistula and Bug) which they can hope to defend. So far the Germans have been advancing over relatively easy country, in the north across open heath lands only sparsely timbered, in the south along the ample roads and railways of Upper Silesia. They have taken the key railway junctions of Tszew and Bogumin, but these in any case could not be defended. The real difficulties lie ahead of them. They must now encounter on his own ground a resolute enemy with arms specially developed for the very circumstances which have come to pass.

**War at Sea.**—The first blow of the war struck on the water was a sensational one. At about 9 o'clock on Sunday evening the *Athenia*, a ship of 15,000 tons belonging to the Donaldson Line, with 1,400 passengers on board, was torpedoed by a submarine, which could only be German, and sunk. No warning was given by the assailant, but at the time of going to press it seems that, apart from those killed by the explosion, the majority of those who took to the boats have been picked up by various ships. Apart from the fact that more than 300 American citizens were on board, the outrage to the *Athenia*—the submarine's procedure was quite contrary to the international rules governing such attacks and subscribed to by the Third Reich—served to underline the urgency of putting a full and effective convoy system into operation. This is being done by the Admiralty with all speed. Meanwhile, a number of smaller British vessels have been sunk, while certain German merchantmen have been captured or, in cases where they were capable of being converted for use as armed raiders, destroyed. Thus, Britain's command of the seas takes the first strain of the conflict in the West.

**The War in the West.**—On the Western Front the French Army has begun operations and made limited

progress towards Saarbrücken. Industrial areas in western Germany have been bombed. The Royal Air Force have carried out successful reconnaissance raids over German territory, and by mid-week had released 12,000,000 copies of a message to the German people. On none of these raids were the planes engaged by the enemy. A daring daylight raid was made on the western mouth of the Kiel Canal on Monday, and heavy damage inflicted on two German battleships, though unfortunately with some loss to the attackers.

**The British Commonwealth at War.**—In the days that lie ahead it will be of spiritual as well as of material comfort to the British Government to know that they have the support and the approval of the free Dominions. They can justly remember that one important factor in deciding the Dominions to come into the war was the clear knowledge that the British Government had done all that was humanly possible to stop the outbreak of war. The declarations by the Governments of New Zealand and Australia have been unanimously approved in their own countries, and the speeches made by Mr Savage and Mr Menzies were simple statements of political necessity. "With gratitude for the past and confidence for the future," Mr Savage said, "we range ourselves without fear beside Britain. Where she goes, we go; where she stands, we stand." The precise legal position of Canada cannot be decided until Mr Mackenzie King has taken the decision of Parliament, which reassembled on Thursday, for it has come to be understood that it is for the Canadian Parliament, and not the Canadian Government, to decide whether the Dominion shall go to war. But in Canada, too, there is an equally clear knowledge of the issues at stake; defence measures are already in train, and volunteers are reported to be besieging the enlistment offices. The entrance of South Africa into the war provides a most effective justification, if one were needed, of the decision to oppose the aggression of Germany. For South Africa had seemed to be billed for the rôle of benevolent neutral; and it was with some surprise that London heard the news that General Smuts had replaced General Hertzog after the latter's defeat by 80 votes to 64 in the Union Parliament. General Hertzog's point of view was that the Union should give Great Britain all the assistance compatible with the maintenance of neutrality; and it was easy for General Smuts to show that a neutral policy could be maintained only at the outset of the war and to develop the thesis that it was better to make quite clear at the beginning where South Africa stood. The Indian Congress is still in a state of some confusion as to what must be done and how far Great Britain must be supported in this war against those who are the direct ideological opponents of all that the Congress stands for, as well as their potential oppressors. Mr Gandhi has told the Viceroy that his own sympathies are with Britain and France, and he is now in conference with the Congress Working Committee at Wardha. Offers of help from the Indian Princes continue to pour in. Eire alone of the Dominions has declared formal neutrality, as was only to be expected. But the maintenance of this neutrality will obviously present both material and psychological difficulties.

**Censorship.**—Since the outbreak of war, the British Press has been subject to censorship. The censorship is voluntary—that is, there is no obligation on any paper to submit matter to the Censor before publication. But the Defence Regulations which provide sanctions against those who publish information likely to be of direct or indirect value to the enemy are wide in range and severe in penalty, and prudence dictates a large measure of prior consultation. All this is as it should be in time of war. But censorship is a very delicate weapon, which can easily harm those who wield it. This is particularly true when one of the theatres of war is in the midst of the home population

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The public itself sees and hears some of the actions of the war and when, in such cases, the official bulletins are both tardy and reticent, the effect is to encourage the growth of rumour, the great underminer of morale. The Censor faces risks either way: if he is too lenient, he risks giving away information to the enemy; if he is too severe, he risks undermining the confidence of the people. But in this sort of war the second is by far the graver risk.

**Mobilising Man Power.**—It was a grave error twenty-five years ago that no attempt was made in the very early stages of the war to allocate man power between the battle-front and home industry with any system. The war began with a rush of recruits, who were readily taken; and it was not until after the lapse of many months that it was realised that many vital war-time occupations had been seriously depleted unseen. This will not happen again. It is true that the National Service (Armed Forces) Act places all able-bodied men between the ages of 18 and 41, except clergymen and registered conscientious objectors, under the obligation of military service. Clearly it is envisaged from the outset that a Field Force of considerable size may be needed. But there are a number of factors which will curb indiscriminate and wasteful enrolment. There is first of all the fact that Britain's fighting forces have never before been so strongly manned on the outbreak of war. Apart from certain special needs for tradesmen and artificers, none of the three Services is inviting recruits for the moment. Recruitment will come, but at present no essential trade will be denuded of its personnel. Secondly, when the call is made it will be conceived in the light of industry's essential requirements; experience in the next few weeks will indicate what men are indispensable at home; and, in the background all the time, there is the peace-time Schedule of Reserved Occupations which, too fully but usefully, listed the trades from which men could least readily be spared. A war-time schedule is even now being drafted. Already the Government has stated in terms its appreciation of the vital need to man the home front adequately; and there should be no cases this time of coal-miners, munition workers and, say, aircraft employees having to be hastily combed out of the fighting line. Very many more men will be needed to fight; women and unskilled men will need to be drafted into war industries by dilution. But there is every chance that the best use possible may be made of the nation's inborn and acquired skills. There are practical proofs for this hope in two of the new war-time measures passed into law by Parliament. The National Registration Act will supplement the use of the Ministry of Labour files and the National Health Insurance records in the task of counting and ear-marking the man power available. The Control of Employment Act will give the authorities a specific power of regulation over the recruitment and movement of labour which, if used with planned discrimination, should be invaluable.

**Success on the Home Front.**—The first triumph of the war for Britain was the successful completion of evacuation. Plans for the transfer of three million children, mothers and disabled people had been long and carefully laid before Friday of last week when they were set in motion. Over the week-end, not only did the machinery of transfer work with outstanding smoothness, but it also stood the strain of last-minute improvisations and additions. The timetable for transfer was cut from four days to three without noticeable dislocation; new districts were added to the vulnerable areas to be evacuated with no apparent difficulty; and, most ticklish of all in the detailed operation of the scheme, persons who had previously declined to take advantage of the official evacuation arrangements were freely accepted at the last minute and absorbed into the exodus, with no more than the hitches that might have been anticipated in any attempts to cater for unallocated evacuees. The gigantic movement that this

basic item of civil defence implies is not yet fully finished. New areas and more people are brought in daily; and beyond the bounds of the official plans firms and families are still seeking greater safety than they could hope to secure in the exposed and crowded places where their activities are not absolutely needed.

**Revising Our Way of Life.**—Two things may be said of evacuation so far as it has gone. In the first place, the triumph of the local authorities, their officials, their teachers and their transferred women and children vastly enhances the power of the people to resist ruthless assault from the air. We can sleep more happily in our beds for the departure of our innocent and defenceless friends. In the second place, a social event of the first magnitude, one which will play no small part in moulding the future character of the country's life, has been begun. Evacuation in the widest sense has barely started. It is not enough that these people should have been taken so surely and so swiftly to places beyond the heat and burden of the days to come. They must have the full chance to live their lives completely in their new homes and novel surroundings. Nor is this merely a matter of housing and provisioning. In effect, the dream of the town and country planners is now possible. New communities can now be made in place of the knotted and congested urban clusters that a series of industrial and commercial revolutions have created; and there can be no doubt that this potentially health-giving redistribution of our people will be swollen more with the passage of weeks as more groups and individuals find that their presence and their work are not vitally needed in the danger zones. It is a chance to set up something of a new social order that confronts us; and it has a twofold guise. On the one hand, there are the folk who are finding a new life in new places; they will take time to find their feet and they will not always be congenial to their hosts. On the other, there are the aborigines of the reception areas; they will have something to suffer and something to offer, too. On both sides the need for generous toleration and open-handed communal co-operation is strikingly apparent. It will be the task of the authorities, central and local, to show the way; and in the plans that are already unfolding for the education of the refugee children there is hopeful earnest of the way in which the job will be done. The refugees may soon come back; but, whether they do or not, their going has opened the door to changed modes of life and thought which might be of unqualified benefit.

**Neutral America.**—The diplomatic actions of the United States Government since the outbreak of war, apart from an appeal to both sides to forswear the bombing of open towns, have been confined to the issue of proclama-

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tions of neutrality. One of these fulfilled the usual obligations of a neutral under international law; another invoked the specific provisions of the Neutrality Act and prohibited the export of munitions or instruments of war, including aircraft, to either side. The official attitude of the United States is thus one of scrupulous neutrality. America is not, however, morally neutral, and if there were any doubt about the side on which American sympathies were enrolled it was dispelled by the torpedoing of the "Athenia." President Roosevelt has not yet summoned Congress in special session to repeal the arms embargo, but the public demand for the repeal is mounting and, since the President is known to favour it, he can be expected to choose the moment for summoning Congress when the opposition will be at a minimum. There is no doubt that America wants to keep out of the fighting; but there is even less doubt that she sees her interests wrapped up with the victory of one side.

**M. Molotoff Speaks.**—The Soviet Government, in one way or another, has now issued a full self-justification for the non-aggression pact with Germany. Most of the arguments were contained in M. Molotoff's speech to the Soviet Supreme Council on the ratification of the pact on Thursday of last week. They are worth recording if only so that they can be recalled and refuted whenever the British Government feels it wise to tell the other side of the story. According to M. Molotoff, the British and French Governments were not acting in good faith when they sent negotiators to Moscow. Their attitude was "frivolous" and "such as to discredit the conversations." The men they sent were "without authority to make binding engagements." M. Molotoff referred to what he called the contradiction in British and French foreign policy: "Britain and France were afraid of aggression and needed a pact with the Soviet Union to strengthen them. But a pact with the Soviet Union might strengthen the Union, and that did not suit them. That was the only explanation of the position of Poland (which, Marshal Voroshiloff has told us, offended by refusing the passage of Russian troops), which was acting on instructions from Britain and France." It was only "after the conversations with Britain and France had met with insuperable obstacles" that the treaty with Germany was discussed. Only then "could they try that means of safeguarding peace." On our side the facts have not yet been told. But it is difficult to accept M. Molotoff's version of what happened at Moscow during those five months of negotiation. If it is true, as M. Stalin has said, that the Soviet Union is on the side of the victims of aggression, then it seems strange indeed that the Soviet Union should have compounded with a nation which had just committed several aggressions and was even then on the point of another and most black aggression—simply because Poland, whether or not at the instigation of Britain and France (for that is immaterial) asked not for the men but only for the materials of war. That is a strange way of defending the right.

The meaning of the pact remains imprecise to the outside gaze. M. Molotoff warned his hearers against the tendency to read into the treaty more than it contained. The Soviet Union was not obliged to come into a war either

for or against Germany. It is clear that the Soviet Government attaches a good deal of importance to the commercial agreement signed on August 19th; this was referred to by M. Molotoff "as the best agreement they had ever had with Germany and the most advantageous with any country." He pointed out "that the credit clauses made it possible for the Soviet Union to order much-needed equipment, and Germany would order Russian raw materials." The troubled question of the ways and means of delivery between Germany and Russia was not touched on.

**Japan's Position.**—The sparse news from Japan in the past week confirms one's first impression that the Japanese governing class sees in the German-Russian non-aggression pact a warning against European entanglements, and in the European struggle an opportunity for Japan to continue her war in China without Western hindrance. The new Prime Minister, General Nobuyuki Abe, made several cautious statements to this effect in a Press interview on Thursday of last week, revealing, as was anticipated, that his viewpoint is a good deal more "moderate" than that of Baron Hiranuma, the retiring Prime Minister. "It requires further study," he said, "to decide whether the Anti-Comintern ties are to be kept alive or whether some better formula can be found to replace them." Evidently the Japanese are going to wait and see. The adoption of a conciliatory attitude towards British interests in China depended on Great Britain's abandoning her attitude "favourable to General Chiang Kai-Shek's regime"; but at the same time, with regard to the Tokyo talks, General Abe is reported to have said "that it would be rather narrow-minded not to respond to a conciliatory attitude on the part of the other party, even if the talks had previously resulted in deadlock." This statement was made before the outbreak of war: its meaning may now be expected to be modified by a lively expectation of British favours in return for Japanese "conciliation." Germany's fall from Japanese grace will not make the Japanese love the British any more; and it was natural that, when declaring its neutrality, the Japanese Government should have requested the British Government not to take any measures prejudicial to Japan's position in China. A modifying factor remains the Russo-Japanese tension in Manchuria; there, fighting has again taken place, and once again the facts are hard to come by. The Japanese are obviously alive to their increased danger from Russia. It is legitimate to guess that this will have a moderating effect on their conduct of foreign affairs.

**Inside Germany.**—One of the matters on which in the fog of war, it would be most reassuring to have certain news, is the state of affairs inside Germany. But it is a matter on which reliable information is hardest to come by. The Nazi leaders obviously have no great confidence in the people's support. Casualty lists are not being published and relatives of the killed are forbidden to wear mourning. Listening to any foreign radio is a serious crime. Serious discontent with the rationing regulations is also reported. Possibly more important are the evidences of economic strain in Germany. The Council of National Defence has issued decrees which open the way to indefinite increases in working hours, without any increase in wages. The income-tax on all incomes over Rm. 2,400 (say £150) a year, already severe, has been increased by 50 per cent., and special taxes of 20 per cent. on the retail price have been superimposed on top of the existing duties on "luxuries" such as beer and tobacco. Currency inflation—which has a direct bearing on public psychology—is proceeding apace. Paper money for 5 marks, 2 marks and 1 mark has been introduced owing to a shortage of small change. The note circulation of the Reichsbank increased in the one week to August 31st from Rm. 8,810 millions to Rm. 10,907 millions—an increase of 25 per cent., roughly equivalent to about £140 millions. An increase, on the other side of the Reichsbank return, of Rm. 2,132 millions in "bills of exchange, cheques and Treasury bills," shows that the Government is already financing itself by the printing press.

**On Guard in the Balkans.**—It was always clear that Italy's neutrality in case of war must considerably ease the difficulty which the Balkan countries might meet in maintaining their own neutrality. Now that Signor Mussolini has declared that Italy will take no military initiative, the Yugoslav Government, fortified by the knowledge that a united country is now behind it (the Serbo-Croat agreement having been enthusiastically received), is in no great danger of being forced off its neutral footing. Realisation of this will naturally have a stabilising effect on public opinion in Bulgaria; and the prospects for peace in the Balkans are correspondingly bright. Hungary's position is not yet entirely clear. Her declared policy, however, has for long been one of complete neutrality. It is reported that, during the past week or so, the Hungarian Government has in fact made an approach to the Yugoslav Government, and, given the latter's close relations with Roumania and the dependent attitude of Bulgaria, it would seem that a general Balkan *rapprochement* should not be excluded. From Bucharest there is news that Roumania is anxious to secure herself further by concluding non-aggression pacts wherever they are feasible; the effect of these could not be otherwise than beneficial. In short, there is some hope that the war may lead Hungary and Bulgaria to compose their differences with their Balkan neighbours, and that Balkan unity, for so long a mirage, may at last become a fact.

**Portugal and Spain.**—The Portuguese Government has announced Portugal's neutrality, adding that their "obligations in our alliance with Britain, which we wish to confirm on this grave occasion, do not compel us to abandon" that position. The only official statement so far made by the Spanish Government came on Tuesday, when it was decreed that all Spaniards must keep the strictest neutrality in accordance with international law. On Thursday of last week General Franco took another step towards the organisation of his regime by creating a Supreme General Staff under his own immediate orders, with General Vigon as its administrative chief. The new body's main duties consist in the submission of schemes for co-

ordinating the national forces in case of war and for their most efficient ordering and mobilisation; in discussing and submitting plans for the combination of army, navy and air force operations; and, thirdly, in supplying the supreme command with information concerning the military and economic strengths of other countries. In the preamble to the decree it is stated that a development of the military and economic strength is aimed at so as to ensure Spain's welfare in peace as well as "to guarantee our liberty of decision in the event of armed conflict."

**The Near and Middle East.**—It is no small thing that Britain goes to war, in comparison with twenty-five years ago, backed by the sympathies of the peoples of the Near East. If it is left to us and to them, there will be no war in the Mediterranean. Since the last war Egypt has emerged into full independence, and now, in accordance with the Anglo-Egyptian Treaty, fulfils her obligations to Britain willingly. Diplomatic relations have been severed with Germany, and the country is in a condition of armed preparedness. Behind Egypt stands the Arab world, its representatives only lately in conference with the British Government over the Palestine problem, its broad interests running in the same direction as theirs. On the other side of the Near Eastern bridge stands Turkey, allied to Britain (for although the formal alliance is not yet signed, the mutual declaration is fully binding and has received the approval of the Turkish Kamutay) in keeping the peace in the Mediterranean and in the Balkans. Attached to Turkey by non-aggression pacts are the Middle-Eastern Powers of Iran, Iraq and Afghanistan, a whole system of mutual security reached by peaceful negotiation. The existence of such a system does not, of course, guarantee the goodwill of those Middle-Eastern States towards us; what it does do, though, is to weight the scales heavily in that direction—so heavily, in fact, that unless long-standing grievances are also there, not the subtlest German propaganda will find ground to stand on. With Iran and Afghanistan we have no accounts to settle or to consider, and our treatment of Iraq, the scrupulous and successful rendering of the mandate, is one of the brighter parts of our imperial history.

## THE WORLD OVERSEAS

### Argentine Railway Troubles

(From a Correspondent)

AN airing has been given to the Argentine railway problem as a result of the occurrence of a "work-to-rules" movement among the employees of the British-owned Buenos Aires and Pacific Railway. "Working to rules" is a euphemism for imperfect co-operation in the normal working of the line. It was instituted in support of the claims of the workers for the immediate refund of amounts of wages provisionally retained under the award of President Justo of October, 1934. In consequence the Argentine Government invited the railway companies and the railwaymen's unions to make a statement of their case in order that the situation might be reconsidered in the light of present conditions.

All the privately-owned railway companies made a joint statement. They began by pointing out that the agreement of the year 1931 (when the companies and the workers agreed to reduce both wages and working hours in preference to dismissals of staff) was a result of a depression in the railway industry, which was then believed to be temporary. Later events, however, proved that many of the phenomena which made their appearance in the depression—including the devaluation of the Argentine currency—had come to stay. The agreement of 1931 was consequently modified by the presidential award of 1934, but its essential basis remained unchanged. A system of retentions from wages, to be refunded when conditions should permit, was substituted for the re-

duction of wages, and it was provided that no dividend should be paid to shareholders until the retentions had been fully repaid. Since that time not a single year had passed without some labour disturbance. The companies, on the other hand, had strictly fulfilled their side of the bargain, and as a result their shareholders had received no dividends since 1930, their reserves were diminishing, and their credit was being impaired.

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The companies presented the following table showing the continuous fall in earnings:—

| Year               | Net Receipts<br>(In thousands of Argentine pesos) | Exchange Loss | Available Capital | Interest per cent. on Capital |
|--------------------|---------------------------------------------------|---------------|-------------------|-------------------------------|
| 1927               | 177,276                                           | 370           | 176,906           | 6.15                          |
| 1928               | 176,625                                           | 382           | 176,243           | 5.85                          |
| 1929               | 156,870                                           | 1,779         | 155,091           | 4.85                          |
| 1930               | 113,252                                           | 13,258        | 99,994            | 3.01                          |
| 1931               | 118,950                                           | 34,312        | 84,638            | 2.47                          |
| 1932               | 95,716                                            | 18,007        | 77,709            | 2.29                          |
| 1933               | 74,780                                            | 13,466        | 61,314            | 1.80                          |
| 1934               | 110,581                                           | 55,216        | 55,365            | 1.63                          |
| 1935               | 104,599                                           | 49,900        | 54,699            | 1.61                          |
| 1936               | 103,242                                           | 44,043        | 59,199            | 1.75                          |
| 1937               | 105,854                                           | 39,614        | 66,240            | 1.96                          |
| 1938 (provisional) | 76,783                                            | 34,476        | 42,307            | 1.25                          |

These figures do not include results on the Cordoba Central Railway. It was pointed out that the amount shown as available is not the profit. Out of it must be paid the debt service on debentures, which for the British-owned companies represents, at 16 pesos to the £, the sum of 74,293,344 pesos annually. In view of the position, the railway companies could not do otherwise than recommend that the existing agreements be maintained. Nevertheless, they were willing to consider any new arrangement whereby the railways might be administered with order, economy and efficiency.

In their reply to the Government's invitation, the Federation of Railway Workers and Employees urged that the agreement of 1931 and the Presidential Award should be discontinued on the ground that the original situation had changed. They stated that up to the end of June, 1939, according to the movement of the Railwaymen's Pension Fund, more than 32,000 employees and workers had retired, and therefore that the companies could no longer claim that they were overstaffed. The Federation declared the salaries paid to the Managers and Administrators of the railways to be unnecessarily high, and suggested that since the passage of the Transport Co-ordination Law economy might be achieved by other than the reduction of the wages of the workers.

The Transport and Communications Committee of the Federal Chamber of Deputies made a recommendation in favour of the workers' claims, but compromised to some extent by saying that the balance sheets of the companies should be taken into consideration. A Bill to annul the Presidential Award has been introduced in the Chamber of Deputies, and has been debated at length. Owing to lack of a quorum, the issue has not yet been voted.

August 19th.

## Investment, Earnings and U.S. Unemployment

[FROM OUR NEW YORK CORRESPONDENT]

THE flood of gold into the United States has proceeded unabated during the last eighteen months. Excess reserves in the banks have been swollen and the supply of credit has expanded. But the proceeds of this gold flow have not for

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some months sought investment (as formerly) in the stock market. Thus there is ample evidence in the American market of a plethora of credit side by side with a dearth of capital. Whether this dearth of capital is the consequence of the absence of the formation of capital, that is, savings, or of the unwillingness of those with savings to invest them, is debatable. But some light is thrown on this triple question of the supply of capital, the demand for capital and the state of mind of investors by the evidence that can be drawn from the profitability of earlier investment; that is, from the course of corporate profits:—

#### CORPORATE PROFITS (INDUSTRIAL) 167 companies (\$000,000)

|                   |      |      |                     |                      |     |
|-------------------|------|------|---------------------|----------------------|-----|
| Quarterly average | 1928 | 301  | First quarter, 1938 | 74                   |     |
| "                 | "    | 1929 | 348                 | Second quarter, 1938 | 85  |
| "                 | "    | 1930 | 199                 | Third quarter, 1938  | 62  |
| "                 | "    | 1931 | 76                  | Fourth quarter, 1938 | 187 |
| "                 | "    | 1932 | 22                  | First quarter, 1939  | 153 |
| "                 | "    | 1933 | 46                  | Second quarter, 1939 | —   |
| "                 | "    | 1934 | 81                  |                      |     |
| "                 | "    | 1935 | 145                 |                      |     |
| "                 | "    | 1936 | 235                 |                      |     |
| "                 | "    | 1937 | 253                 |                      |     |

Using a smaller number of corporations, and reducing the figure to an index with 1926 as base, the Standard Statistics Company computes industrial corporate profits in the first half of 1939 at about 62-65 per cent. of 1926. Since the index of production in the first half of 1939 was only about 10 per cent. below 1926, the inference would seem to be that the profit margin has shrunk. The course of dividend and interest payments tells the same story and the annual record of monthly averages of dividends and interest gives another chapter of the tale:—

#### DIVIDENDS AND INTEREST (\$000,000)

|      | Monthly Average |      |     |
|------|-----------------|------|-----|
| 1929 | 944             | 1934 | 646 |
| 1930 | 950             | 1935 | 651 |
| 1931 | 826             | 1936 | 740 |
| 1932 | 668             | 1937 | 797 |
| 1933 | 591             | 1938 | 682 |

That is, the return on investment in 1938 was barely higher than in 1932; and ever since 1931, with the exception of 1936 and 1937, this return has remained very low. To an extent this may be attributable to refunding of fixed-interest obligations; but that influence is probably only minor. The distributed and undistributed earnings of corporations are the principal source of capital; and two things are clear: the supply of capital is greatly shrunken; and the capital-attracting power of American enterprise (effective demand) has lately been far from potent.

The trend of the return on investment funds can be illustrated by the following table:—

#### DIVIDENDS AND INTEREST (\$000,000)

|      | Interest | Dividends |
|------|----------|-----------|
| 1929 | 5,356    | 5,978     |
| 1930 | 5,575    | 5,801     |
| 1931 | 5,522    | 4,335     |
| 1932 | 5,277    | 2,745     |
| 1933 | 4,937    | 2,209     |
| 1934 | 5,074    | 2,793     |
| 1935 | 4,927    | 3,037     |
| 1936 | 4,847    | 4,807     |
| 1937 | 4,877    | 5,424     |
| 1938 | 4,812    | 3,708     |

It will be noted that, by a combination of default and re-financing, the interest return was lower in 1938 than in 1932, and made a new low. It is doubtful if it is running any higher now in 1939. Dividends in 1938 were considerably higher than in the four lowest years of the depression, and, as a consequence of the undistributed profit tax, were almost as high in 1937 as in 1929, although corporate earnings were lower. As the earlier table shows, in the first half of 1939 earnings were higher than in the first half of 1938; but the aggregate of dividends was little changed.

It is hardly necessary to amplify comment on the relation of corporate earnings (distributed or undistributed) upon employment. When earnings are low, there are neither the funds to invest in capital goods nor the incentive to invest them; and unemployment is heaviest in precisely those industries which can be activated only by the re-investment of corporate savings, distributed or undistributed.

It seems clear, therefore, that unemployment is intimately related to corporate earnings. But the reason for low corporate earnings is not readily discovered. Two reasons commonly

given are labour costs and taxation. There is one other consideration often overlooked because it is general and vague. Only in retrospect can one appreciate the shattering impact of the events of 1929-32. This was not a cyclical swing, but, in a way, a structural collapse. Inevitably the rebuilding process must have been long, tedious and discouraging. That seven years of fitful recovery should have brought our economy no further than it has done is irksome to the impatient, but it was probably inherent in the circumstances.

August 31st.

## Portugal's Financial Strength

[FROM OUR LISBON CORRESPONDENT]

THE Portuguese Government has issued its statement of accounts for the year ended December 31, 1938. Luminous but lengthy, and hard to present in *précis* form to anyone who cares for a lucid thesis on the practical application of economic theory to a country's finance and production, Dr Salazar's latest statement is most interesting. Remarkable that whether one reckons in escudos or in money of much greater value, the principles of national economy are the same, he again lays stress on his dislike of deficit financing and insists on official thriftiness as being the only way to permanent well-being.

Assuming the conto is worth £10, on this basis the accounts for 1938 close with an effective surplus of £2,428,840. This sum, added to previous surpluses, makes a gross total of £18,480,000. Out of this has been spent £6,730,000, leaving a balance actually in hand of £11,750,000 available for current expenditure without its being necessary to have recourse to loans or increased taxation. The floating debt has gone and bonds of the public debt, which in 1929 were carrying 6½ per cent. interest and were quoted round about 50, now average 3½ per cent. at a quotation of 95. The total, moreover, has been reduced by close on £7,000,000, and the saving on interest charges obviously has had much

| PORTUGUESE FINANCIAL STATEMENT, 1938           |           |            |                                                  |           |            |
|------------------------------------------------|-----------|------------|--------------------------------------------------|-----------|------------|
| Receipts—                                      |           |            | Payments—                                        |           |            |
|                                                | £         | £          | Jan.-Dec., 1938                                  | £         | £          |
| Cash fd. from 1937                             | 335,400   |            | Expended in accordance with Budgetary provisions |           | 23,191,960 |
| Bk. of Portugal and agents. In hand, 1938      | 1,817,800 | 2,153,200  | Treasury operations                              |           | 44,440,260 |
| Collected in accordance with Budget provisions |           | 25,620,800 | Bal. carried forward to 1939                     |           | 402,390    |
| Treasury operations                            |           | 42,255,260 | Cash in hand Bk. Port. and agents                | 1,994,650 | 2,397,040  |
|                                                |           | 70,029,260 |                                                  |           | 70,029,260 |

to do with the flourishing state of the Treasury. Note circulation and the reserve legally carried by the Bank of Portugal both show a slight increase, the reserve being in the order of 43.5 per cent. in December, 1938. Of his reserve 27 per cent. was held in specie.

The balance of trade, after deducting war materials from the imports and applying a corrective of 55 per cent. to export values as calculated here, shows a deficit of close on £4,000,000. This is more or less the same as in 1937. It is more than likely that exact details, if they were obtainable, would show that Portugal's trade is as near to a state of equilibrium as any country can expect to reach in this disturbed time. One can only hope that Dr Salazar's closing words are not to be taken too literally. "For myself," he said, "it is by no means likely that I shall draw up any further statement of account. This is the tenth, and it ought to be the last. Ten, nay, eleven, years in the present times ought surely suffice to demonstrate the solidity of the foundations that we have laid." Perhaps this remark only means that in future the annual statement will be much compressed; if so, such members of the public as are interested in following intelligently the course of public finance will be the losers, and Dr Salazar spared what has been notoriously a severe task and one that he has accomplished almost single-handed. With entire success, as the results of the decade abundantly show.

September 1st.

## Turkish Trade

[FROM OUR ISTANBUL CORRESPONDENT]

COMPARATIVE statistics for the first five months of 1939 show that total Turkish exports in that period were almost exactly equal to those of the corresponding period in 1938. But within the totals considerable shifts have taken place.

|          |                        |                 |              |
|----------|------------------------|-----------------|--------------|
| Mohair   | exports increased from | £T999,000 to    | £T3,980,000  |
| Wool     | "                      | £T616,000 to    | £T1,276,000  |
| Opium    | "                      | £T370,000 to    | £T1,106,000  |
| Egg      | "                      | £T294,000 to    | £T 913,000   |
| Walnut   | "                      | £T 69,000 to    | £T 522,000   |
| Tobacco  | exports fell from      | £T13,388,000 to | £T11,525,000 |
| Cotton   | "                      | £T 4,037,000 to | £T 2,490,000 |
| Sultanas | "                      | £T 3,250,000 to | £T 1,064,000 |
| Wheat    | "                      | £T 2,803,000 to | £T 928,000   |
| Rye      | "                      | £T 1,244,000 to | £T 263,000   |
| Orange   | "                      | £T 367,000 to   | £T 190,000   |

Imports, which at the end of May 1938 amounted to £T64,208,000, were £T55,442,000 only; but thanks to this, the seasonal import balance fell from £T14,750,000 to £T5,600,000. An export balance may well be expected by the end of the year.

The fact cannot be overlooked, however, that the German share in Turkish import trade rose from 43 per cent. to 52.6 per cent. and in Turkish export trade from 35.6 per cent. to 50.2 per cent. Turkish exports into Great Britain amounted to £T1,647,000, or 3 per cent. of the whole; Turkish imports from Great Britain to £T3,184,000, or 5.7 per cent. of the whole. Although more recent official figures are not yet available, it may be inferred from the present material that Germany and Italy are now absorbing as much as two-thirds of Turkish export staples; and the possibility that these purchases may, for political reasons, fall off without others to take their place is a matter of increasing concern in the Turkish trading community. It is sincerely hoped that Great Britain with her immense resources will find ways and means to purchase Turkish goods at a price which will take due account of the discrepancy existing between world prices and those ruling on the Turkish home market. Such a development would add to the satisfaction already felt at Turco-British co-operation in the political field and also at the millions England is spending for Turkish re-armament.

August 31st.

## New Zealand Spends More

[FROM OUR CHRISTCHURCH CORRESPONDENT]

DURING the last four years of Labour Government the growth of public expenditure has been remarkable. Up to the end of 1937, while rising export prices continued to expand national income, the increased expenditure was financed by expanding tax revenue and internal loans. When export prices fell in the 1937-38 season and income tended to contract, the sources of internal loans dried up, and the Government resorted to the Reserve Bank, from which it borrowed

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£NZ14 millions, mainly for public works, in the financial year 1938-39. In consequence over-importation occurred, some capital was exported, the banks' sterling funds fell to very low levels, exchange and imports were controlled, and the Government had to arrange for export credits in London.

In view of the need to restore sterling funds and the normal trading conditions dependent on them, and to repay in the near future the short loans raised in London, it was expected that expansion in State activity in New Zealand would be checked, provision made for meeting future commitments, and expenditure on public works reduced. There is no sign yet that these expectations will be fulfilled. The Budget of 1939, presented on August 1st by the Prime Minister, who is acting Minister of Finance while Mr Nash is abroad, provides for considerable increases in expenditure, both on current and capital account, and the estimates given of loan money required for the current year appear impracticable without further resort to Reserve Bank credit.

The extent to which taxation and budget expenditure have been swollen in the last decade is shown in this table.

| PUBLIC ACCOUNTS<br>(£NZ Millions)    |             |             |             |                      |
|--------------------------------------|-------------|-------------|-------------|----------------------|
|                                      | 1928-29     | 1935-36     | 1938-39     | Estimates<br>1939-40 |
| Expenditure .....                    | 24.17       | 25.89       | 35.77       | 38.24                |
| Révenue taxation                     | 17.84       | 21.56       | 32.31       | 32.32                |
| Other receipts.....                  | 5.76        | 4.61        | 4.27        | 5.94                 |
|                                      | 23.60       | 26.17       | 36.58       | 38.26                |
| Surplus + or<br>deficit - .....      | - .57       | + .28       | + .81       | + .02                |
| Special wage and<br>income tax ..... | ...         | 3.92        | 5.40        | 9.23                 |
| Total taxation ...                   | 17.84       | 25.48       | 37.71       | 41.55                |
| Taxation per head                    | £12 4s. 3d. | £16 5s. 6d. | £23 8s. 0d. | £25 10s. 0d.         |

The chief cause of this remarkable growth is increased expenditure on social services, including education, health and pensions. For 1939-40 social security benefits are to be added and the estimated total cost for social services is £NZ23.57 millions.

But the Government has failed to secure the co-operation of the medical profession, the estimated cost of medical benefits is only £NZ100,000, and the total cost of the new social security scheme is £NZ12.06 millions, compared with the Minister's estimate of £NZ16 millions when the Act was passed in 1938, and the actuarial estimate of £NZ17.85 millions.

The 1939 budget transfers expenditure on pensions, amounting to £NZ4.85 millions, to the social security account, but allocates £NZ2 millions from the Budget to that account, so that the net relief to the Consolidated Fund is £NZ2.85 millions. This relief is approximately offset by an additional £NZ2.9 millions required for employment promotion, since the revenue from the special wage and income tax now goes to the social security fund. An extra £NZ1 million is needed for defence, and reduced yields are expected from customs, income and other taxes. Consequently, additional taxation is imposed to yield £NZ2½ millions; income tax and death duties are increased; the petrol tax is raised by 4d. to 1s. 2½d. a gallon, of which 6d. goes to the highways fund, and the beer duty is raised from 1s. 3d. to 1s. 9d. a gallon.

The recent growth of expenditure of loan money on public works has been even greater than the growth of taxation.

In 1935-36 £NZ5.24 millions was spent on public works, including £NZ2.4 millions loan money and £NZ2.84 millions from revenue. In 1938-39 expenditure, excluding housing, was £NZ16.78 millions, of which £NZ12.48

millions was borrowed and £NZ4.30 millions came from revenue. The estimates for public works in 1939-40, again excluding housing, total £NZ23.29 millions, of which £NZ19.06 millions is to be borrowed and £NZ4.23 millions is to come from revenue. This year the Government has already raised an internal loan of £NZ4½ millions to yield about 4½ per cent., and it has arranged credits in London for the import of defence and other materials for Government use up to £5 millions sterling. But no adequate provision has been made for raising the remainder of the money which will be required. State, banking and private reserves have been greatly reduced of late by heavy borrowing, money is scarce, taxation and costs are high, the Government's commitments elsewhere are considerable, and it is difficult to see how the necessary funds can be raised from genuine savings.

If further inflation is to be avoided, a drastic downward review of present proposals appears to be imperative.

August 17th.

## Latvian Industry and the State

[FROM OUR RIGA CORRESPONDENT]

As in many other countries which used to be almost wholly agricultural, industry has developed very rapidly in Latvia during the last few years. This development has been directed by the authoritarian Government into strictly defined channels, most stress being laid on the processing of primary products.

The part played by the State in industry has grown so much that there are now hardly any important branches in which it is not represented by at least one leading concern. To secure orderly co-operation between these State-owned or State-controlled undertakings they have all been brought together under one "economic corporation." The objects of this union are to secure the conformity of all their activities to the general politico-economic plan, the adoption of a common policy with regard to wages, prices and sales, and the systematic adoption of measures of rationalisation.

Special importance is attached to the rationalisation of industry, which is fostered by a special institute founded in the spring of this year. Plans have already been adopted for the saw-milling, veneering, building and textile industries, under which, for example, the number of veneering establishments has been reduced from fourteen to eight. The saw-mills working for export are being reorganised and equipped with new and up-to-date machinery, and similar measures are being adopted for building.

The latest industrial developments have been much influenced by a law passed at the end of 1938 for the establishment of industrial and commercial "syndicates." The Minister of Finance may compel a syndicate to be formed, or the *entrepreneurs* concerned may themselves take the initiative, in which case the project must be approved by the Chamber of Industry or Commerce. The president of a syndicate is elected by the members, but their choice has to be confirmed by the Minister of Finance. The object of these syndicates is to secure co-operation in *all* matters, in which respect they are very different from cartels. The members' obligations are very far-reaching, and may even include the compulsory disclosure of secret processes; severe penalties may be inflicted for breaches of the law.

This brief description is sufficient to show that the law is designed to bring industry and commerce further under the influence of the State. In numerous trades syndicates have already been set up, and experience shows that control has, in fact, passed into the hands of State or semi-State undertakings.

\* \* \*

**Current Business Position.**—No great changes have been noticeable recently in the state of business. Employment continues to be good and there is even a growing shortage of special types of skilled labour. The last official estimates suggested a good harvest, but the subsequent dry spell has caused some deterioration. Exports showed a considerable increase in the first half of 1939, being 118 million lats as against 94 millions in the first half of 1938; imports rose from 111 millions to 118 millions. The rise in imports is largely due to increased purchases designed to cover the risk of war or blockade.

August 14th.

# THE BUSINESS WORLD

## Exchange Control

AS from Tuesday of this week the foreign exchange market in this country has been subjected to complete official control. The transition from a free to a severely regulated market was effected with a smoothness and efficiency which testify to careful and long preparation. There may be criticism of points of detail in the scheme which has been introduced, but the general principle which underlies it brooks no discussion. Steps had to be taken to mobilise and safeguard our vital reserves of gold and foreign exchange. Side by side with these measures the machinery of the foreign exchange market, the method of dealing, and the rates quoted had to be adjusted to the present war conditions. Let us consider the essential outlines of what has been achieved under both heads.

Under the Defence (Finance) Regulations, which came into operation this week, every holding of gold and certain specified foreign currency assets held by residents in this country must be offered through a bank to the Government and will be paid for in sterling at the prevailing rates. The currencies in question are United States and Canadian dollars, belgas, Swiss and French francs, guilders, Argentine pesos, Swedish and Norwegian kroner. The list may be added to from time to time. No exception to this obligation can be made except with official sanction. Such sanction will be given where the gold or foreign exchange now held is needed to pay a pre-war debt payable in gold or foreign exchange, for reasonable requirements in the normal course of business or for reasonable travelling and other personal expenses. The necessary applications for exemption will have to be made through a bank. The liberality with which such exemptions will be granted is indicated by the specific mention in the official explanatory comments on the regulations of the fact that no one owing money outside this country will be able to plead the foreign exchange regulations as an excuse for not meeting his foreign exchange liability. Sterling may be a controlled market, but the phenomena of blocked sterling balances and of transfer moratoria are not as synonymous with exchange control as totalitarian experience would seem to suggest; they have certainly made no appearance in our midst.

Every conversion of sterling into any foreign currency has been made subject to official permission. The reasonable requirements of importers into the United Kingdom will be met so far as possible. Importers have been given full details of the formalities that have to be completed in order to obtain foreign currency allotments, whether to pay for goods imported, freight, insurance premiums, etc. These formalities are not cumbrous and certainly avoid the rigidities and bureaucratic complications which have found their way into the system of import and *devisen* control evolved in Germany for some years past. They make special provision for transit trade, a sphere of activity which might well have been the first to suffer from any severe and unimaginative application of exchange control in this country.

In order to complete the edifice of control special provisions have been drawn up for limiting the amount of currency—whether domestic or foreign—which may be taken into or out of the country in the form of actual cash. On leaving the United Kingdom all travellers must declare any money—whether British or foreign—which they are taking abroad and produce their authority. Travellers

arriving in this country may declare the money they have brought in with them, and this declaration will be accepted as a justification for taking the same amount of money out of the country when the traveller leaves again.

These provisions, together with those for the listing and eventual mobilisation of foreign securities held in this country, make up a system of control which, superimposed on the ready co-operation of the banking system with the authorities, should get into its stride with the minimum of delay or friction. Experience is certain to suggest amendments here and there, and our traditional genius for adaptation will ensure that those amendments are made. Already it is evident that the strict letter of the regulations will work with excessive harshness in the case of temporary foreign residents in this country who, as the regulations stand, would have to sell to the Treasury the whole of the liquid assets held for them in their home country.

In evolving the machinery for dealing with the new controlled market the authorities have had to complete a revolution almost as startling as that embodied in the transition from a free to a controlled market. In the first place dealings in foreign exchanges are to be focussed ultimately on the Bank of England, which has become the ultimate buyer and seller of all foreign exchange traded in this country. The contact of the Bank with the market is effected through a list of authorised dealers. This list comprises the London clearing banks together with the Scottish and Northern Ireland banks. These are authorised to deal in all foreign currencies. In addition a list of banks has been published, authorised to deal in certain Colonial and Dominion and foreign currencies—the bank in each case being represented in the country concerned.

This list of authorised banks has given rise to a certain amount of confusion and criticism, some of it misconceived. It is understood that the restriction of the formal list to the joint-stock banks was done for administrative convenience, since their enormous network of branches,

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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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covering the whole country, will obviously be of great assistance in working a system of control which necessarily involves great attention to detail. The impression got abroad, however, that the private banks, merchant banks and acceptance houses of London were to be placed at a disadvantage by compelling them to pass their foreign exchange business through one of the authorised banks. The foreign exchange market in London owes its development and efficacy to the pioneer work accomplished by institutions of this character whose interests have always lain in foreign trade. In normal times they are able to give their clients a special service which cannot be matched by the larger institutions. If these specialists (who, incidentally, in the last few days, have had to instruct their new competitors in the intricacies of foreign exchange dealing) were to be compelled to pass all their business through a joint-stock bank, so that, far from being able to quote a finer rate to their clients, they would be able to quote a competitive rate only by forgoing all profit from the transaction, manifest injustice would be done. The case for including these specialist institutions is completed by the fact that they have large staffs of dealers who would otherwise be standing idle, while the often exiguous foreign exchange departments of the authorised banks are being overwhelmed—in more ways than one—with unaccustomed work. Actually, however, the *de facto* exclusion of these firms from the market in the first half of the week seems to have been due partly to a misunderstanding and partly to a clogging of the administrative machinery. It appears that all the established houses of this character will be allowed to deal direct with the Bank of England and will therefore be on an equal footing with the joint-stock banks, though the volume of business they get from abroad will inevitably suffer from the fact that their names are not on the authorised list.

As the market functions at present, the Bank of England publishes each day a list of parallel foreign exchange rates at which all buying and selling orders respectively must be executed. These orders normally reach the Bank through one of the authorised banks, which for their services receive a commission from the Bank and from the client. If a non-authorised bank deals it receives the commission from the client but deals "net" with the clearing or other authorised bank through which it hands on the business. No bank is allowed to carry its foreign exchange transactions. All these transactions must be canalised to the

Bank of England, and it is this institution which collects—for whose credit it is not yet certain—the considerable amounts represented by the abnormal margins between official buying and selling rates. Leading rates fixed this week have been 4.02 to 4.06 for U.S. dollars, 174 to 175 for French francs, 23.42 to 23.72 for belgas, and 7.57 to 7.64 for guilders. The dealing margins amount in certain cases to over 1 per cent., and are considerably larger than those which obtained in a free market. Since these rates are fixed, it is evident that the service which one bank can give to its clients in foreign exchange business is identical with that offered by all the others. Any special qualification for foreign exchange dealing disappears in this all-obliterating homogeneity.

The new mechanism of the foreign exchange market differs in one other important respect from the old. It obviates altogether the use of foreign exchange brokers, who have for about twenty years been the traditional intermediaries between dealers. Their disappearance was perhaps inevitable under the new arrangements, but it gains in significance and pathos—if such emotion is still authorised—from the fact that it was only a comparatively short while ago that the foreign exchange market, at the behest of the Bank of England, decided to ban all direct inter-bank dealing and to operate exclusively through the agency of the brokers. Their period of special protection has been short-lived. But their disappearance will be swamped and forgotten in the turmoil of far more fundamental changes.

The new official rate of exchange between the pound sterling and the dollar is, of course, the result of deliberate choice by the authorities. No explanation of the reasons for this choice has been given or could, indeed, be expected. But it has obviously been inspired by the desire to choose a rate which, for some time to come at least, corresponds to the real value of the pound sterling and at which it would be comfortably possible to "peg" it, if there were no abnormal transactions to be covered. It may be taken for granted that every effort will be made, in operating the British exchange control, to avoid the creeping paralysis of the German system, in which the "official" rate becomes more and more fictitious as the real value of the currency sinks lower and lower. As in the great majority of our defence measures, the aim is not to distort the real state of affairs but rather to protect it from the arbitrary assaults of these extraordinary times.

## The Stock Exchange in War

BY its decision to reopen the "House" on Thursday this week the Committee for General Purposes of the London Stock Exchange has underlined the essential difference between financial preparedness to-day and in August, 1914. It was not until October 14th that the end-July settlement was completed in 1914, and not until January 4, 1915, that restricted dealings were resumed. On this occasion the "House" has resumed after a closure of four working days, two of which were necessitated by the evacuation programme.

The Committee's resolution of September 4th, ordering the "House" to remain closed until further notice, thus gave the market two days to adjust itself to war conditions. Within a few hours from the outbreak of hostilities the entire organisation of security dealing has been put on a war footing. The steps can be briefly recapitulated. The Committee had already laid down the principle that the "House" would remain open so long as conditions permitted, but that if, for the safety of members, it must be closed, business would be carried on as between offices. The Government's order for the closure of establishments in which large numbers foregather was regarded at first as including the Stock Exchange building, and the same principle was applied to "Street" dealings on Tuesday, when business was partially resumed on an inter-office basis. But

that view has been negated by the Committee's decision to reopen the "House" for dealings up to 3 p.m.

Secondly, it has been ordered that the settlement of all bargains open for the September 7th Account is to be postponed to September 21st. Bargains done on August 31st which fall under the provisions of Rule 97 (in other words, Consol market stocks, in which dealings are normally for cash) have fallen due for settlement on the first business day after reopening of the "House"—that is, September 8th. But the suspension of open bargains authorised last week has been withdrawn as from September 5th. Hence, brokers were exchanging cheques on Tuesday this week (up to 12.45 p.m., as against a normal 1.45 p.m., in view of earlier bank closing) in respect of securities undelivered on the end-August Account Day (August 24th) or earlier, and for uncompleted cash deals to August 30th. This settlement, it may be added, was carried out without incident.

To complete these preparations, temporary regulations have been issued by the Committee, which will govern dealings until withdrawn. Minimum prices, as published in the Official Lists of August 31st, are continued and members are forbidden to deal, whether with other members or outside, at any lower price. The minimum prices, however, may be reviewed by the Committee at any time,

and securities may be added to or deleted from the list. Next, all bargains must be for cash, and may not be continued from day to day. New "time bargains" or options (except in connection with existing contracts) will not be allowed. Nor may dealings be transacted in any new issue until it has been approved by the Treasury, and dealings have been specially allowed by the Committee. Finally, brokers must satisfy themselves before executing any order that it is not on behalf of, or for the benefit of, any enemy, either directly or indirectly.

This is the basis on which dealings were resumed on Tuesday this week. But business was naturally on a basis of negotiation, and dealings in British funds were handicapped by the fact that the stock registers of the Bank of England had been moved to Hampshire. Dealers could not, therefore, transfer inscribed stocks by common form of transfer, as contemplated in the emergency rules. It was first suggested that certification of transfers might be undertaken by the Share and Loan Department. For this purpose it was proposed that the Bank of England (and other registrars of inscribed stocks which might be affected) would inform the Share and Loan Department of inscribed stock balances held by Consol market jobbers or their nominees, so that transfers might be certified by the Department. This scheme might have worked, in time, for jobbers' balances. But for client's stock, postal delays and the complications inseparable from inscribed stock registers made it unlikely that stock could be cleared, at the quickest, in less than a week. We understand that the Bank of England is accordingly considering the establishment of a receiving station in London for transfers, and may itself undertake the certification of transfers. This method, though itself subject to inevitable delay owing to the removal of the registers, would undoubtedly be more effective.

Clearly, the market's financial tasks and its physical problems in the future are calculated to test its capacity for war-time adaptation to the full. In this connection it will be recalled that last week the Committee announced that if physical conditions rendered business in the City impossible, limited accommodation had been secured at Denham which would "at the least house all the official departments which Members will recognise as necessary for the orderly conduct of business, and may eventually provide a meeting place to serve the purpose of a market." From this statement it is evident that the immediate transfer of the "House," with normal dealing facilities for brokers and jobbers in one centre, is not contemplated. The present policy of the majority of firms is emergency decentralisation, and not evacuation to a new dealing centre.

As a temporary measure, at least, the decision to reopen the "House" this week was therefore welcome. But what is to happen if, and when, to employ the Committee's phrase, "physical conditions render business in the City impossible?" In such circumstances, inter-office dealings would necessarily become inter-sub-office dealings conducted on the suburban belt by telephone and post. It is

already known that the Committee is considering the possibility of setting up an official department which would undertake a large part of the clerical work involved in dealing. Ostensibly this step will be taken to relieve the difficulties of members with reduced staffs. But would it ensure the maintenance of a tolerably free market?

It may be taken as axiomatic that the normal fine dealing prices sought by brokers from a number of jobbers in one market will not be maintained in extreme circumstances. The essence of the dual system of brokers and jobbers is to ensure the freest possible dealings at the most competitive prices. But under war-time conditions many of the market's traditional dealing liberties would temporarily disappear—indeed, the summary of events above shows clearly that many have already been withdrawn. The momentous question remains whether modification in the existing organisation of dealing can, or should, be effected. The London market already has experience of shunting organisations outside the "House," and it is naturally not predisposed in their favour. Moreover, these very organisations depend, in the last resort, upon the maintenance of an open market in London, on which shunters can close their positions in case of need.

Hence the necessity for an ultimate risk-bearer, who is prepared to take stock on his books, would still exist in war-time conditions. Yet this conclusion is surely subject to modification. In the first place, if it is conceded that fine trading prices cannot be maintained in a wide range of stocks, the extension of minimum prices, or of agreed prices between jobbers in any given market, seems an obvious consequence. Secondly, circumstances might arise in which jobbers would be virtually unable to make prices, although a certain volume of buying and selling could be maintained if a price basis could be established. It is conceivable that, in such circumstances, a form of clearing organisation might assist the jobbers in their task of maintaining dealings as adequately as possible. It might be advantageous if such a scheme could be established in blueprint form at least, to safeguard the machinery of security dealing. Full co-operation would, of course, be necessary between the Stock Exchange authorities and dealers, to ensure that the wider national advantage of dealing facilities was not secured at the disadvantage of particular dealers.

If such a scheme were found to be practicable in the first place and necessary in the second place, the limited accommodation at Denham might presumably suffice to house the administrative departments of the Stock Exchange, and also the majority of dealers. Limitations of space, together with the necessity for brokers to maintain contact with their clients, suggest that the system of sub-offices which the latter have established might compel a temporary divorce of dealers and brokers. That would be a sharp breach with tradition. But centralisation is not an imperative necessity for brokers, though it seems desirable for dealers, and is imperative for the administrative departments of the Stock Exchange.

## Finance and Banking

**Gold Reserve Centralised.**—The gold reserve in the Issue Department of the Bank of England was this week transferred to the Exchange Equalisation Account. This step was explained by the Chancellor of the Exchequer as being part of the general plan put into operation for strengthening our financial resources abroad. The centralisation of gold achieves this by making the whole of our reserve available for immediate use and by veiling its possible utilisation from prying eyes. We may assume that henceforth the periodic publication of the Exchange Account's gold holding will be discontinued. Had gold remained in the Issue Department and had it been necessary from time to time to replenish the Account by transfers from the Bank, obvious deductions could and would have been made as to the state of the Account. This will no longer be possible. The last Bank return in which

the gold reserve appeared showed it at £263,010,700, valued at 158s. 6d. per ounce. The transfer, as announced in the Bank of England's bullion statement on Wednesday, appeared as £278,965,228, which approximately represents the whole of the reserve valued at the higher price of 168s. an ounce which has been officially fixed this week. The transfer of the gold has, of course, had to be accompanied by a corresponding expansion in the fiduciary circulation from £300,000,000 to £580,000,000. It is interesting and somewhat reassuring to note that no use has been made of this opportunity to create an additional margin of notes available for future issue. Under the transfer the total note issue is in fact given rather greater rigidity than it would have possessed had the gold in question remained in the Issue Department. Under that system it was theoretically possible for the authorities to issue more notes as the



counterpart of a depreciation of sterling and of a consequently increased valuation of the gold reserve. This reversal of all orthodoxy is now definitely ruled out. If more notes are wanted, the fiduciary issue will have to be increased, and this will require Parliamentary sanction. At the same time the whole of our gold reserve will be discreetly and wholly at the disposal of the authorities. The measure therefore kills two very desirable birds with one stone.

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**Gold Under Control.**—The restrictions on the private export of gold and the official control of the foreign exchange market have caused a complete revolution in the method of dealing in gold and fixing its price. Instead of being fixed as hitherto by the free interplay of supply and demand the price of gold is now announced each day by the Bank of England. Since Tuesday, when the new regime began functioning, that price has been at 168s. per fine ounce. This figure is within 10d. of the theoretical shipping parity to New York, taking the dollar-sterling rate at the selling price for dollars of 4.06 and the dollar parity for gold in London at \$34.28 per ounce. The reduction in this dollar price from the former normal parity of \$34.77 is due mainly to the rise in the war risk insurance rate, which is now 30s. per cent., and also to the higher rates for money. All dealings in gold must be made at the fixed price. Such dealings must be effected through a list of seven authorised dealers, headed by the Bank of England and comprising all the firms previously represented at the gold fixing. These dealers are remunerated for their work by the commission which they are allowed to extract from their clients. The whole activity of the gold market is now restricted to the liquidation of the gold position held in this country largely on account of Continental interests. As this gold is sold it is automatically transferred to the Bank of England and goes to swell the reserves of the Exchange Equalisation Account. When this position is finally liquidated—and the process can take little more than a few weeks—the gold market will fall into complete stagnation, disturbed only by the satisfaction of the minute industrial requirements of the metal.

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**The New Banking Hours.**—Lombard Street is shaking down to war-time conditions with all its accustomed adaptability. On Monday the banks were closed to the public for a partial bank holiday which was, in fact, intended to clear the credit machinery of some of the congestion accumulated during the previous week of crisis. The clearing-house, still functioning at Stoke-on-Trent, was in dire need of a break to catch up with arrears and get itself in readiness to start functioning under genuine war conditions. From this point of view the "holiday" on Monday proved invaluable. On Tuesday the banks reopened, but with a new timetable. The banking hours are now 10 a.m. to 2 p.m. and 10 a.m. to 1 p.m. on Saturdays. In order to help the clearing arrangements, "closing time" is now much more rigorously adhered to than it was in former days. Now that the new clearing machinery is getting into its stride the banks are finding it possible to define

their attitude to the money market with greater precision than could be done last week. The clearing banks have, in fact, found that their extreme caution in making loans and buying bills last week was somewhat excessive and that had they been fully informed on their clearing position they could, in fact, have pursued a more liberal policy. That more precise knowledge and the consequent liberation of resources immobilised by mere lack of information have become apparent this week. Credit has therefore been in more abundant supply, there has been keener buying of bills, and discount rates—especially for short-dated bills—have broken so appreciably as to suggest a serious belief that the 4 per cent. Bank rate is likely to be succeeded at no very distant interval by one of a lower figure. The October bill has this week been bid down to  $3\frac{1}{4}$  per cent., and  $3\frac{1}{2}$  per cent. has been paid for November maturities. The official buyer has been available in case of need, but there appears to have been little or no need for his services. The new banking hours have caused some rearrangement of the normal money market routine—a considerable hastening of the daily round of calls and a postponement of luncheon to altogether unorthodox hours. But the normal machinery of the money market continues in all essentials to function as it did before.

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**Help for Acceptors.**—Immediately following the declaration of war the Treasury issued instructions directing that help should be given by the Bank of England to approved acceptors of bills of exchange who as a result of the emergency find themselves called upon to meet their liability while deprived of the necessary remittances from their clients. Provided such bills were accepted before September 3 last and provided the bills in question are normally discounted in the London Discount market, the Bank of England will advance the funds necessary to meet them at maturity. This special accommodation is to be made available at 2 per cent. over Bank rate with a minimum of 6 per cent. This is obviously a deterrent rate, but as such is fully justified by the nature of the transactions to which it will apply. The size of the problem involved by London's liabilities under acceptance credits is to-day but a minor fraction of what it was in August, 1914. Then the bill on London ruled supreme in a world of active international trade. To-day the international sterling acceptance is but a shadow of its former self. But the problem is complicated by the remnants of German standstill credits in the London market. The total amount of such credits owing to this country is now in the neighbourhood of £37,000,000. The service of this debt will be immediately suspended and the acceptors will thus be forced to take up on their own account such of their standstill paper as remains in the market. The greater part of this debt is in such strong hands that the process of its withdrawal from the market and its ultimate writing off should occasion no great difficulty. But in dealing with the balance the special facilities which are to be made available by the Bank of England should perform a useful function. For the acceptance houses which are forced to have recourse to them they will provide an expensive object lesson of the wisdom of cutting a loss while it still can be cut at a reasonable figure.

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**Government Cargo Risks Insurance.**—As was anticipated, the Government War Risks Insurance Office has been opened immediately on the outbreak of war. The office is responsible for the insurance of those cargoes against war risks at sea hitherto covered by the Government-sponsored "Pool," which reinsured underwriters for King's Enemy Risks on shipments to and from this country. The Pool's reinsurances of underwriters' risks continue in force for shipments previously insured, provided that the shipments take place within thirty days of the inception of the insurances. Contracts of the Pool are continued with the War Risks Insurance Office for seven days from September 4th, subject to certain conditions.



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After this, new shipments will be covered only by the Government Office or by the open market. The list of Government rates, which is given on page 511 of this issue, is regarded as very reasonable in the circumstances now prevailing. The homeward rates, as is to be expected, are rather higher than the outward. Under the Government insurance scheme payment of an additional premium gives the insured cover after the discharge of imports to a warehouse in the United Kingdom, or from the warehouse of origin to the ship in the case of exports. Further revision of the schedule of minimum rates issued by the Joint War Risk Rating Committee of the company and Lloyd's underwriters for voyages not included within the Government's scheme shows a general increase in rates applicable to vessels sailing after 11 a.m. on September 3, 1939.

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**War Insurance of Goods on Land.**—The Board of Trade has now assumed liability for the insurance against war risks of goods on land and ships under construction. Such insurance is compulsory on the owners of goods for sale (or which can be made up into goods for sale), where the value exceeds £1,000. To become insured by the Board of Trade under the scheme, application for registration must be made through one of the principal fire insurance companies or through underwriters at Lloyd's, who will issue policies and receive premiums on behalf of the Board. Where such application is made within ten days of September 3, 1939, cover will be obtained as from that date, but if application is made after the ten days' period the insurance can date only from the day the application is received. In either case, cover in respect of the first period will end three calendar months after September 3rd (one calendar month for ships under construction). The rate of premium is  $\frac{1}{2}$  per cent. per month for the period of three months from September 3rd and  $\frac{1}{2}$  per cent. for one month from that date for ships under construction. The minimum premium is thirty shillings.

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**Life Assurance ex War Risks.**—Life assurance offices have ceased writing new business at normal rates to include the war risk. During the prolonged "near-war"

period they granted cover against the war hazard without surcharge of premiums, but once hostilities had commenced they obviously had no option but to take account of the increased risk of mortality. The ordinary offices are inserting a new clause in policies written at normal rates, providing that in the event of death caused directly or indirectly in consequence of war the amount payable will be restricted to the premiums paid, or to the surrender value, whichever is the higher. It will be seen that the clause is wide enough to comprehend mortality of civilians through air raids. It may be assumed that, for the time being, though many of the offices are willing to give consideration to proposals for "unrestricted" policies—that is, policies without the clause mentioned above—they are not anxious to transact such business. Perhaps offices will later be able to devise methods of transacting a larger volume of unrestricted business than they would conceivably be willing to accept at present. A restriction clause is also being inserted on new policies by the industrial offices. In this case, the clause will usually include a scale setting out reduced payments in the event of death caused directly or indirectly through war.

\* \* \*

**Insurance Premiums in War Time.**—It will be recalled that an Order-in-Council last June gave militiamen, Territorials and reservists an extended moratorium on premium payments, both for ordinary and industrial policies. This Order thus safeguards a large part of the men in the armed forces if they are unable to maintain premium payments in war time. Holders of ordinary policies (apart entirely from this legislation or any further legislation which may affect the payment of premiums) have the benefit of the "non-forfeiture" clause which is inserted on the vast majority of ordinary policies. This allows for the payment of overdue premiums out of the surrender value of a policy, the sum payable in the event of a claim being reduced accordingly, unless the arrears are paid. A policy normally acquires a surrender value two or three years after inception, so that most holders of ordinary policies are protected by this clause. In the industrial branch a policyholder whose premiums come into default is entitled to a "paid-up" policy—a policy of reduced amount on which no further premiums are payable—if his policy is of given age—one or two years in most cases.

## MONEY MARKET NOTES

WHEN the foreign exchange market reopened on Tuesday market quotations ceased; the Bank of England has fixed buying and selling rates only for those currencies holders of which are required to offer to the Treasury, and consequently there are no quotations for the majority of currencies. The complete list of the Bank of England's rates will be found on page 509. The New York rate of 4.02-06, announced on Tuesday, has been maintained, but on Wednesday the Canadian dollar was fixed 7 cents dearer against sterling at

4.40-44. Belgas have also been adjusted from 24.16-42 to 23.42-72. On Thursday the French franc was raised to 175-176, and the Swiss franc was lowered slightly to 17.87-18.05.

The chief change in the Bank of England return this week is the transfer of gold to the Exchange Account, which has reduced the holding in the Issue Department to a trifling amount. There is another large rise in the note circulation, but bankers' deposits have benefited both from the big increase in Government securities and from the

reduction in public deposits, and, in spite of the withdrawal of notes, are back to a normal level for the first time for some weeks.

Silver remains an uncontrolled market, and the price has risen sharply, partly as a result of a natural adjustment in view of the lower rate for sterling. Now that the gold market is controlled, hoarders are tending to turn their attention to silver, and as offerings are limited the price has advanced every day. The New York quotation was raised on Wednesday to 36½c.

### MONEY MARKET RATES

|                                | Sept. 8,<br>1938 | Aug. 31,<br>1939 | Sept. 7,<br>1939 |
|--------------------------------|------------------|------------------|------------------|
| Bank Rate .....                | 2                | 4                | 4                |
| London Deposit Rate ...        | $\frac{1}{2}$    | $\frac{1}{2}$    | $\frac{1}{2}$    |
| Short Loan Rates:              |                  |                  |                  |
| Clearing Banks .....           | 12-1*            | 3-31½†           | 3-31½            |
| Others .....                   | 12-34            | 31½              | 28½-31½          |
| Discount Rates:                |                  |                  |                  |
| Treasury Bills (3 mth.) ..     | $\frac{1}{2}$    | 31-31½           | 33½-35½          |
| Three months' bank bills ..... | 17½-9½           | 31-31½           | 31½              |

\* Viz.  $\frac{1}{2}$  per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. † Viz. 3 per cent. for loans against Treasury bills and British Government securities; 3½ per cent. for loans against other collateral.

### THE BANK RETURN

|                          | Sept. 7,<br>1938 | Aug. 23,<br>1939 | Aug. 30,<br>1939 | Sept. 6,<br>1939 |
|--------------------------|------------------|------------------|------------------|------------------|
| Issue Dept. £ mil.       |                  |                  |                  |                  |
| Gold .....               | 326.4            | 246.4            | 263.0            | 0.1              |
| Value per oz. fine ..... | 85s.             | 148s. 6d.        | 158s. 6d.        | 168s. 0d.        |
| Notes in circulation ... | 480.1            | 508.1            | 529.5            | 549.9            |
| Banking Dept.:           |                  |                  |                  |                  |
| Reserve .....            | 46.3             | 39.2             | 34.2             | 30.8             |
| Public Deps. ....        | 32.2             | 22.4             | 31.1             | 15.0             |
| Bkrs' Deps. ....         | 91.3             | 92.1             | 90.1             | 111.3            |
| Other Deps. ....         | 34.9             | 36.2             | 39.0             | 41.2             |
| Govt. Secs. ....         | 101.3            | 99.7             | 113.1            | 123.7            |
| Dis. & Adv. ....         | 5.4              | 5.7              | 6.4              | 6.0              |
| Other Secs. ....         | 22.1             | 24.3             | 24.6             | 25.2             |
| Proportion               | 30.1%            | 26.0%            | 21.3%            | 18.3%            |

### THE BULLION MARKET

| Date         | Gold               |           |               | Silver                 |           |
|--------------|--------------------|-----------|---------------|------------------------|-----------|
|              | Price per fine oz. | Dis-count | Amt. dealt in | Price per oz. standard |           |
|              |                    |           |               | Cash                   | Two Mths. |
| Sept. 1 1939 | s. d.              | d.        | £'000         | d.                     | d.        |
| " 5†         | 160 0              | 48        | 193           | 193½                   | 199½      |
| " 6†         | 168 0              | ...       | ...           | 208½                   | 207½      |
| " 7†         | 168 0              | ...       | ...           | 211½                   | 211½      |

\* Price fixed on demand and supply basis. The discount shown has been calculated on the basis of the dollar rate at the moment of the fixing.  
† Bank of England's official price.

# Investment

**Capital Market Control.**—Rigorous control over the capital market has been established under the Defence (Finance) Regulations. Treasury consent is now required for any capital issue, subject to certain reservations mainly of a technical nature. "Urgent necessity and special circumstances" must be shown before issues by undertakings outside British countries are sanctioned, while issues by concerns operating in this country or the Overseas Empire must be "advisable in the national interest." These restrictions will not ordinarily apply to issues required for the renewal of Treasury bills and short-term instruments, provided that application is made for consent, and special consideration will be given to applications for issues to replace long-term maturities. Until further notice, however, consent is not required for issues where the consideration (plus the consideration for other issues in the preceding twelve months) is under £5,000 or for the subdivision or consolidation of securities where no new money is involved. Other exemptions include shares in a private company issued to a vendor (provided that no part of the consideration is payable in cash); securities issued on amalgamation by exchange of shares if no new money is subscribed; and securities issued in execution of binding obligations entered into before September 3, 1939. Broadly speaking, control thus covers only new issues above £5,000 made for cash, and outstanding instalments on issues already made are not affected. Issues of shares as capital bonus are not specifically covered in the regulations, though it would not appear from the general tenor of the regulations that it is intended to restrict them. Even more important, no mention is made of the extent, if any, of Treasury control over the terms of a new issue. The Treasury will be advised upon applications for consent by the organisation of the Foreign Transactions Advisory Committee under its new title of the Capital Issues Committee. The marshalling of the capital market will be regarded as an essential step in a war-time financial system.

**The Railways in War-time.**—By an order of the Minister of Transport, the main-line railways, the London Passenger Transport Board and certain other railway undertakings have passed under Government control. An executive committee, consisting of leading railway and transport personnel, has been appointed to act as agents for the Minister. No details have been published regarding the basis of the terms of payment or compensation to the companies. The one change known to the market is the suspension of weekly traffics figures by the main lines and the Board. Doubtless it would be unwise to infer too much from Great War precedents, for the position of the railways has been vastly changed by the 1921 amalgamations. Nor does it follow that problems of sharply rising costs will arise in the same degree. In the 1914-21 period, however, the railway undertakings received fairly generous treatment (sufficiently generous, indeed, to arouse some controversy), which permitted the maintenance of dividend levels and was crowned by lump-sum compensation after the war amounting to some £60 millions. The war-time dividend record of a few pre-amalgamation companies is shown below:—

| Company                | Rates of Dividend per cent. |      |      |      |      |      |      |      |
|------------------------|-----------------------------|------|------|------|------|------|------|------|
|                        | 1913                        | 1915 | 1916 | 1917 | 1918 | 1919 | 1920 | 1921 |
| Gt. Eastern Ord. ...   | 2½                          | 2½   | 2½   | 2½   | 2½   | 2½   | 2½   | 2½   |
| Gt. Northern Defd. ... | 3                           | 2½   | 2½   | 2½   | 2½   | 2½   | 2½   | 2½   |
| Gt. Western Ord. ...   | 6½                          | 5½   | 5½   | 5½   | 5½   | 5½   | 5½   | 5½   |
| L. & N.W. R. Ord. ...  | 7                           | 6    | 6    | 6    | 6    | 6    | 6    | 6    |
| L. & S.W. R. Defd. ... | 17½                         | 12   | 11½  | 11½  | 11½  | 11½  | 11½  | 11½  |
| Midland Defd. ....     | 4½                          | 4    | 4    | 4    | 4½   | 4½   | 4½   | 4½   |

Governmental control of the British railways in 1914 as a single system was the more necessary in view of the

number of undertakings—compensation, in fact, was payable to about eighty different bodies. Government traffic was handled without specific payment and all inter-company accounting suspended. Although traffic receipts were not published, abridged accounts were regularly issued by the separate companies, and before control ended certain aggregate statistics were made available. In return, the Government, broadly speaking, guaranteed to controlled railways as a whole the net operating receipts of 1913 (£43½ millions), subject to certain adjustments. From the beginning of the war to the end of 1918, compensation actually paid totalled £95.3 millions (including provisional deferred maintenance but not "extra wear and tear"), and as the period of control was extended to August, 1921, the railways received £74.8 millions in 1919 and 1920. It was estimated that, at pre-war rates, the value of services rendered to the Government was £112 millions to the end of 1918, excluding boat and dock, etc., services valued at a further £10 or £15 millions. Considerable problems arose, however, regarding deferred maintenance and the changed earning capacity of the railways. After long discussion, the 1921 Railways Act provided for the payment of lump-sum compensation to a basic amount of £60 millions, which could be disposed of as the railways wished. The totals actually received were:—L.M.S., £22,197,000; L.N.E.R., £18,005,000; G.W.R., £10,540,000; Southern, £7,409,000; and independent lines, £1,927,000. For present-day stockholders, the situation is simplified by the amalgamations, but the transformation of railway economics since 1914 makes the outlook for individual companies decidedly uncertain.

**Wall Street's Response.**—On Tuesday, after the Labour Day closure, war seized Wall Street's imagination to such effect that the Dow Jones industrial average jumped 10 points and turnover almost reached six million shares. So frantic was the demand for so-called "war stocks" that a considerable time elapsed before a dealing basis was established. In U.S. Steel, for example, dealings commenced one hour after the opening of the market, shares changing hands \$8½ higher at 62. Copper and nickel stocks also shared in the jump. The market's course is summarised below:—

|                   | Dow Jones Industrial Average | Trading Volume (Shares) |
|-------------------|------------------------------|-------------------------|
| August 30 .....   | 136.16                       | 500,000                 |
| September 1 ..... | 135.25                       | 1,970,000               |
| September 2 ..... | 138.09                       | 1,790,000               |
| September 5 ..... | 148.12                       | 5,930,000               |
| September 6 ..... | 148.04                       | 3,940,000               |
| September 7 ..... | 148.32                       | 2,600,000               |

This enthusiasm, however, has not been fully maintained, for reasons which should be obvious. Wall Street does well not to forget the watchfulness of the S.E.C. to stem the possibility of a market boom. And if profits are to be made from such wartime supplies as do not fall within the prohibitions of the Neutrality Act, the United States Treasury will not overlook the fact. British investors, however, may welcome Wall Street's advance for one important reason—it enhances the value of dollar securities whose registration is now proceeding and whose mobilisation may be expected to follow at no distant date.

**The Week's Interim Dividend Decisions.**—The uncertainty of the times is apparent in a number of important interim dividend decisions announced during the last ten days. Problems of readjustment for insurance companies are reflected in the Prudential Assurance Company's decision to defer payment of its interim dividend, maintained at 25 per cent., tax free, since 1935. The

changed conditions in the life department resulting from war conditions (discussed in a note on page 497) and the desirability of maintaining liquid resources against the possibility of increased claims, have no doubt influenced the directors' decision. This decision, however, should not be unreservedly regarded as a pessimistic estimation of future prospects, but rather as an example, set by the largest investment institution in the world, of the necessity for proper financial dispositions in an emergency, leaving events to determine policy in the immediate future. General Mining, a company whose earnings record for many years has been above reproach, has decided to conserve cash resources and to defer an interim dividend payment. This decision may be taken to reflect a new crop of problems for the mining industry in war, particularly this week's developments in the bullion market and the Union Government's proposal to acquire any premium on gold in excess of 150s. per fine ounce. Shareholders of Cammell Laird will not be surprised that the 4 per cent. interim dividend is being maintained this year, particularly in view of the chairman's confident forecast of future prospects last March. The market has recently regarded the prospects of companies with a direct stake in defence work with small favour, for price control and special taxation limit the level of profits earned by heavy engineering concerns in time of war. But, for "the duration," Cammell Laird should be capable of at least maintaining earning power, and should suffer a minimum of disorganisation in the opening period of hostilities.

\* \* \*

**Second Alliance Trust.**—The progressive revenue of Second Alliance Trust has been further enhanced during the financial year to July 31, 1939. Income has increased by 6.5 per cent. from £216,519 to £230,161. In their report, however, the directors link the improvement in revenue with the fruits of the first full year's income from the new capital raised in December, 1937. Since taxation and interest together absorb £103,612 against £93,857, the amount available for the ordinary stock has increased only from £88,433 to £90,685, and the earnings ratio has declined from 31.4 per cent. to 30.9 per cent. on the larger capital. An ordinary dividend of 21 per cent. is again recommended, while a safeguard against uncertain current prospects is provided in the allocation of £30,000 compared with £25,000 to contingencies reserve, leaving £13,475 to be carried forward against £15,000 brought in. Three years' comparative figures are given below:—

|                           | Years to July 31 |         |         |
|---------------------------|------------------|---------|---------|
|                           | 1937             | 1938    | 1939    |
| Total income .....        | 213,859          | 216,519 | 230,161 |
| Expenses and fees .....   | 8,552            | 9,085   | 9,464   |
| Taxation .....            | 47,768           | 41,340  | 47,645  |
| Interest .....            | 52,903           | 52,517  | 55,967  |
| Preference dividend ..... | 24,084           | 25,144  | 26,400  |
| Ordinary stock:—          |                  |         |         |
| Earned .....              | 80,552           | 88,433  | 90,685  |
| Paid .....                | 53,476           | 59,087  | 61,600  |
| Earned (%) .....          | 30.1             | 31.4    | 30.9    |
| Paid (%) .....            | 20               | 21      | 21      |
| Contingent reserve .....  | 25,000           | 25,000  | 30,000  |
| Issue expenses .....      | 772              | 1,676   | 610     |
| Carried forward .....     | 12,330           | 15,000  | 13,475  |

Investments at book value stand in the balance sheet at £3,913,989 (apparently after writing off £30,000) compared with £3,923,003 a year earlier. At July 31st last the market value of the company's security holdings (which represent the bulk of the investments) showed a depreciation of 5.83 per cent., following a depreciation of 1.04 in 1937-38. In view of the trend of security values since the summer of 1937, this position must be considered satisfactory; moreover, the deficiency is more than covered by existing reserves. But the prospective strength of these securities in a war economy is more difficult to estimate in the absence of information regarding the division of funds between fixed-interest and equity securities and their geographical distribution.

**Whitworth and Mitchell Improvement.**—As compared with the depressing results of 1937-38, the latest report of Whitworth and Mitchell, for the year to June 30th last, shows a welcome recovery, which is enhanced by the resumption of ordinary dividends. Earnings in 1937-38, however, were at an exceptionally low level, owing partly to reduced turnover and more particularly to the fall in cotton values which necessitated considerable writing down of stocks. In relation to the company's previous profits record, therefore, the latest results are not a matter for enthusiasm—indeed, they are frankly described as disappointing in the chairman's review of the year's working which accompanies the report. The following table summarises the allocation of profits in each of the past three years:—

|                             | Years ended June 30th |           |        |
|-----------------------------|-----------------------|-----------|--------|
|                             | 1937                  | 1938      | 1939   |
| Trading profit .....        | 65,471                | 27,445    | 40,985 |
| Total profit .....          | 71,010                | 33,184    | 46,362 |
| Taxation .....              | 8,500                 | 8,000     | 6,300  |
| Depreciation and fees ..... | 3,689                 | 3,858     | 4,153  |
| Preference dividend .....   | 30,000                | 30,000    | 30,000 |
| Ordinary shares:—           |                       |           |        |
| Earned .....                | 28,821                | Dr. 8,674 | 5,909  |
| Paid .....                  | 25,000                | Nil       | 5,438  |
| Earned % .....              | 7.0                   | Nil       | 1.6    |
| Paid % .....                | 6                     | Nil       | 1½     |
| Carried forward .....       | 9,183                 | 509       | 980    |

The company has substantial cash holdings (the balance-sheet figure is little changed at £124,597) for which it has been awaiting a profitable outlet for some time. A dividend policy of distributing available earnings in full, as in the latest year, can thus be justified. Fluctuations in cotton prices in 1938-39 were on a more moderate scale than in the previous year, so that one of the special difficulties of 1937-38 was not repeated. But the chairman's survey discloses that turnover fell further, though to a slight extent, and although the cotton branch made steady progress, the rayon section had a difficult year owing to general overstocking of rayon goods. It is early as yet to foresee the effects of war conditions on the company, especially since the experience of the Great War is not necessarily relevant for rayon concerns to-day.

\* \* \*

**Eastwoods Profits.**—It is disappointing that for four successive years profits of Eastwoods, Limited, should show a decline. A preliminary statement for the year ended March 31, 1939, disclosed trading profits of £54,700 against £78,532, a level less than half the 1934-35 peak. Expenses were apparently roughly maintained, for net profits total £37,183 against £59,860. Allowing for the preference dividend and assuming that no provision is needed for special charges, the reduced ordinary dividend

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of 8 per cent., against 12 per cent., is covered by earnings of 9.2 per cent. Hence the directors have followed a more generous distribution policy than in 1937-38, when earnings represented 18 per cent. on the ordinary shares. Comment on the results will doubtless be offered in the full report or at the meeting, but for the time being the reasons for the further set-back are not apparent. The fall in profits in 1937-38 was ascribed to higher costs (which were felt continuously during the year, while increased selling prices benefited only part of the period), to higher taxation and to reduced profit margins on the coal merchanting business. These were difficulties of adjustment, and investors might have expected rather greater stability in 1938-39, especially in view of growing defence construction requirements. At the Eastwoods Flettons meeting, at which the 1938-39 accounts, showing a drop in total profits from £67,329 to £53,759, were passed, reference was made to increased output, but on the other hand increased haulage charges were experienced owing to the shift of demand westwards. Moreover, stress was laid upon guarantees to the Government that selling prices would not be advanced on work

involving the expenditure of public money. Thus the latest results of the parent concern are somewhat obscure; possibly the Eastwoods group has suffered more, relatively to other building material manufacturers, from the decline in private building. The latest results present an important reservation regarding prospects which, in view of A.R.P. and defence requirements, might otherwise be reasonably promising.

**The Week's Company Profits.**—Our usual analysis of profit-and-loss accounts appearing on page 510 includes only 9 companies for which comparable figures are available. Net profits of these concerns are £638,000, or 13½ per cent. less than £737,000 earned a year ago. Aggregate net profits of the 1,722 companies reporting in 1939 to date are £217,941,000, against £236,642,000, a drop of 8 per cent. The week's results are discussed in preceding Notes and on pages 501 under the heading "Shorter Comments."

## THE STOCK EXCHANGES

### London

Note: All dealings are for Cash

INTER-OFFICE dealings were resumed on Tuesday, when the "Street" and then the telephone market were relatively active. Quieter conditions prevailed on Wednesday, after the reopening of the House on Thursday had been announced. Dealing has been largely restricted to negotiation on the basis of nominal prices. The following account summarises the main features of each day's dealings.

**Tuesday.**—Despite the attempt to carry on business, most prices remained nominal, and had little comparative significance with pre-war quotations. At first *gilt-edged* prices came back to their official minima (which were still in operation despite the closing of the House), and some business was transacted in the leading stocks, such as War Loan, while a little support was forthcoming for the undated issues. Among *foreign bonds* a demand for Japanese issues was reported, and quotations advanced. Unofficial quotations were agreed by dealers for *home rail* preference and debenture stocks. Little business passed in ordinary stocks, but L.M.S. ordinary and Southern deferred rose. There was no real activity in *industrials*, and though quotations were nominal, not all prices were lower than before the closing of the House. Heavy industrial shares showed no improvement, and there was scarcely enough business in shares in the consumption goods trades to test the trend, though there was an impression of steadiness. Certain textile issues including Courtaulds, improved slightly, Lancashire Cotton rising as much as 1s. 3d. to 11s. 6d. Little business was done in *oil* and *rubber* shares apart from a clearing-up of earlier positions, and commodity share dealings in general were affected by the ruling on cash transactions. Attempts to establish prices for *mining* shares were not followed by any measurable business. Kaffirs, if anything, weakened (especially the developing mines) on the course of events in South Africa, though other gold shares and most base metal shares were firmer. Rhodesian coppers were inactive.

**Wednesday.**—*Gilt-edged* stocks continued to be quoted at minimum prices, and there was a considerable reduction in business—partly owing to the practical difficulty of "certification" at the Bank of England's country office. Among *foreign bonds*, there was some enquiry for European issues, while Japanese bonds did not hold their earlier gains. Agreed prices for *home rail* senior stocks continued in operation, though there was virtually no business. Quotations for ordinary stocks were mostly lower. Business in *industrials* also was on a lower scale, members preferring to await the Stock Exchange reopening. There was not much change in iron and steel shares, though Stewarts and Lloyds received some support. Movements in aircraft shares were small and varied. There was again some improvement in certain textile and rayon shares, and the miscellaneous leaders were nominally better. *Oil* shares were no more active than on Tuesday, though the "Shell" group showed firmness. Among *mines*, there was no activity in Kaffirs, but West Africa gold and Rhodesian copper issues improved.

**Thursday.**—More normal business conditions were restored with the reopening of the "House" on Thursday. There was no great volume of business, but it was possible to deal more freely, both in *gilt-edged* and *industrial* issues. The uncertainty in delivery of *gilt-edged* stocks, resulting from the transfer of the registers to the country, was, however, a deterrent to business. Irredeemable issues, however, were dealt in at somewhat better prices, slightly above the fixed minima. Old Consols, for example, were quoted 62½ ex interest, against 61½ on Wednesday. In the *home rail* market, dealers maintained their negotiating basis. Advances in the *industrial* list were recorded by tobacco shares, Courtaulds, and Distillers. Shipping shares were described as "buyers only," but certain other groups, including retail stores, had not established a stable dealing basis by the close of the day. Commodity shares were generally firm; *oil* shares advanced, while *rubber* share prices made considerable progress on the sharp rise in the commodity. Some improvement was recorded in Rhodesian copper issues; Ashanti maintained their sharp mid-week advance. Kaffir issues, however, were listless.

### ACTUARIES' INVESTMENT INDEX

OWING to the closure of the Stock Exchange on Tuesday, September 5th, we are unable to publish the usual extracts from the Actuaries' Investment Index.

#### "FINANCIAL NEWS" INDICATORS

| 1939         | Total Bargains† | Corres. Day 1938 | Security Indices |                |
|--------------|-----------------|------------------|------------------|----------------|
|              |                 |                  | 30 ord. shares*  | 20 fixed int.† |
| Aug. 31      | 2,755           | 4,975            | 77.5             | 113.4          |
| Sept. 1      | 2,755           | 4,975            | 77.5             | 113.4          |
| Sept. 7      | 1,750           | 2,755            | 77.1             | 112.1          |
| 1939 High... | ...             | ...              | 88.0             | 123.5          |
| Low...       | ...             | ...              | 73.7             | 113.4          |
|              |                 |                  | Jan. 27          | Aug. 31        |

\* Approx. total recorded in S.E. List. † July 1, 1935 = 100. ‡ 1938 = 100.

### New York

THE reaction of Wall Street to war in Europe had already been established before the week-end. After some hesitation on Friday, prices hardened on news of the firm stand of the democracies, and by Saturday prices had begun to advance rapidly, led by copper, steel and other armaments issues. Any belief that the bull sentiment had spent itself after the outbreak of war was quickly dispelled when the market reopened on Tuesday. In a market whose turnover was the largest in six years, a frenzied buying rush developed, the Dow Jones industrial average rising from 138.09 on Saturday to 148.12 at the close. On Wednesday more orderly conditions prevailed. Prices continued to advance until large-scale profit-taking caused a reaction in motor, steel and oil issues, which later spread to other sections of the market, the Dow Jones Index closing at 148.04. Bond issues have been rather weaker, but some demand for speculative rail issues and utilities developed towards mid-week. *Iron Age* estimates steel mill activity this week at 59 per cent. of capacity compared with 63.5 per cent. last week.

Owing to cable delay we are unable to publish the usual stock index figures compiled by Standard Statistics Company, Inc., of New York. Last week's figures are repeated below. (1926 = 100)

| WEEKLY AVERAGES  |       |       |               |               |               |
|------------------|-------|-------|---------------|---------------|---------------|
|                  | 1939  |       | Aug. 16, 1939 | Aug. 23, 1939 | Aug. 30, 1939 |
|                  | Low   | High  |               |               |               |
| 347 Ind'ls. .... | 92.8  | 114.5 | 100.3         | 95.0          | 98.4          |
| 32 Rails ....    | 23.3† | 32.5  | 25.4          | 23.3          | 24.2          |
| 40 Utilities ..  | 77.8  | 89.9† | 87.4          | 82.8          | 84.5          |
| 419 Stocks ...   | 79.3  | 95.6  | 86.3          | 81.6          | 84.3          |
| Av. yield* ...   | 4.22% | 3.31% | 4.06%         | 4.42%         | 4.30%         |
|                  | High  | Low   |               |               |               |

\* 50 Common Stocks. † August 2nd. ‡ Aug. 23.

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

| Aug. 24 | Aug. 25 | Aug. 26 | Aug. 28 | Aug. 29 | Aug. 30 |
|---------|---------|---------|---------|---------|---------|
| 104.7   | 106.8   | 109.6   | 107.9   | 111.0   | 109.8   |

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 |             |
| Aug. 31 | 460            | 3,450         | 65          |
| Sept. 1 | 1,970          | 15,480        | 243         |
| " 2     | 1,790          | 12,120        | —           |
| " 4     | (a)            | (a)           | (a)         |
| " 5     | 5,930          | 58,160        | —           |
| " 6     | 3,740          | 83,120        | 653         |

\* Two-Hour Session. (a) Closed for Labour Day.

### New York Prices

|                                        | Close Latest  |              | Close Latest                 |              |
|----------------------------------------|---------------|--------------|------------------------------|--------------|
|                                        | Aug. 31, 1939 | Sep. 7, 1939 | Aug. 31, 1939                | Sep. 7, 1939 |
| <b>1. Rails and Transport</b>          |               |              |                              |              |
| Atchafalaya                            | 23            | 2714         | Shell Union...               | 1014 1518    |
| Balt. & Ohio                           | 414           | 518          | Socony Vac.                  | 11 1418      |
| Ches. & Ohio                           | 3134          | 3618         | Stan. Oil Cal.               | 2478 3034    |
| G.N. Ry. P.                            | 2178          | ...          | Stan. Oil N.J.               | 4014 4812    |
| Illinois Cent.                         | 1014 13       | ...          | Texas                        | 3614 4534    |
| N.Y. Central                           | 1212 1658     | ...          | <b>4. Manufacturing</b>      |              |
| Northern Pac.                          | 818 1018      | ...          | Briggs                       | 1914 2034    |
| Pennsylv. R.                           | 1618 1912     | ...          | Chrysler                     | 78 818       |
| Southern Pac.                          | 1134 1412     | ...          | Elec. Autolite               | 33 35        |
| Southern Ry.                           | 14 1614       | ...          | Gen. Motors                  | 4438 5038    |
| Union Pac.                             | 93 98         | ...          | Nash Kelvint                 | 578          |
| Greyhound                              | 1558 1512     | ...          | Boeing Airplan               | 18 2414      |
|                                        |               |              | Douglas Aircr.               | 5912 69      |
| <b>2. Utilities and Communications</b> |               |              |                              |              |
| Am. W. Works.                          | 10            | ...          | United Aircr.                | 3312 3938    |
| Con. Edison                            | 3018 30       | ...          | Allied Cheml.                | 15912 187    |
| Col. Gas & El.                         | 718 7         | ...          | Dupont                       | 159 18014    |
| El. Bond & Sh.                         | 812 938       | ...          | Un. Carbide                  | 7734         |
| Nat. Pwr. & Lt.                        | 814           | ...          | Allis Chalmers               | 3212 4934    |
| N. American                            | 2158 2112     | ...          | Gen. Electric                | 3434 3934    |
| Pac. Gas & El.                         | 3112 2914     | ...          | West. Elec.                  | 10018 11018  |
| Pub. Serv. N.J.                        | 38 3712       | ...          | American Can                 | 4078 5238    |
| United Corp.                           | 212 1312      | ...          | Int. Harvester               | 4838 61      |
| Un. Gas Imp.                           | 1318 1612     | ...          | Johns Manville               | 64 6312      |
| Am. Tel. & Tel.                        | 160 1612      | ...          | Am. Radiator                 | 978 9        |
| Inter. Tel. For.                       | 512 434       | ...          | Corn Prods.                  | 5712 6214    |
| Westn. Union                           | 2034 2514     | ...          | J.I. Case & Co.              | 67 74        |
| Radio                                  | 518 578       | ...          | Glidden                      | 1514         |
|                                        |               |              | Celanese of A.               | 2212 24      |
| <b>3. Extractive and Metal</b>         |               |              |                              |              |
| Am. Rol. Mill                          | 1312          | ...          | Eastm'n Kdk.                 | 16412 15814  |
| Beth. Steel                            | 5712 8034     | ...          | Loews                        | 39 3234      |
| Republic St.                           | 1558 2412     | ...          | 20th Cen. Fox                | 1634 1378    |
| U.S. Steel                             | 4534 6458     | ...          | <b>5. Retail Trade, etc.</b> |              |
| U.S. Steel P.                          | 10712         | ...          | Mont. Ward                   | 4734 5014    |
| Am. Metal                              | 27 33         | ...          | Sears Roebck                 | 7434 7512    |
| Am. Smelting                           | 42 34         | ...          | Woolworth                    | 45 4038      |
| Anacosta                               | 24 37         | ...          | Nat. Biscuit                 | 25 2314      |
| Cerro de Pas.                          | 3314 4412     | ...          | Nat. Tob. B.                 | 7712 7912    |
| Int. Nickel                            | 4534 53       | ...          | Nat. Distillers              | 2238 2258    |
| Kennecott                              | 3412 4278     | ...          | <b>6. Finance</b>            |              |
| U.S. Smelt.                            | 48 59         | ...          | Comcl. Credit                | 44 43        |
| Phillips Petr.                         | 3514          | ...          | Com. Inv. Tr.                | 4838 4714    |

### Capital Issues

#### CAPITAL ISSUE TOTALS

| Week ending                          | Nominal Capital | Conversions | New Money   |
|--------------------------------------|-----------------|-------------|-------------|
| September 9, 1939                    | Nil             | Nil         | Nil         |
| To the Public                        | 55,230          | ...         | 53,021      |
| To Shareholders                      | Nil             | ...         | Nil         |
| By S.E. Introduction                 | Nil             | ...         | Nil         |
| By Permission to Deal                | Nil             | ...         | Nil         |
| Saving Certs., week to Sept. 2, 1939 | Dr. 700,000     | ...         | Dr. 700,000 |

| Year to date     | Including Conversions | Excluding Conversions |
|------------------|-----------------------|-----------------------|
| 1939 (New Basis) | 108,021,846           | 85,495,904            |
| 1938 (New Basis) | 235,425,162           | 215,534,199           |
| 1939 (Old Basis) | 71,923,052            | 50,492,973            |
| 1938 (Old Basis) | 172,634,427           | 153,723,559           |

| Year to date     | Destination (Excluding Conversions) |                     |                   |
|------------------|-------------------------------------|---------------------|-------------------|
|                  | U.K.                                | Brit. Emp. ex. U.K. | Foreign Countries |
| 1939 (New Basis) | 58,250,752                          | 25,064,148          | 2,181,004         |
| 1938 (New Basis) | 165,468,286                         | 47,215,756          | 2,850,177         |
| 1939 (Old Basis) | 34,332,582                          | 15,840,091          | 320,000           |
| 1938 (Old Basis) | 130,174,256                         | 20,729,231          | 2,820,072         |

| Year to date     | Nature of New Borrowing (Excluding Conversions) |            |            |
|------------------|-------------------------------------------------|------------|------------|
|                  | Deb.                                            | Pref.      | Ord.       |
| 1939 (New Basis) | 45,020,545                                      | 8,119,649  | 32,355,710 |
| 1938 (New Basis) | 137,414,362                                     | 15,082,126 | 63,037,711 |
| 1939 (Old Basis) | 37,708,921                                      | 2,688,459  | 10,919,413 |
| 1938 (Old Basis) | 126,591,813                                     | 9,181,776  | 17,949,970 |

Note.—"Old Basis" includes only public issues and issues to shareholders only. "New Basis" includes all new capital in which permission to deal has been granted.

### ISSUES TO SHAREHOLDERS ONLY

**Ilfacombe Gas Company.**—Issue of £12,730 4 per cent. preference stock at 96 per cent., redeemable at par October 1, 1969, or after October 1, 1964, at six months' notice.

**Haslemere and District Gas Company.**—Issue of £42,500 4 per cent. preference stock at 96 per cent. redeemable at par 1963-1968.

### 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 |
|-------------------------|----------------|-------|----------|------------|
| <b>RAILWAYS</b>         |                |       |          |            |
| Barri Light Railway     | 1½%            | ...   | Oct. 2   | 25cts.*    |
| Chesapeake and Ohio     | 50cts.*        | ...   | Oct. 2   | 25cts.*    |
| <b>BANKS</b>            |                |       |          |            |
| Banco Italiano-Lima     | 3½%*(a)        | ...   | Oct. 6   | 3½%*(a)    |
| Bank of Australasia     | 2*             | ...   | Oct. 2   | 3*         |
| Eastern Bank            | ...            | ...   | Oct. 2   | ...        |
| <b>TEA &amp; RUBBER</b> |                |       |          |            |
| Buntar Rubber           | ...            | 3.12  | Sept. 28 | 614        |
| Devon Estates           | 2d. ps*        | ...   | ...      | Nil*       |
| <b>MINING</b>           |                |       |          |            |
| Broken Hill South       | 10*            | ...   | Sept. 21 | 21*        |
| Kramat Pulai Tin        | 2½*            | ...   | Sept. 26 | 21*        |
| Malayan Tin             | 20*            | ...   | Oct. 5   | 20*        |
| Nundydrog Mines         | 2½*            | ...   | Sept. 25 | 21*        |
| Southern Malayan Tin    | 2½*            | ...   | Sept. 25 | 21*        |
| <b>OTHER COMPANIES</b>  |                |       |          |            |
| Amer. Inv. Trust (Def)  | 2½*            | ...   | Sept. 30 | 2½*        |
| Aplin and Barrett       | 5*             | ...   | ...      | 5*         |
| Brit. Columbia P. "A"   | \$12ps         | ...   | Oct. 14  | \$12ps     |
| Cannell Laird           | \$1ps*         | ...   | Oct. 4   | \$1ps*     |
| Conn. Inv. Tr. Corp.    | 3½*            | ...   | Oct. 1   | 12½        |
| Eastwoods               | 8              | ...   | ...      | ...        |
| Ecuadorian Corp.        | 3 cts.*        | ...   | Oct. 13  | cts.*      |
| Erith                   | 5*             | ...   | Sept. 15 | 5*         |
| Fullers, Ltd.           | 1*             | ...   | ...      | 1*         |
| Fuller, Smith & Turner  | 1*             | ...   | ...      | 1*         |
| Globe Telegraph         | 114*           | ...   | Oct. 2   | 114*       |
| Greengate & Irwell Rbr  | 7½*            | ...   | ...      | 10d.†      |
| Initial Services        | 25             | ...   | ...      | 25         |
| <b>Int. Harvester</b>   |                |       |          |            |
| Int. Harvester          | 40cts.*        | ...   | Oct. 16  | 40cts.*    |
| Leyland & Birm.         | 10†            | ...   | ...      | 1114       |
| Lamont & Co., James     | 7½*            | ...   | ...      | 7½*        |
| Laws Chemical           | ...            | ...   | ...      | 6          |
| Marylands, Ltd.         | 8              | ...   | ...      | 8          |
| Morris (Herbert)        | 7½*ab          | ...   | Sept. 18 | ...        |
| Ryder and Sons          | ...            | ...   | ...      | 5          |
| Sheffield Forge, etc.   | ...            | ...   | ...      | 15         |
| Slough Estates          | 5*             | ...   | ...      | 5*         |
| Southdown Motors        | 5*             | ...   | ...      | 5*         |
| Terry, E. W.            | 10†            | ...   | ...      | 6          |
| Tennant Bros.           | 12½            | ...   | Oct. 3   | 12½        |
| United Glass Bottle     | 3½*            | ...   | Sept. 15 | 3½*        |
| Walsall Conduits        | 20*            | ...   | Sept. 30 | 20*        |
| Webster & Sons, Saml.   | 2½*            | ...   | Oct. 2   | 2½*        |
| Westminster Press       | ...            | ...   | ...      | ...        |
| Wright, Layman, etc.    | 114*           | ...   | ...      | ...        |

(a) Less tax at 3s. 4½d.  
(b) Paid on larger capital.  
† Free of income tax.

**BUSHTICK MINES.**—Final dividend 5 per cent., making 7½ per cent. for year to June 30, 1939, against 6¼ per cent. for preceding year.

**CAMMELL, LAIRD AND COMPANY.**—Interim ordinary dividend maintained at 4 per cent.

**TRIPLE FOUNDRY.**—No interim dividend to be paid, against 2½ per cent. a year ago.

### SHORTER COMMENTS

**Company Results of the Week.**—In view of the varied record of brewery profits, the increase in LICHFIELD BREWERY net profits from £28,894 to £34,470 is satisfactory. PERFECTA MOTOR EQUIPMENTS are maintaining the 17½ per cent. distribution. TRANSVAAL MATTRESS AND FURNISHING COMPANY have experienced a small setback in net profits, but again pay 12½ per cent. The sharp drop in BARROW BARNSELY MAIN COLLIERIES net profits from £96,913 to £54,212 has caused disappointment. It appears, however, to be due mainly to reduced output arising from technical reorganisation in the Barrow pits.

### EMERGENCY ADDRESSES

**Central Argentine Railway, Ltd.**—The temporary address of this company is Hardwick House, Whitechurch, Reading, Berks. Telephone No. Pangbourne 255.

**Anglo-Iranian Oil Company, Ltd.**—The head office has moved to Research Station, P.O. Box 1, Chertsey Road, Sunbury-on-Thames. The registration department has moved to Britannic House, Llandarcy, Neath, Glamorgan-shire.

**Erlangers, Ltd.**—To continue at 4 Moorgate Street as long as practicable. If impossible, address will be 5 Lloyd's Bank Chambers, Basingstoke. (Telephone, Basingstoke 806 and 807.)

**Chase National Bank.**—Should evacuation be necessary, address will be Cyterswood, South Park, Gerrard's Cross, Bucks. (Telephone, Gerrard's Cross 2413.)

**Bank of England.**—Stock Transfer Offices now at Whitechurch, Hants, from where work will be conducted through the post.

**Equity and Law Life Assurance.**—Head office now at Langleybury, King's Langley, Herts.

**Philip Hill and Partners.**—Removed to Sunninghill Park, Ascot, Berks. (Telephone Ascot 646.)

**British Metal Corporation.**—London office is removing to Grand

# Industry and Trade

**Government Control of Industry.**—The change-over of industry from peace to war-time organisation has continued during the past week. The Ministry of Supply has taken over the control of many raw materials and industries, including non-ferrous metals, iron and steel, timber, paper, silk and rayon, leather, molasses and industrial alcohol. The railways were taken over by the Ministry of Transport, the Mines Department took charge of the regulation of coal supplies and prices and the shipbuilding industry was put under the control of the Board of Trade. Moreover, steps have been taken to secure priority for urgent work. Thus, on Wednesday, the Minister of Supply made an order, entitled the Priority of Work Order, 1939, under which contractors will be required to give priority to certain work in accordance with orders issued to them by Government Departments. A beginning has also been made to control imports and exports, and on Wednesday Mr Oliver Stanley, President of the Board of Trade, assured the House of Commons that the Government was alive to the importance of maintaining exports as far as possible. For the most part, the war-time organisation of individual industries had been worked out well in advance, so that the transition could be effected with the least possible dislocation. It is the policy of the Government to work in collaboration with industry by appointing leading executives in each industry to key positions. Some dislocation of trade was, of course, bound to occur owing to the difficulty in carrying on overseas business and as a result of the decline in domestic civil transactions, but there is no doubt that industry will soon adapt itself to the new conditions.

**Jump in Wholesale Prices.**—The majority of the commodity markets were closed after the outbreak of war and have passed under the control of the Government, which has announced its decision to fix maximum prices at which dealings can take place. It is therefore impossible, at this stage, to assess the effect of all the factors which have influenced the market this week. In the United States, on the other hand, the markets have remained open and there has been a hectic advance in the prices of the majority of primary products. During the week preceding Germany's invasion of Poland the course of prices in the United States was slightly downwards. Thus Moody's index of the prices of sensitive commodities (December 31, 1931 = 100) fell from 141.3 on August 24th to 140.3 on August 31st. On September 1st, when Germany launched her attack on Poland and war between Germany and France and England became inevitable prices jumped ahead in the United States. On September 1st Moody's index stood at 146.9, and by Wednesday, September 6th, it had risen to 168.8, an advance of 20 per cent. over the figure for August 31st. It is doubtful whether this advance, based on

the expectation of a sharp increase in demand, and/or a reduction in production, will be maintained. But, in view of the depreciation of the pound in terms of the dollar and the increase in freight rates to this country, there can be little doubt that the period of low prices in this country is past.

**Increased Food Production.**—In his broadcast on Monday evening the Minister of Agriculture gave the main outlines of the Government's policy for agriculture in war time. Already the county agricultural committees, whose members were appointed some time ago, have held various meetings and are ready to carry out the instructions of the Government. It is hoped to plough up a further 1½ million acres before next spring, but until the additional supplies of tractors, seeds and fertilisers can be distributed the farmers were urged by the Minister to arrange to plough up 10 per cent. of their grass land. The grant of £2 per acre for ploughing old pasture, which under the Agriculture Act was only available up to October 1st, has been extended to December 31st. The Minister also announced that, with the exception of hops, all restrictions on output had been removed. This applies to the levy of £5 per acre on potatoes planted in excess of the basic quota, but it is not yet known whether it will affect the limits imposed under the various price insurance schemes. The pending contract for bacon pigs has been scrapped; a fixed price of 13s. per score dead weight will be paid for all pigs not over 10 score in weight sold for slaughter (excluding sows and boars). It is perhaps a pity that the provisions for grading, which have helped to improve the quality of output, have also disappeared. The Food Controller has decreed that prices of fat cattle and sheep shall not until further notice exceed those ruling in the week ended on August 25th. Meanwhile members of the Women's Land Army and of the militia are assisting with the harvest, which has been delayed in many districts by bad weather and by the shortage of casual labour, since many of the Irish who make an annual visit to England at harvest time have returned to Ireland.

**Regulation of the Metal Trade.**—The prohibition of metal exports, except under licence, was enforced by the Board of Trade as early as August 23rd. It covers unwrought copper, unwrought lead, aluminium and aluminium alloys, nickel, including unrefined nickel and matte, tin in metallic form, unwrought zinc, non-ferrous scrap and old material and some minor metals. Licences are to be granted by the Export Licensing Department of the Board of Trade and in some cases licences have already been granted. The regulation of home supplies, introduced by the Ministry of Supply under the Defence regulations immediately on the outbreak of war, covers aluminium,

## SHORTER COMMENTS

(Continued from page 501)

**Sun Life Assurance Company of Canada.**—Temporary administrative offices at Carn Brea, Sundridge Avenue, Bromley, Kent. (Telephone: Ravensbourne 2499.) Skeleton staff maintained at the company's office at 2, 3 and 4 Cockspur Street, London, S.W.1. Branch office addresses remain as before until further notice.

**Ashanti Goldfields Corporation, Ltd.**—All communications to be addressed to the company at St. Hilda's School, Bushey, Herts. This applies also to Bibiani, Ltd.

**Union Corporation.**—London office of company and associates to remain open so long as possible for limited hours daily. All communications to be addressed to The Gables, Chequers Lane, Walton-on-the-Hill, Tadworth, Surrey, until further notice. Telephone: Burgh Heath 3750 and 3751.

## MISCELLANEOUS

**Thos. W. Ward, Ltd.**—Company has acquired Triumph Company, Coventry, including Gloria and Stoke works. Manufacture of Triumph cars to continue under D. M. Heally, General Manager of acquired concern.

**Gold Share Trust.**—Martin's Bank announces that this Trust has been terminated. The trustees will proceed to

liquidate the trust fund and distribute the proceeds to the unit-holders.

**Broken Hill, South.**—Net profits for year ended June 30, 1939, £350,007 (£402,501), of which £224,081 (£276,159) from mining, and £125,926 (£126,342) from investments. Total dividend for 1938-39, 40, against 80 per cent. Interim dividend of 10 per cent., declared for year 1939-40.

**Initial Services, Ltd.**—Dividend for year to June 30, 1939, is maintained at 25 per cent. The issued ordinary capital is £910,000 as increased by the scrip bonus of 10 per cent. a year ago. Profits at £336,042 (£305,156) constitute a fresh high record. To reserve, £50,000 (£32,800). To staff fund, £1,000 (£1,000). Carry forward, £10,603 (£16,218).

copper, lead and spelter, but not tin. There will be maximum prices for the controlled metals, but they have not been officially published so far. The purchase of the controlled metals for home consumption, etc., is prohibited except under licence. The exceptions from this general rule are those contracts which existed in writing when the regulation was introduced, contracts which are placed to fulfil Government orders and contracts which are placed for necessary repairs which do not require more than one ton of each of the controlled metals. Holders of metals are required to make returns of their stocks. A department called "Non-Ferrous Metal Control" has been formed at the Ministry of Supply to exercise control over base metals and Captain Oliver Lyttelton has been appointed Controller; the Hon. C. Cunliffe has been appointed Controller for aluminium.

**Iron and Steel.**—As was to be expected, the Ministry of Supply has taken over the control of the iron and steel industry. The outbreak of war has led to a complete dislocation of the international iron and steel markets. The interruption of international transport facilities has made impossible the delivery of goods on old contracts which are urgently required by consumers, but in many cases contracts have been altogether cancelled. It is noteworthy that these cancellations do not concern particularly large quantities because speculative purchases, a feature of the crisis of September, 1938, were not conspicuous during the last few weeks. Since the steel industries of the belligerent countries have been taken over by their respective Governments, and as in many neutral countries the possibility of carrying on trade, manufacturing and transport as usual is doubtful, new business has come to a standstill. The shortage of coke adds to the uncomfortable situation, particularly of the Belgian steel industry. The international steel agreements have, of course, come to a sudden end, and it is already clear that their re-establishment will have to take place, if ever, under completely altered conditions. The United States will be the chief steel supplier to neutral countries during the war, and steel plants all over the world will produce up to capacity. A limited international trade might develop in Europe under the direction of the governments, which will, however, chiefly concern steel raw materials and semi products.

**The Economist Price Indices.**—As it was impossible to calculate our price indices for Wednesday this week we have recorded them for August 30th, when market dealings were still normal:—

SEPTEMBER 18, 1931 = 100

| Date         | The Economist Indices             |                             |                   | Price of Gold (sterling) | U.S.A., Irving-Fisher | France, Statistique Generale | Italy, Milan Chamber of Commerce | Germany, Statistisches Reichsamt |
|--------------|-----------------------------------|-----------------------------|-------------------|--------------------------|-----------------------|------------------------------|----------------------------------|----------------------------------|
|              | British Complete Index (sterling) | Primary Products (sterling) | American (dollar) |                          |                       |                              |                                  |                                  |
| 1936 Dec. 30 | 131.3                             | 163.9                       | 187.3             | 166.7                    | 128.8                 | 113.0                        | 116.3†                           | 95.4                             |
| 1937 Dec. 29 | 127.8                             | 147.4                       | 135.3             | 164.2                    | 120.5                 | 135.8                        | 143.8                            | 97.0                             |
| 1938 Nov. 23 | 114.3                             | 132.6                       | 126.0             | 175.7                    | 116.7                 | 148.7                        | 143.8                            | 97.7                             |
| 1939 Dec. 21 | 113.7                             | 132.4                       | 126.5             | 175.7                    | 115.6                 | 148.7                        | 144.0                            | 97.8                             |
| Jan. 4       | 114.7                             | 134.8                       | 127.5             | 177.1                    | 116.0                 | 151.2                        | 144.3                            | 98.0                             |
| Feb. 1       | 113.8                             | 132.5                       | 125.9             | 175.1                    | 115.7                 | 152.7                        | 144.9                            | 97.9                             |
| 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                            | 98.0                             |
| Mar. 29      | 114.4                             | 135.9                       | 123.5             | 174.9                    | 115.4                 | 153.5                        | 144.9                            | 97.8                             |
| Apr. 19      | 114.5                             | 134.4                       | 123.4             | 174.8                    | 115.9                 | 155.5                        | 146.4                            | 97.9                             |
| May 3        | 116.2                             | 134.7                       | 123.4             | 174.9                    | 115.6                 | 157.3                        | 146.2                            | 97.9                             |
| May 17       | 116.0                             | 134.7                       | 123.4             | 174.9                    | 114.4                 | 156.6                        | 146.5                            | 98.0                             |
| May 31       | 116.7                             | 134.4                       | 125.0             | 174.9                    | 114.8                 | 155.0                        | 146.9                            | 98.3                             |
| June 14      | 115.4                             | 134.4                       | 124.0             | 174.9                    | 114.3                 | 154.8                        | 147.1                            | 98.4                             |
| June 28      | 115.6                             | 134.4                       | 122.5             | 174.9                    | 114.1                 | 153.7                        | 146.2                            | 98.2                             |
| July 12      | 115.6                             | 135.2                       | 120.2             | 174.9                    | 114.0                 | 153.7                        | 147.0                            | 98.5                             |
| July 26      | 114.7                             | 133.4                       | 117.7             | 174.9                    | 112.8*                | 152.1                        | 146.9                            | 98.6                             |
| Aug. 9       | 114.5                             | 132.9                       | 119.9             | 174.9                    | 112.8*                | 152.3                        | ...                              | 98.7                             |
| Aug. 23      | 114.4                             | 132.9                       | 118.1             | 186.6                    | ...                   | 150.3†                       | ...                              | ...                              |
| Aug. 30      | 116.0                             | 137.6                       | 118.1             | 186.6                    | ...                   | 150.3†                       | ...                              | ...                              |

These figures refer to August 19th. † Monthly average  
‡ These figures refer to August 26th.

Details of *The Economist's* complete index are given below:—

|                     | BRITISH COMPLETE INDEX |               |               |               |
|---------------------|------------------------|---------------|---------------|---------------|
|                     | Sept. 18, 1931         | Aug. 31, 1938 | Aug. 23, 1939 | Aug. 30, 1939 |
| (1927=100)          |                        |               |               |               |
| Cereals and meat... | 64.5                   | 76.7          | 66.1          | 66.9          |
| Other foods .....   | 62.2                   | 57.5          | 61.3          | 61.1          |
| Textiles .....      | 43.7                   | 53.3          | 52.9          | 54.3          |
| Minerals .....      | 67.4                   | 91.8          | 93.4          | 94.2          |
| Miscellaneous ..... | 65.8                   | 74.5          | 75.6          | 77.6          |
| Complete index      | 60.4                   | 70.4          | 69.1          | 70.1          |
| 1913 = 100 .....    | 83.1                   | 96.8          | 95.0          | 96.4          |
| 1924 = 100 .....    | 52.2                   | 60.8          | 59.7          | 60.6          |

Owing to the depreciation of the pound in terms of dollars and the growing risk of war, the trend of the prices of primary products was upwards during the week ended last Wednesday. Our index for primary products in the United States, however, registered a slight decline. The complete index for this country also showed a slight advance. Compared with the beginning of the year, however, both the complete index and the figure for primary products for this country on August 30th show comparatively little change.

**Control of Shipping.**—At the beginning of August, the level of tramp shipping freights showed very little change from those ruling in the previous month. There was a noticeable improvement in the position at the River Plate, where an improved shipment of grain found a tonnage considerably reduced from the excessive levels of previous months. This improvement was sufficient to raise *The Economist* index of tramp freights from 90.4 in July (1913=100) to 91.6 in August, as is shown below:—

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

|                    | Average, 1913 | July, 1938 | Aug., 1938 | May, 1939 | June, 1939 | July, 1939 | Aug., 1939 |
|--------------------|---------------|------------|------------|-----------|------------|------------|------------|
| European waters    | 110.0         | 106.2      | 103.8      | 119.8     | 117.1      | 115.6      | 111.8      |
| North America ...  | 113.1         | 108.5      | 110.1      | 113.2     | 114.0      | 112.9      | 115.0      |
| South America ...  | 123.4         | 119.9      | 124.8      | 103.2     | 94.1       | 91.7       | 97.5       |
| India .....        | 106.3         | 112.3      | 110.0      | 122.2     | 113.2      | 110.3      | 112.1      |
| Far East & Pacific | 117.4         | 105.2      | 106.2      | 99.7      | 96.1       | 92.3       | 95.7       |
| Australia .....    | 127.9         | 112.5      | 113.0      | 109.1     | 107.5      | 108.5      | 107.5      |
| Total .....        | 116.3         | 110.8      | 111.3      | 111.2     | 107.0      | 105.2      | 106.6      |
| 1913 = 100...      | 100.0         | 95.2       | 95.7       | 95.6      | 92.0       | 90.4       | 91.6       |

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# DETAILS OF FREIGHT MOVEMENTS ON INDIVIDUAL TRADE ROUTES ARE GIVEN BELOW:—

|                    | Index No. | Inc. or Dec. Points |                       | Index No. | Inc. or Dec. Points |
|--------------------|-----------|---------------------|-----------------------|-----------|---------------------|
| Home trade .....   | 99.2      | - 7.1               | South America:—       |           |                     |
| Bay—outwards.....  | 130.3     | - 3.7               | Outwards .....        | 68.4      | + 7.4               |
| Bay—homewards..... | 125.9     | - 1.6               | Homewards .....       | 126.6     | + 4.2               |
| Mediterranean:—    |           |                     | India—outwards .....  | 96.8      | + 0.7               |
| Outwards .....     | 93.5      | - 1.3               | India—homewards ..... | 127.4     | + 2.9               |
| Homewards .....    | 122.5     | - 1.9               | Far East, etc. ....   | 95.7      | + 3.4               |
| North America..... | 115.0     | + 2.9               | Australia .....       | 107.5     | - 1.0               |

At the close of the month the increasing tension in Europe led to a suspension of new chartering on many routes, coupled with extensive orders for wheat cargoes. On

August 27th the Board of Trade prohibited the transfer, without official consent, of British ships, and on the same day the Admiralty assumed control of the British mercantile fleet; the next day the Admiralty closed the Mediterranean and Baltic to British ships. During the following week there were extensive alterations to the insurance rates against war risk under the Cargo Pool Scheme, and on September 4th, after the outbreak of war, the Board of Trade opened an office at Lloyds for war risks insurance. At present the highest rate for cargoes to be shipped is 70s. per cent. for the homeward route from the Far East via Cape and from South America. The Board of Trade has also assumed control of the shipbuilding and repair trade; no ships may be built or repaired except under the Board's licence.

## INDUSTRIAL REPORTS

### Coal

**Sheffield.**—Developments in the coal market under control are awaited, and in the meanwhile there is a strong demand for both industrial and household fuel on home account. Blastfurnace coke is in request.

\*

**Newcastle-on-Tyne.**—So far as the export trade is concerned, business on the North-East coal market is at a standstill. Regulations have been issued whereby all coal exports are governed by licence and at the present exporters are communicating these regulations to buyers in neutral countries and it is expected that before long business will be resumed. In the meantime, collieries are obtaining considerable benefit from home trade, but those that depend upon export are having to cast coal. Patent oven coke is in active demand from inland consumers.

\*

**Glasgow.**—Export business is at present at a standstill pending completion of the new scheme being arranged between the Mines Department and the coal masters. Licences will in due course be issued enabling at least a partial resumption of trade. It is not expected that neutral ships will have any major difficulties in carrying out their charters beyond, of course, the risks possibly attendant in view of the new situation. No export prices are not yet being quoted, as these are subject to Government supervision. In the home market business is moving steadily and on an active scale generally. There is no shortage of supplies, and none is expected.

\*

**Cardiff.**—Organisations as well as individual traders have been occupied this week in the adjustment of commercial procedure to war conditions. The Orders which came into effect on Monday leave virtually untouched the production side of the industry, the exports are under direct Government control, while in regard to export prices there is to be no change in those now authorised by the Control Board except by agreement with the Mines Department. Although for the moment there is no Government restriction on outward chartering both British and neutral shipowners are suspending the arrangement of new charters pending the settlement of the emergency overseas transport arrangements, while in the ex-

port trade all shipments are now subject to licence. Naturally the international coal trade is almost entirely suspended and in Continental Europe distribution has been completely disorganised by the closing of the German market against British coals, of the French market against German coals, and of the interruption of the Polish exports through Gdynia and Danzig as well as on the German and Southern European frontiers. In South Wales production has not yet been affected, but shipments have temporarily been seriously curtailed by war risks and the new Government regulations.

### Iron and Steel

**Sheffield.**—Activity marked the iron and steel market up to the time of the declaration of war, but with the announcement of Government control there has ensued a pause while the market adapts itself to the new conditions. Licences are now necessary to acquire certain raw materials, except in particular cases. Maximum prices are established for the principal iron and steel products, and they are those current at the time of control.

For home dealing in iron and steel scrap no licence is required, but exports must not be made except under licence. There is a strong demand for heavy basic steel scrap at the controlled price, and most other classes are well taken up.

Sheffield industry is now quoting at its highest level for many years, and while, of course, national defence work is given priority, there is a valuable run of ordinary commercial orders to be completed, both from home and overseas sources.

\*

**Glasgow.**—In the West of Scotland work is proceeding intensively at the steelmaking and other establishments. At a few plants night shift operations had to be suspended for a short time owing to the difficulties of obscuration of light, but at most plants the required provisions have already been made, and it is expected that within a few days full night working will be in operation. The calling-up of men for the various services has, of course, caused some inconvenience at many works in this area, but there has been no slowing down of operations, and output is being maintained at the recent high levels. Stocks of raw material are sufficient for immediate re-

quirements. Enquiries and orders are confined almost entirely to the requirements of materials for the services and for A.R.P. work.

\*

**Cardiff.**—Work in the South Wales iron and steel industry has not yet been appreciably affected by war conditions. The output of tinplates in the week ended August 26th equalled 70.44 per cent. of capacity under the pooling scheme, and it is being maintained at about this level. Exports are now subject to licence, but prices and distribution are under strict control. The Cartel arrangements are suspended. Galvanised steel sheet makers are fully employed with A.R.P. orders, and iron and steel scrap is in great demand.

### Textiles

**Cotton (Manchester).**—Business has been dislocated by the outbreak of war. So far traders have not been able to adapt themselves to changed conditions. It is realised, however, that efforts must be made to carry on export trade. Since a week ago there has been an advance in raw cotton prices in Liverpool of about 1½d. per lb. The Liverpool market has remained open, but under controlled conditions. The vital factor in the situation is the small supply in Liverpool, the stocks of all kinds of cotton being only 567,921, against 1,162,000, bales a year ago.

A sharp advance has occurred in yarn prices. Quotations have been put up more than the rise in raw cotton rates, as the basis in Liverpool has been advanced and the war insurance rate for stocks is a heavy charge. Numerous spinners have withdrawn quotations, and most of the transactions have been of a special character.

The cloth market has been thoroughly disorganised. Most of the attempts at export contracts have been futile. Many merchants have asked manufacturers to stop deliveries for the time being until something is known as to shipping facilities. All attention will have to be centred on supplying the Government with materials for the National Services. Some firms have been asked to increase output, and the question of running two or three shifts has been raised. Home trade houses have pressed makers for the delivery of fabrics which are urgently needed to meet the requirements of the A.R.P. organisations.

## COMPANY MEETING

### ALLIED INDUSTRIAL SERVICES, LIMITED

#### INCREASED PROFITS

The fifth annual meeting of Allied Industrial Services, Limited, was held, on the 6th instant, in Bradford.

Mr W. H. Rhodes, who presided, said that the directors were able to report an increase in the company's business and profits, which this year, after providing for depreciation, directors' fees and other charges, amounted to £204,695. Adding thereto £1,511, being the profit-and-loss account balance carried forward from the previous year, less the amount deducted to provide part of the capital bonus distributed in December, 1938, £206,206 was available for allocation.

It was with deep regret that he had to record the loss which the board had suffered in April last through the death of his father, Mr W. Rhodes, who was one of the managing directors of the company and who for over thirty years had been chairman to the board of directors of Hill, Rhodes and Wilkinson, Limited, the predecessors of this company. During the past few months the board had put

into operation a scheme for holidays with pay, and it was their intention to extend that scheme so that during the next holiday season all the company's employees would receive holidays with full pay.

It was his custom at their annual general meeting to touch briefly on the trading prospects of the company for the current year. On this occasion he did not propose to comment beyond stating that since the commencement of the present financial year business had been satisfactory.

In conclusion, he expressed his thanks to the managers, staff and workpeople, who had respectively controlled and handled with painstaking care the multiplicity of detail in connection with the immense number of individual transactions involved in a business of such magnitude.

The report and accounts were unanimously adopted and a resolution was passed confirming the payment of the preference dividends for the two half-years to June 30, 1939, and the interim ordinary dividend already paid, and sanctioning a final dividend of 36 per cent. actual for the year, making 50 per cent. for the year, less tax.

The formal business was duly transacted, and the proceedings terminated with a vote of thanks to the directors and staff.

## THE COMMODITY MARKETS

WITH the outbreak of war, trading in most of the commodity markets was suspended. In some cases, notably cereals, petrol and various textiles, the complete trade, including stocks and dealings, have been taken over by one or other of the Government Departments. Current dealings in some commodities, such as foods and oils and oilseeds, are taking place at prices fixed by the Government or by the authority controlling the Exchange. At most Exchanges, arrangements have been made for the orderly liquidation of open contracts at prices fixed in relation to those existing before the declaration of war. Almost the only important exchange left uncontrolled is cotton, where dealings still continue for private account.

### Metals

THE London Metal Exchange closed after the unofficial evening market on Thursday, August 31st, as a result of the evacuation scheme. On Monday, September 4th, a short meeting of members was held, at which it was decided to re-open the L.M.E. on Wednesday for the registration of all open contracts up to and including September 6th. A settlement was planned on September 7th, but the liquidation of outstanding contracts was delayed, pending the fixing of settlement prices for copper, lead and spelter, about which negotiations are in progress. Dealings in these three metals are suspended but dealings in tin, which is not officially controlled for the present, were resumed on Wednesday, when about 750 tons of tin changed hands at the official cash quotation of £229 17s. 6d. per ton; the price has been pegged at this level by the buffer pool since the middle of July. The three months' quotation was fixed at £227 10s. per ton, so that the backwardation has shrunk to £2 7s. 6d. against £3 2s. 6d. a week ago. Dealings in tin will continue daily for a short session of 15 minutes from noon. The

price of nickel was raised on Wednesday from £180 to £185 per ton to £190 to £195 per ton, and that of platinum from £8 15s. to £9 5s. per fine ounce. The increases are due more to the set-back in sterling than to the increased war requirements, as supplies of both are drawn from Canada and are ample.

### Grains

DEALINGS both at Mark Lane and at the Baltic Exchange were suspended last Friday and on Monday private trading in cereals and cereal products was prohibited. In order to liquidate open contracts the Committee of the Liverpool Corn Exchange fixed contract prices at 4s. 0½d. per cwt. for October wheat and 5s. 1½d. per cwt. for October maize, with corresponding prices for other futures. All flour mills and trade in flour and other cereal products have been placed under the Food Controller, who has also taken over all holdings of wheat; the price for requisition has been fixed at 26s. 10½d. per 496 lb. for No. 1 Northern Manitoba, Vancouver, afloat and for shipment, with corresponding prices for other grades of wheat. Until further notice, the price of flour has been fixed at 22s. per cwt. delivered per sack of 280 lb. of straightrun, plus the levy imposed by the Wheat Commission.

### Other Foods

**Provisions.**—Prices for bacon, hams, lard, butter and cheese were stabilised for a fortnight from September 2nd at the level ruling the previous day.

\*

**Meat.**—By order of the Food Controller, meat prices from September 4th were not to exceed the average of the appropriate quotation in the week ending on August 25th. In London, the emergency arrangements for the decentralisation of the trade were put into force; thirty suburban depôts have been established from which butchers can take supplies, and dealings at Smithfield have been temporarily suspended.

**Eggs.**—Maximum egg prices were fixed on September 1st by the Committee of the London Provision Exchange.

\*

**Colonial Produce.**—The terminal market in sugar was suspended on September 2nd; prices for refined were continued at the level ruling on September 1st, but deliveries were restricted to daily needs. Open contracts were closed at fixed prices of 7s. 4½d. per cwt. for September. On September 6th the Food Controller fixed wholesale and retail prices for sugar; until further notice the price for granulated sold retail in cartons is 3½d. per lb., with corresponding prices for other grades. Futures dealings in cocoa and coffee were also suspended; open contracts in cocoa were closed at 20s. 9d. per cwt. for September delivery. The Mincing Lane tea auctions closed on September 1st, and dealings, confined to the supply of immediate requirements, were continued at existing prices. The Produce Exchange re-opened for spot dealings on Thursday.

## Miscellaneous Commodities

**Oils and Oilseeds.**—After a week of uncertainty, dealings in these products were suspended on September 1st; the trade is now under the regulation of the Food Controller, but the Produce Exchange re-opened for spot dealings on Thursday.

\*

**Rubber.**—The London market was closed on September 1st, and re-opened on Thursday with prices at a substantially higher level.

\*

**Petrol.**—Supplies and distribution of petrol have been taken over by the Department of Mines. For private vehicles, petrol rationing will be introduced on September 16th; meanwhile, existing brands of petrol are being amalgamated and will be sold as pool petrol at the price of 1s. 6d. per gallon.

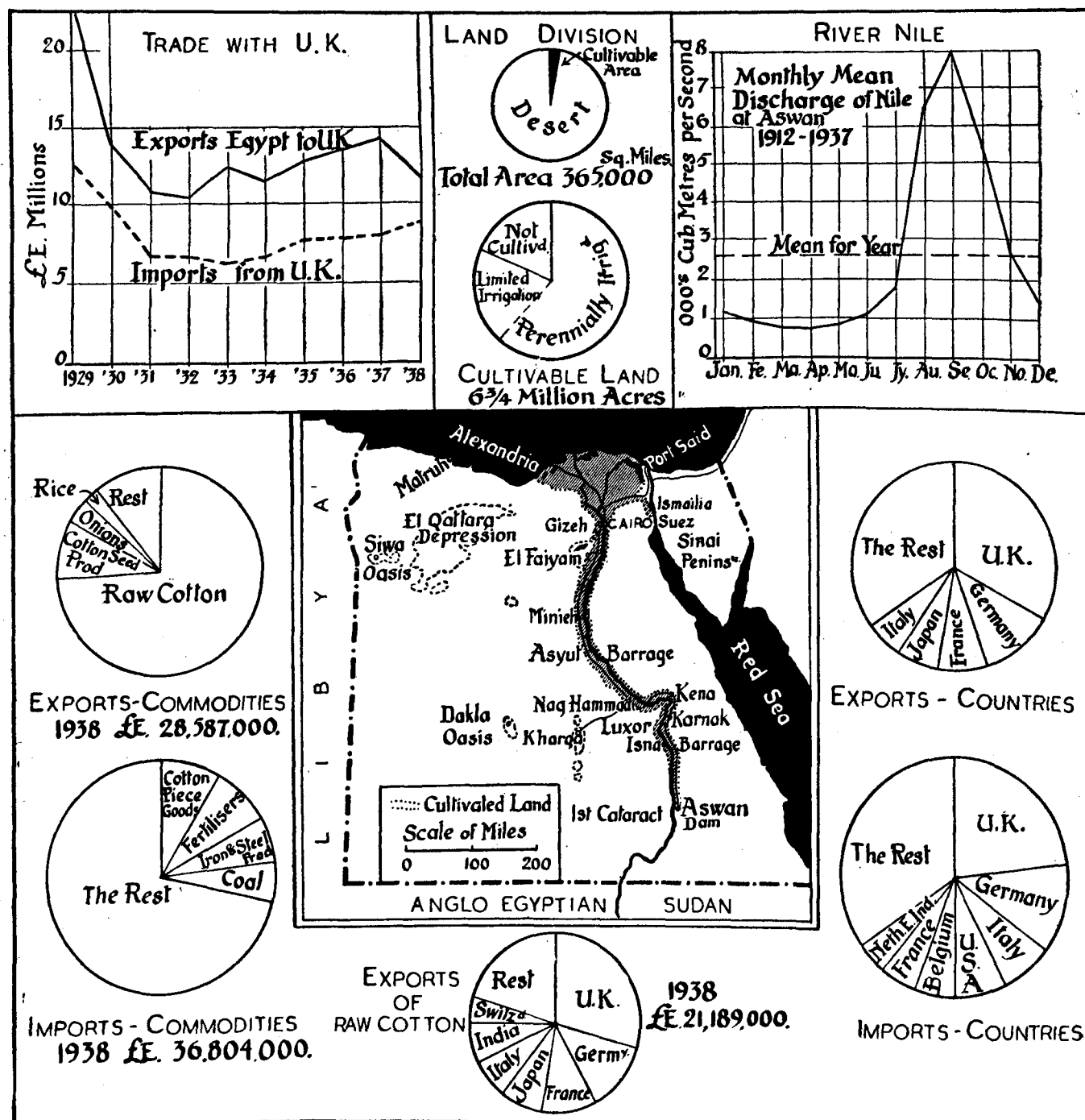
## CURRENT STATISTICS

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## Egypt



## GOVERNMENT RETURNS

For the week ended September 2, 1939, total ordinary revenue was £11,788,000, against ordinary expenditure of £36,620,000, issues from Defence loans of £1,500,000, and issues to Sinking Funds of £1,894,000. Thus, including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1st last is £179,165,000, against £146,152,000 a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                       | Receipts into the Exchequer (£ thousands) |                                 |                                 |                          |                          |
|-------------------------------|-------------------------------------------|---------------------------------|---------------------------------|--------------------------|--------------------------|
|                               | Estimate, 1939-40                         | April 1, 1938, to Sept. 3, 1938 | April 1, 1939, to Sept. 2, 1939 | Week ended Sept. 3, 1938 | Week ended Sept. 2, 1939 |
| ORDINARY REVENUE              |                                           |                                 |                                 |                          |                          |
| Income Tax                    | 327,000                                   | 49,444                          | 48,596                          | 4,256                    | 3,981                    |
| Sut-tax                       | 70,000                                    | 7,770                           | 8,550                           | 100                      | 130                      |
| Estate, etc., Duties...       | 80,000                                    | 33,100                          | 36,030                          | 1,220                    | 1,010                    |
| Stamps                        | 21,000                                    | 8,290                           | 7,750                           | ...                      | ...                      |
| N.D.C.                        | 25,000                                    | 5,450                           | 10,570                          | 450                      | 400                      |
| Other Inl. Revenue            | 1,250                                     | 480                             | 360                             | ...                      | 10                       |
| Duties...                     | 1,250                                     | 480                             | 360                             | ...                      | 10                       |
| <b>Total I. Rev.</b>          | <b>524,250</b>                            | <b>104,534</b>                  | <b>111,856</b>                  | <b>6,026</b>             | <b>5,531</b>             |
| Customs                       | 232,300                                   | 93,989                          | 106,824                         | 4,416                    | 5,454                    |
| Excise                        | 116,430                                   | 45,915                          | 47,770                          | 761                      | 1,413                    |
| <b>Total Cust. and Excise</b> | <b>348,730</b>                            | <b>139,904</b>                  | <b>154,594</b>                  | <b>5,177</b>             | <b>6,867</b>             |
| Motorduties                   | 43,450                                    | 8,219                           | 8,379                           | ...                      | ...                      |
| P.O. (Net Receipt)            | 7,200                                     | 5,840                           | 4,704                           | Dr. 650                  | Dr. 620                  |
| P.O. Fund                     | 1,600                                     | ...                             | ...                             | ...                      | ...                      |
| Crown Lands                   | 1,330                                     | 620                             | 620                             | ...                      | ...                      |
| Rec. from Sun. Loans          | 5,000                                     | 3,926                           | 3,271                           | 81                       | ...                      |
| Misc. Rec.                    | 10,750                                    | 2,838                           | 2,806                           | 520                      | 10                       |
| <b>Total Ord. Rev.</b>        | <b>942,310</b>                            | <b>265,881</b>                  | <b>286,230</b>                  | <b>11,154</b>            | <b>11,788</b>            |
| SELF-BAL. REVENUE             |                                           |                                 |                                 |                          |                          |
| P.O. and Broadcasting         | 83,449                                    | 30,610                          | 31,546                          | 2,000                    | 2,070                    |
| <b>Total</b>                  | <b>1,025,759</b>                          | <b>296,491</b>                  | <b>317,776</b>                  | <b>13,154</b>            | <b>13,858</b>            |

## Issues out of the Exchequer (£ thousands)

| Expenditure                    | Issues out of the Exchequer (£ thousands) |                                 |                                 |                          |                          |
|--------------------------------|-------------------------------------------|---------------------------------|---------------------------------|--------------------------|--------------------------|
|                                | Estimate, 1939-40                         | April 1, 1938, to Sept. 3, 1938 | April 1, 1939, to Sept. 2, 1939 | Week ended Sept. 3, 1938 | Week ended Sept. 2, 1939 |
| ORDINARY EXPEND.               |                                           |                                 |                                 |                          |                          |
| Int. & Man. of Nt. Dr.         | 230,000                                   | 105,126                         | 104,030                         | 8,376                    | 5,262                    |
| Pays. to N. Ireland            | 10,000                                    | 3,020                           | 2,977                           | ...                      | ...                      |
| Other Cons. Fund Ser.          | 7,200                                     | 1,276                           | 3,328                           | 22                       | 25                       |
| <b>Total</b>                   | <b>247,200</b>                            | <b>109,422</b>                  | <b>110,335</b>                  | <b>8,398</b>             | <b>5,287</b>             |
| Supply Serv. Ditto, plus loans | 870,571                                   | 298,079                         | 350,385                         | 16,847                   | 31,333                   |
| <b>Total</b>                   | <b>1,206,141</b>                          | <b>298,079</b>                  | <b>409,385</b>                  | <b>16,847</b>            | <b>32,833</b>            |
| <b>Total Ord. Expend.</b>      | <b>950,911</b>                            | <b>407,501</b>                  | <b>460,720</b>                  | <b>25,245</b>            | <b>36,620</b>            |
| Issues from Def. Lns.          | 502,430                                   | ...                             | 59,000                          | ...                      | 1,500                    |
| <b>Total</b>                   | <b>1,034,360</b>                          | <b>438,111</b>                  | <b>492,266</b>                  | <b>27,245</b>            | <b>38,690</b>            |

\* Supply Services, after addition of issues under Defence Loan Acts; (a) after reductions of £290,000 in Finance Act; (b) excluding £502,430,000 to be met from borrowing (£342,500,000 in original estimates plus £159,930,000 from supplementaries); (c) that is, Budget provision (including margin for supplementaries) of £942,444,000 from revenue, plus supplementaries of £25,000,000 margin for supplementaries and £1,164,000 Ordnance Vote now included with Ministry of Supply.

After reducing Exchequer balances by £268,026 to £2,452,576, the other operations for the week (as shown in the next column) raised the gross National Debt by £27,956,000 to about £8,522 millions.

## Finance

## WEEK'S CHANGES IN DEBT

| NET INCREASES     |        | NET REPAYMENTS, ETC. |       |
|-------------------|--------|----------------------|-------|
| Treasury bills    | 25,188 | Nat. Sav. Certs.     | 700   |
| Pub. Dept. Advcs. | 3,875  | P.O. and Teleg.      | 350   |
| Tithe Act         | 160    | N. At. Shipping      | 27    |
|                   |        | Overseas Trade       | 49    |
|                   |        | Guarantees           | 141   |
|                   |        | Ang.-Turk.-Asms.     | 141   |
|                   | 29,223 |                      | 1,267 |

## AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to September 2, 1939, are shown below:—

| (£ thousands)               |         | (£ thousands)      |         |
|-----------------------------|---------|--------------------|---------|
| Ordinary Exp.               | 460,720 | Ord. Rev.          | 286,230 |
| Issues under Def. Loan Acts | 59,000  | Dec. in bics       | 47      |
|                             |         | Gross bor. 210,183 |         |
|                             |         | Less—              |         |
|                             |         | Sinking fds. 4,696 |         |
|                             |         | Net borrowing      | 233,443 |
|                             | 519,720 |                    | 519,720 |

## FLOATING DEBT (£ millions)

| Date    | Treasury Bills |       | Ways and Means Advances |                   | Total Floating Debt | Floating Assets |
|---------|----------------|-------|-------------------------|-------------------|---------------------|-----------------|
|         | Tender         | Tap   | Public Depts.           | Bank of Eng. land |                     |                 |
| 1938    |                |       |                         |                   |                     |                 |
| Sept. 3 | 550.0          | 316.9 | 44.1                    | ...               | 911.0               | 361.0           |
| May 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           |
| " 24    | 479.0          | 540.4 | 45.7                    | ...               | 1065.1              | 586.1           |
| " 30    | 489.0          | 563.0 | 45.7                    | 37.5              | 1076.2              | ...             |
| July 8  | 499.0          | 568.8 | 43.1                    | ...               | 1097.3              | 608.3           |
| " 15    | 494.0          | 562.8 | 43.1                    | ...               | 1099.8              | 605.8           |
| " 22    | 499.0          | 558.1 | 43.1                    | ...               | 1100.2              | 601.2           |
| " 29    | 504.0          | 564.9 | 46.3                    | ...               | 1115.2              | 611.2           |
| Aug. 5  | 510.0          | 568.5 | 46.9                    | ...               | 1125.4              | 615.4           |
| " 12    | 510.0          | 570.7 | 45.5                    | ...               | 1126.2              | 616.2           |
| " 19    | 510.0          | 570.1 | 47.5                    | ...               | 1127.6              | 617.6           |
| " 26    | 510.0          | 583.1 | 45.3                    | ...               | 1138.4              | 628.4           |
| Sept. 2 | 500.0          | 618.3 | 49.2                    | ...               | 1167.5              | 667.5           |

\* 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 (£ millions)

| Date of Tender | Amount  |             |          | Average Rate % | Per Cent. Allotted at minimum Rate |
|----------------|---------|-------------|----------|----------------|------------------------------------|
|                | Offered | Applied for | Allotted |                |                                    |
| 1938           |         |             |          |                |                                    |
| Sept. 2        | 45.0    | 74.6        | 45.0     | 10 5.87        | 37                                 |
| May 12         | 30.0    | 58.3        | 30.0     | 13 4.61        | 40                                 |
| " 19           | 30.0    | 60.8        | 30.0     | 13 3.63        | 28                                 |
| " 26           | 40.0    | 58.3        | 40.0     | 13 1.91        | 74                                 |
| June 2         | 45.0    | 64.0        | 45.0     | 13 1.65        | 73                                 |
| " 9            | 45.0    | 66.8        | 45.0     | 14 5.23        | 66                                 |
| " 16           | 50.0    | 70.0        | 50.0     | 16 7.81        | 60                                 |
| " 23           | 50.0    | 60.7        | 50.0     | 14 6.51        | 77                                 |
| " 30           | 50.0    | 66.6        | 47.0     | 17 0.00        | 58                                 |
| July 7         | 40.0    | 63.3        | 37.0     | 16 8.32        | 44                                 |
| " 14           | 35.0    | 64.5        | 35.0     | 15 8.99        | 51                                 |
| " 21           | 35.0    | 68.6        | 35.0     | 14 8.61        | 39                                 |
| " 28           | 40.0    | 73.8        | 36.0     | 14 4.08        | 27                                 |
| Aug. 4         | 35.0    | 67.9        | 30.0     | 13 7.9         | 21                                 |
| " 11           | 30.0    | 58.6        | 30.0     | 14 0.7         | 39                                 |
| " 18           | 30.0    | 63.1        | 30.0     | 15 7.39        | 28                                 |
| " 25           | 30.0    | 50.4        | 30.0     | 74 5.44        | 4                                  |
| Sept. 1        | 40.0    | 56.3        | 40.0     | 74 3.48        | 59                                 |

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On September 1st applications at £99 1s. 2d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 59 per cent. of the amount applied for and applications at higher prices in full. £50.0 millions of Treasury bills are being offered on September 8th.

## NATIONAL SAVINGS CERTIFICATES

| Sales in                |            | Number |  | Purchase Price |  |
|-------------------------|------------|--------|--|----------------|--|
| Thirty-three weeks to:— |            |        |  |                |  |
| Aug. 20, 1938           | 21,105,187 |        |  | 15,828,896     |  |
| Aug. 19, 1939           | 19,860,706 |        |  | 14,895,494     |  |
| Week to:—               |            |        |  |                |  |
| Aug. 20, 1938           | 522,557    |        |  | 391,918        |  |
| Aug. 12, 1939           | 468,865    |        |  | 351,649        |  |
| Aug. 19, 1939           | 462,925    |        |  | 347,194        |  |

\* Five days only.

## BANK OF ENGLAND RETURNS

SEPTEMBER 6th, 1939  
ISSUE DEPARTMENT

| £                        |            | £                                               |                    |
|--------------------------|------------|-------------------------------------------------|--------------------|
| Notes Issued:            |            | Govt. Debt                                      | 11,015,100         |
| In circultn. 549,886,038 |            | Other Govt. Securities                          | 564,821,813        |
| In Bnkg. Department      | 30,216,151 | Other Secs.                                     | 3,451,250          |
|                          |            | Silver Coin                                     | 711,123            |
|                          |            | <b>Amt. of Fid. Issue</b>                       | <b>580,000,000</b> |
|                          |            | Gold Coin & Bullion (at 168s. 6d. per oz. fine) | 102,189            |
|                          |            |                                                 | 580,102,189        |

## BANKING DEPARTMENT

| £              |             | £             |             |
|----------------|-------------|---------------|-------------|
| Props. Capital | 14,553,000  | Govt. Secs.   | 123,721,164 |
| Res.           | 3,667,795   | Other Secs.:  |             |
| Public Depts.  | 15,029,438  | Discs., etc.  | 6,016,517   |
|                |             | Securities    | 25,213,070  |
| Other Depts.:  |             | Notes         | 31,229,598  |
| Bankers        | 111,266,996 | Gold & Silver | 30,216,151  |
| Other Accs.    | 41,235,448  | Coin          | 585,766     |
|                | 152,502,444 |               | 185,752,677 |
|                | 185,752,677 |               | 185,752,677 |

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

## THE WEEK'S CHANGES (£ thousands)

| Both Departments                                        | Compared with      |                 |                 |
|---------------------------------------------------------|--------------------|-----------------|-----------------|
|                                                         | Amt. Sept. 6, 1939 | Last Week       | Last Year       |
| <b>COMBINED LIABILITIES</b>                             |                    |                 |                 |
| Note circulation                                        | 549,886            | + 20,387        | + 69,771        |
| Deposits: Public                                        | 15,029             | + 16,038        | + 17,122        |
| Bankers                                                 | 111,267            | + 21,124        | + 20,068        |
| Others                                                  | 41,235             | + 2,259         | + 6,383         |
| <b>Total outside liabilities</b>                        | <b>717,417</b>     | <b>+ 27,732</b> | <b>+ 79,040</b> |
| Capita and rest                                         | 18,221             | + 16            | + 9             |
| <b>COMBINED ASSETS</b>                                  |                    |                 |                 |
| Govt. debt and securities                               | 699,558            | + 29,061        | + 39,848        |
| Discounts and advances                                  | 6,017              | + 37            | + 662           |
| Other securities                                        | 28,664             | + 565           | + 6,347         |
| Silver coin in issue dept.                              | 712                | + 1             | + 700           |
| Gold coin and bullion                                   | 688                | + 26,061        | + 32,747        |
| <b>RESERVES</b>                                         |                    |                 |                 |
| Res. of notes & coin in banking department              | 30,802             | + 3,448         | + 16,918        |
| Proportion of reserve to outside liabilities—           |                    |                 |                 |
| (a) Bankg. dept. only ("proportion")                    | 18.3%              | + 3.0%          | + 11.8%         |
| (b) Gold stocks to deposits and notes ("reserve ratio") | ...                | ...             | ...             |

## COMPARATIVE ANALYSIS\* (£ millions)

|                           | 1938    |         |         |         |         | 1939    |         |         |         |         |
|---------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                           | Sept. 7 | Aug. 16 | Aug. 23 | Aug. 30 | Sept. 6 | Sept. 7 | Aug. 16 | Aug. 23 | Aug. 30 | Sept. 6 |
| <b>Issue Dept.:</b>       |         |         |         |         |         |         |         |         |         |         |
| Notes in bankg. dept.     | 46.3    | 34.2    | 38.4    | 33.5    | 30.2    | 480.1   | 512.4   | 508.1   | 529.5   | 549.9   |
| Govt. debt and securities | 199.7   | 297.2   | 295.2   | 295.8   | 574.8   | 199.7   | 297.2   | 295.2   | 295.8   | 574.8   |
| Other secs.               | 0.2     | 2.1     | 4.1     | 3.5     | 3.5     | 0.2     | 2.1     | 4.1     | 3.5     | 3.5     |
| Silver coin               | 0.0     | 0.7     | 0.7     | 0.7     | 0.7     | 0.0     | 0.7     | 0.7     | 0.7     | 0.7     |



## OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of International Settlements appeared in *The Economist* of August 12th; Denmark, and Iran, of August 19th; Danzig, and Egypt, of August 26th; Australia, Bohemia & Moravia, Canada, Estonia, Hungary, Japan, Jugoslavia, Latvia, Lithuania, Norway, and Poland, of September 2nd.

## U.S. FEDERAL RESERVE BANKS

| Million \$'s                                | Sept. 1, 1938 | Aug. 31, 1938 | Aug. 31, 1939 | Sept. 7, 1939 |
|---------------------------------------------|---------------|---------------|---------------|---------------|
| 12 U.S.F.R. BANKS                           | 1938          | 1938          | 1939          | 1939          |
| Gold cert. on hand and due from Treas.      | 10,631        | 13,914        | 14,312        | 14,312        |
| Total reserves                              | 10,996        | 14,272        | 14,661        | 14,661        |
| Total cash reserves                         | 356           | 349           | 340           | 340           |
| Total bills discounted                      | 7             | 5             | 6             | 6             |
| Bills bt. in open mkt.                      | 1             | 1             | 1             | 1             |
| Total bills on hand                         | 8             | 5             | 7             | 7             |
| Industrial advances                         | 16            | 12            | 12            | 12            |
| Total U.S. Govt. secs.                      | 2,564         | 2,443         | 2,426         | 2,426         |
| Total bills and secs.                       | 2,587         | 2,460         | 2,445         | 2,445         |
| Total resources                             | 14,241        | 17,430        | 17,812        | 17,812        |
| LIABILITIES                                 |               |               |               |               |
| F.R. notes in circn.                        | 4,212         | 4,551         | 4,609         | 4,609         |
| Aggregate of excess mr. bank res. over req. | 3,030         | 4,530         | 4,800         | 4,800         |
| Deposits — Member-bank reserve account      | 8,269         | 10,509        | 10,951        | 10,951        |
| Govt. deposits                              | 561           | 844           | 709           | 709           |
| Total deposits                              | 9,147         | 11,950        | 12,268        | 12,268        |
| Cap. paid in and surplus                    | 309           | 312           | 312           | 312           |
| Total liabilities                           | 14,241        | 17,430        | 17,812        | 17,812        |
| Reserve to depts. and F.R. notes            | 82.3%         | 86.5%         | 86.9%         | 86.9%         |
| U.S.F.R. BANKS AND TREASURY COMBINED        |               |               |               |               |
| Monetary gold stock                         | 13,237        | 16,270        | 16,638        | 16,638        |
| Treasury and Nat. Bk. currency              | 2,729         | 2,897         | 2,905         | 2,905         |
| LIABILITIES                                 |               |               |               |               |
| Money in circulation                        | 6,579         | 7,070         | 7,141         | 7,141         |
| Treasury cash and deposits with F.R. Bks.   | 3,140         | 3,198         | 3,036         | 3,036         |

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

|                                            | Sept.<br>8,<br>1938 | Aug.<br>31,<br>1938 | Aug.<br>31,<br>1939 | Sept.<br>7,<br>1939 |
|--------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Total gold reserves ....                   | 4598                | 6632                | 7045                | 7045                |
| Total bills discounted...                  | 2                   | 2                   | 2                   | 2                   |
| Bills bt. in open mkt. ....                | 0                   | 0                   | 0                   | 0                   |
| Total U.S. Govt. secs.                     | 780                 | 712                 | 706                 | 706                 |
| Total bills and secuts.                    | 786                 | 716                 | 712                 | 711                 |
| Deposits — Member-<br>bank reserve account | 3995                | 5588                | 6084                | 6084                |
| Reserve to depts. and<br>F.R. notes .....  | 86.7%               | 91.2%               | 91.7%               | 91.7%               |

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

| Aug. 15, 1938          | July 15, 1938 | Aug. 15, 1939 | Aug. 15, 1939 |
|------------------------|---------------|---------------|---------------|
| ASSETS                 |               |               |               |
| Loans, total           | 1,938         | 1,939         | 1,939         |
| Investments            | 8,223         | 8,116         | 8,186         |
| Reserve with Fed.      | 12,409        | 13,909        | 14,151        |
| Reserve banks          | 6,568         | 8,706         | 8,791         |
| Due from domestic bks. | 2,437         | 2,767         | 2,842         |
| LIABILITIES            |               |               |               |
| Deposits: demand       | 15,020        | 17,387        | 17,551        |
| Time                   | 5,215         | 5,223         | 5,251         |
| U.S. Government        | 425           | 550           | 548           |
| Inter-bank             | 6,273         | 7,530         | 7,680         |

## NATIONAL BANK OF BELGIUM

| Sept. 1, 1938          | Aug. 31, 1938 | Aug. 31, 1939 | Aug. 31, 1939 |
|------------------------|---------------|---------------|---------------|
| ASSETS                 |               |               |               |
| Gold                   | 3,085         | 3,458         | 3,622         |
| Silver and other coin  | 46            | 45            | 45            |
| Foreign exchange, etc. | 927           | 864           | 865           |
| Bills and securities   | 590           | 570           | 636           |
| Advances               | 56            | 53            | 65            |
| LIABILITIES            |               |               |               |
| Notes in circulation   | 4,297         | 4,632         | 4,782         |
| Deposits: Govt.        | 31            | 5             | 10            |
| Other                  | 289           | 261           | 356           |

## CENTRAL BANK OF ARGENTINA

| Aug. 15, 1938                               | July 15, 1938 | July 15, 1939 | Aug. 15, 1939 |
|---------------------------------------------|---------------|---------------|---------------|
| ASSETS                                      |               |               |               |
| Gold at home                                | 1,224         | 1,224         | 1,224         |
| Other gold & for. exch.                     | 99            | 89            | 96            |
| Non-int. Govt. bond                         | 119           | 119           | 119           |
| Treasury bonds                              | 397           | 396           | 396           |
| LIABILITIES                                 |               |               |               |
| Notes in circulation                        | 1,077         | 1,122         | 1,118         |
| Deposits: Government                        | 111           | 165           | 209           |
| Banks                                       | 339           | 411           | 379           |
| Certs. of participation in Treasury bonds   | 306           | 130           | 132           |
| Gold and for. exch. to note and sight liab. | 86.4%         | 77.2%         | 77.4%         |

## BANK OF JAVA.—Million florins

| Aug. 27, 1938                           | July 29, 1938 | Aug. 19, 1939 | Aug. 26, 1939 |
|-----------------------------------------|---------------|---------------|---------------|
| ASSETS                                  |               |               |               |
| Gold and silver                         | 138           | 136           | 147           |
| Discounts, advances & other investments | 73            | 71            | 77            |
| Foreign bills                           | 3             | 24            | 9             |
| Other assets                            | 53            | 62            | 51            |
| LIABILITIES                             |               |               |               |
| Notes in circulation                    | 187           | 199           | 198           |
| Deposits and bills                      | 68            | 40            | 72            |

## BANK OF FRANCE.—Million francs

| Sept. 1, 1938                                | Aug. 31, 1938 | Aug. 31, 1939 | Aug. 31, 1939 |
|----------------------------------------------|---------------|---------------|---------------|
| ASSETS                                       |               |               |               |
| Gold                                         | 55,808        | 97,266        | 97,266        |
| Bills: Commercial                            | 8,360         | 9,791         | 12,973        |
| Bought abroad                                | 726           | 692           | 592           |
| Advances on securities                       | 3,693         | 3,639         | 3,851         |
| Thirty-day advances                          | 766           | 1,012         | 1,719         |
| Loans to State without interest: (a) general | 3,200         | 10,000        | 10,000        |
| (b) provisional                              | 40,134        | 20,577        | 20,577        |
| Negotiable bonds                             | 5,570         | 5,470         | 5,466         |
| Sinking Fund Dept.                           | 4,560         | 4,361         | 5,556         |
| Other assets                                 | 101,760       | 124,451       | 129,978       |
| LIABILITIES                                  |               |               |               |
| Notes in circulation                         | 101,760       | 124,451       | 129,978       |
| Deposits: Public                             | 2,539         | 5,333         | 4,375         |
| Private                                      | 15,805        | 19,756        | 20,798        |
| Other liabilities                            | 2,713         | 3,268         | 2,850         |
| Gold to sight liabilities                    | 46.4%         | 65.0%         | 62.6%         |

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

## REICHSBANK

| Aug. 31, 1938          | July 31, 1938 | Aug. 31, 1939 | Aug. 31, 1939 |
|------------------------|---------------|---------------|---------------|
| ASSETS                 |               |               |               |
| Gold & for. currencies | 76            | 76            | 77            |
| Bills and cheques      | 6648          | 8460          | 8140          |
| Token money            | 129           | 91            | 168           |
| Renten bank notes      | 35            | 2             | 22            |
| Advances               | 35            | 2             | 22            |
| Secs. for note cover   | 847           | 925           | 982           |
| Other assets           | 1137          | 1510          | 1380          |
| LIABILITIES            |               |               |               |
| Notes in circulation   | 6868          | 8989          | 8709          |
| Daily maturing liab.   | 1032          | 9129          | 7195          |
| Other liabilities      | 309           | 424           | 454           |
| Cover of note circula. | 1.11%         | 0.85%         | 0.88%         |

## NATIONAL BANK OF BULGARIA

| Aug. 15, 1938                          | July 15, 1938 | Aug. 15, 1939 | Aug. 15, 1939 |
|----------------------------------------|---------------|---------------|---------------|
| ASSETS                                 |               |               |               |
| Gold holdings                          | 1,994         | 2,006         | 2,006         |
| Balances abroad and foreign currencies | 770           | 896           | 767           |
| Discounts and advances                 | 950           | 952           | 1,314         |
| Advances to Treasury                   | 3,468         | 3,417         | 3,417         |
| LIABILITIES                            |               |               |               |
| Notes in circulation                   | 2,783         | 3,015         | 3,094         |
| Sight liab. and deposits               | 3,376         | 3,096         | 3,188         |
| Ratio, gold to sight liab. and notes   | 32.8%         | 33.2%         | 32.3%         |

## BANK OF FINLAND

| Aug. 23, 1938             | July 22, 1938 | Aug. 15, 1939 | Aug. 23, 1939 |
|---------------------------|---------------|---------------|---------------|
| ASSETS                    |               |               |               |
| Gold reserve              | 620           | 1,128         | 1,159         |
| Foreign correspondents    | 2042          | 2,165         | 2,226         |
| Foreign bills, etc.       | 86            | 83            | 82            |
| Int. bills and home loans | 1519          | 2,174         | 1,086         |
| Finnish & foreign bonds   | 402           | 639           | 638           |
| LIABILITIES               |               |               |               |
| Notes in circulation      | 763           | 7,215         | 8,215         |
| Sight deposits: Govt.     | 12            | 207           | 165           |
| Other                     | 1366          | 4,073         | 1,124         |
| Cover to sight liab.      | 74.4%         | 88.2%         | 90.0%         |

## BANK OF GREECE.—Million drachmae

| Aug. 23, 1938             | July 23, 1938 | Aug. 15, 1939 | Aug. 23, 1939 |
|---------------------------|---------------|---------------|---------------|
| ASSETS                    |               |               |               |
| Gold and for. exchange    | 3,280         | 3,662         | 3,408         |
| State sec. in for. curr.  | 522           | 128           | 128           |
| Bills discounted          | 653           | 801           | 799           |
| Advances                  | 6,861         | 9,863         | 10,071        |
| State debt                | 3,782         | 4,079         | 4,083         |
| LIABILITIES               |               |               |               |
| Notes in circulation      | 6,661         | 7,977         | 7,886         |
| Dep. and current acct.    | 7,927         | 10,238        | 10,225        |
| Foreign exch. liabilities | 186           | 303           | 297           |

## RESERVE BANK OF INDIA

| Aug. 26, 1938                 | July 28, 1938 | Aug. 18, 1939 | Aug. 25, 1939 |
|-------------------------------|---------------|---------------|---------------|
| ASSETS                        |               |               |               |
| Gold coin and bullion         | 444           | 444           | 444           |
| Rupee coin                    | 689           | 731           | 735           |
| Balances abroad               | 699           | 595           | 595           |
| Indian Govt. rupee securities | 324           | 373           | 374           |
| Investments                   | 64            | 75            | 86            |
| LIABILITIES                   |               |               |               |
| Notes in circn.: India        | 1,646         | 1,689         | 1,698         |
| Burma                         | 68            | 95            | 97            |
| Deposits: Govts.              | 171           | 116           | 151           |
| Banks                         | 247           | 262           | 216           |
| Gold and sterling liabilities | 52.9%         | 45.5%         | 48.1%         |

## RESERVE BANK OF NEW ZEALAND

| Aug. 29, 1938           | July 31, 1938 | Aug. 21, 1939 | Aug. 29, 1939 |
|-------------------------|---------------|---------------|---------------|
| ASSETS                  |               |               |               |
| Gold                    | 2.80          | 2.80          | 2.80          |
| Sterling exchange       | 13.69         | 5.58          | 5.45          |
| Advances to State       | 6.63          | 18.94         | 19.52         |
| Investments             | 2.73          | 3.75          | 3.86          |
| LIABILITIES             |               |               |               |
| Bank Notes              | 13.70         | 15.69         | 15.78         |
| Dem. liab. & State      | 3.99          | 2.86          | 2.23          |
| Banks and others        | 6.86          | 10.97         | 11.99         |
| Reserves to sight liab. | 67.2%         | 28.1%         | 27.5%         |

## NETHERLANDS BANK

| Sept. 5, 1938                         | Aug. 28, 1938 | Sept. 4, 1939 | Sept. 11, 1939 |
|---------------------------------------|---------------|---------------|----------------|
| ASSETS                                |               |               |                |
| Gold                                  | 1938          | 1939          | 1939           |
| Balances abroad                       | 1480          | 5129          | 41138          |
| Home bills, etc.                      | 19            | 24            | 16             |
| Foreign bills                         | 9             | 9             | 84             |
| Loans and advances in current account | 295           | 214           | 245            |
| LIABILITIES                           |               |               |                |
| Notes in circulation                  | 952           | 1014          | 1132           |
| Deposits: (a) Govt.                   | 159           | 27            | 15             |
| (b) Other                             | 716           | 359           | 344            |

\* Not yet available.

## BANK OF PORTUGAL

| July 20, 1938        | June 21, 1938 | July 12, 1939 | July 19, 1939 |
|----------------------|---------------|---------------|---------------|
| ASSETS               |               |               |               |
| Gold                 | 917           | 920           | 920           |
| Balances abroad      | 571           | 666           | 633           |
| Discounts            | 374           | 411           | 406           |
| Securities           | 120           | 117           | 117           |
| Government loans     | 1039          | 1035          | 1035          |
| LIABILITIES          |               |               |               |
| Notes in circulation | 2004          | 2063          | 2102          |
| Deposits: Government | 476           | 398           | 335           |
| Bankers              | 660           | 731           | 720           |
| Other                | 55            | 67            | 83            |
| Foreign commitments  | 102           | 195           | 195           |

## NATIONAL BANK OF ROUMANIA

| Aug. 6, 1938                     | July 8, 1938 | July 29, 1939 | Aug. 5, 1939 |
|----------------------------------|--------------|---------------|--------------|
| ASSETS                           |              |               |              |
| Gold and gold exchange           | 16,951       | 18,773        | 18,805       |
| Clearing and other for. exchange | 1,109        | 1,629         | 1,519        |
| Commercial bills                 | 7,877        | 10,513        | 10,968       |
| Agric. & urban advanc.           | 1,908        | 1,531         | 1,468        |
| Treasury bills issued            | 4,796        | 4,586         | 4,591        |
| LIABILITIES                      |              |               |              |
| Notes in circulation             | 30,245       | 38,936        | 39,980       |
| Other sight liabilities          | 12,290       | 10,131        | 10,517       |
| Long-term liabilities            | 3,540        | 5,056         | 4,954        |

## SOUTH AFRICAN RESERVE BANK

| Aug. 19, 1938                          | July 18, 1938 | Aug. 25, 1939 | Aug. 25, 1939 |
|----------------------------------------|---------------|---------------|---------------|
| ASSETS                                 |               |               |               |
| Gold coin and bullion                  | 24            | 22            | 26            |
| Bills discounted                       | 7             | 23            | 5             |
| Advances to Govt.                      | 2             | 30            | 5             |
| Inves. & other assets                  | 12            | 9             | 7             |
| LIABILITIES                            |               |               |               |
| Notes in circulation                   | 15            | 86            | 16            |
| Deposits: Government                   | 2             | 31            | 2             |
| Bankers                                | 22            | 21            | 22            |
| Others                                 | 2             | 97            | 5             |
| Cash reserves to liabilities to public | 55.3%         | 56.9%         | 55.8%         |

## BANK OF SWEDEN.—Million kronor

| Aug. 31, 1938           | July 31, 1938 | Aug. 31, 1939 | Aug. 31, 1939 |
|-------------------------|---------------|---------------|---------------|
| ASSETS                  |               |               |               |
| Gold reserve            | 527           | 621           | 630           |
| Govt. sec.: Swedish     | 66            | 162           | 167           |
| Foreign                 | 41            | 45            | 43            |
| Gold abroad not in res. | 89            | 146           | 145           |
| Blces. with for. banks  | 244           | 346           | 346           |
| Bills payable in Sweden | 11            | 11            | 10            |
| Bills payable abroad    | 511           | 21            | 19            |
| Advances                | 22            | 59            | 60            |
| LIABILITIES             |               |               |               |
| Notes in circulation    | 971           | 1025          | 1025          |
| Deposits: Government    | 260           | 349           | 351           |
| Banks and others        | 514           | 549           | 594           |

## SWISS NATIONAL BANK

| Aug. 31, 1938           | July 31, 1938 | Aug. 23, 1939 | Aug. 31, 1939 |
|-------------------------|---------------|---------------|---------------|
| ASSETS                  |               |               |               |
| Gold                    | 2836          | 8246          | 2460          |
| Foreign exchange        | 374           | 273           | 276           |
| Discounts, etc.         | 13            | 40            | 43            |
| Advances                | 19            | 27            | 26            |
| Securities              | 94            | 73            | 93            |
| LIABILITIES             |               |               |               |
| Notes in circulation    | 1554          | 1740          | 1723          |
| Other sight liabilities | 1762          | 1105          | 1126          |

## CENTRAL BANK OF TURKEY

| July 22, 1938            | July 29, 1938 | Aug. 12, 1939 | Aug. 19, 1939 |
|--------------------------|---------------|---------------|---------------|
| ASSETS                   |               |               |               |
| Gold                     | 36            | 90            | 36            |
| Clearing and other exch. | 3             | 3             | 3             |
| Treasury bonds           | 141           | 52            | 52            |
| Commercial bills         | 128           | 134           | 131           |
| Securities               | 50            | 59            | 51            |
| Advances                 | 13            | 87            | 11            |

## EXCHANGE RATES—cont.

## NEW YORK

| New York on        | Aug. 31, 1939 | Sept. 1, 1939 | Sept. 2, 1939 | Sept. 4, 1939 | Sept. 5, 1939 | Sept. 6, 1939 |
|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| London:—           |               |               |               |               |               |               |
| 60 days            | 448 1/4       | 425           | 422           | 408           | 406           | 406           |
| Cables             | 447 1/4       | 425           | 422           | 408           | 406           | 406           |
| Demand             | 447 1/4       | 425           | 422           | 408           | 406           | 406           |
| Paris, Fr.         | 2.65 3/4      | 2.42 1/4      | 2.40 1/2      | 2.33          | 2.32          | 2.32          |
| Brussels, Bel.     | 17.00         | 17.21         | 17.15         | 17.20         | 17.15         | 17.15         |
| Switzerland, Fr.   | 22.57 1/2     | 22.70*        | 22.60         | 22.50         | 22.50         | 22.50         |
| Italy, Lira        | 5.26 1/4      | 5.21 1/2      | 5.21 1/2      | 5.21          | 5.21          | 5.21          |
| Berlin, Mark       | 38.50         | 39.90         | 39.85         | 40.00(1)      | 40.00(1)      | 40.00(1)      |
| Amsterdam, Guilder | 53.75         | 53.40*        | 53.40         | 53.10         | 53.10         | 53.10         |
| Copenhagen, Kr.    | 20.00         | 19.75         | 19.75         | 19.45         | 19.40         | 19.40         |
| Oslo, Kr.          | 22.75         | 22.75         | 22.75         | 22.85         | 22.75         | 22.75         |
| Stockholm, Kr.     | 23.85         | 23.85         | 23.85         | 23.85         | 23.90         | 23.90         |
| Athens, Dr.        | 99.000        | 95.500        | 95.000        | 91.875        | 92.750        | 92.750        |
| Montreal, Can. \$  | 26.30         | 24.87(1)      | 24.75         | 24.00         | 23.75         | 23.75         |
| Yokohama, Yen      | 7.05          | 7.50(1)       | 8.75          | 7.80          | 7.35          | 7.35          |
| Shanghai, \$       | ...           | ...           | ...           | ...           | ...           | ...           |
| B. Aires, Peso     | ...           | ...           | ...           | ...           | ...           | ...           |
| Rio, Milreis†      | ...           | ...           | ...           | 5.10          | 5.10          | 5.10          |

Usance: T.T. † Official. \* Bid. (1) Nominal.

## SOUTH AFRICA

## (BUYING RATES PER £100 STERLING)

|             | T.T.            | Sight            | 30 days' sight  | 60 days' sight  | 90 days' sight   |
|-------------|-----------------|------------------|-----------------|-----------------|------------------|
| London on:— |                 |                  |                 |                 |                  |
| Rhodesia    | £ s. d. 100 5 0 | £ s. d. 100 13 0 | £ s. d. 101 1 3 | £ s. d. 101 9 6 | £ s. d. 101 17 9 |
| S. Africa   | 101 0 0         | 101 8 0          | 101 16 3        | 102 4 6         | 102 12 9         |

## (SELLING RATES PER £100 STERLING)

|              | Sight           | Telegraphic     |
|--------------|-----------------|-----------------|
| London on:—  |                 |                 |
| Rhodesia     | £ s. d. 99 15 0 | £ s. d. 99 15 0 |
| South Africa | 100 5 0         | 100 5 0         |

## LONDON ACTIVE SECURITY PRICES

The Stock Exchange did not reopen until Thursday, September 7th, and we are therefore unable to publish our usual table of London Active Security Prices and Yields. The abridged table below shows, for a number of leading stocks, effective dealing prices on the last two trading days before the outbreak of war, approximate closing prices on September 5th and 6th, when inter-office dealings were conducted, and market dealing prices on September 7th. It should be noted that prices shown for September 5th and 6th are in many cases nominal, and that dealing has been possible this week only by negotiation.

|                          | Mini-mum Prices | Aug. 30, 1939 | Aug. 31, 1939 | Sept. 5, 1939, Approx. closing nom. | Sept. 6, 1939, Approx. closing nom. | Sept. 7, 1939 |
|--------------------------|-----------------|---------------|---------------|-------------------------------------|-------------------------------------|---------------|
| <b>BRITISH FUNDS</b>     |                 |               |               |                                     |                                     |               |
| War Loan 3 1/2%          | 88 1/2          | 90 1/2        | 89 3/8        | 88 1/2                              | 88 1/2                              | 88 1/2        |
| Conversion 3 1/2%        | 87 1/2          | 90 1/2        | 89 3/8        | 87 1/2                              | 87 1/2                              | 87 1/2        |
| Consols 2 1/2%           | 62 1/2          | 65 3/4        | 64 1/2        | 61 3/4                              | 62 1/2                              | 62 1/2        |
| Consols 4%               | 98 1/2          | 100 3/4       | 100           | 98 3/4                              | 98 1/2                              | 98 1/2        |
| Victory Bonds 4%         | 102 1/2         | 103           | 102 1/2       | 102 1/2                             | 102 1/2                             | 102 1/2       |
| Conversion 5%            | 106 1/4         | 106 3/4       | 106 3/8       | 106 1/2                             | 106 1/2                             | 106 1/4       |
| <b>HOME RAILS</b>        |                 |               |               |                                     |                                     |               |
| Gt. Western Ord.         | 28 1/2          | 27 1/2        | 26 1/2        | 26 1/2                              | 26 1/2                              | 26 1/2        |
| L.M.S. Ord.              | 12 1/2          | 12            | 12            | 12                                  | 11 1/2                              | 11 1/2        |
| L.N.E. Pref. Ord.        | 4               | 4             | 4             | 4                                   | 3 1/2                               | 3 1/2         |
| Do. Def. Ord.            | 2 7/8           | 2 7/8         | 3             | 3                                   | 2 1/2                               | 2 1/2         |
| Southern Pref. Ord.      | 58              | 58            | 56            | 56                                  | 56                                  | 56            |
| Do. Def. Ord.            | 13              | 12            | 11 1/2        | 11 1/2                              | 10                                  | 10            |
| Transport "C"            | 65              | 66 1/2        | 66 1/2        | 66 1/2                              | 65                                  | 65            |
| <b>INDUSTRIALS</b>       |                 |               |               |                                     |                                     |               |
| Brit. Amer. Tob. (£1)    | 95/-            | 92/6          | 88/9          | 88/9                                | 90/-                                | 90/-          |
| Imperial Tobacco (£1)    | 133/9           | 131/3         | 127/6         | 127/6                               | 128/9                               | 128/9         |
| Courtauld's (£1)         | 30/-            | 28/9          | 29/-          | 30/-                                | 30/-                                | 30/-          |
| British Celanese (10/-)  | 6/6             | 6/-           | 5/3           | 5/3                                 | 5/6                                 | 5/6           |
| Distillers (£1)          | 96/-            | 95/-          | 90/-          | 90/-                                | 92/-                                | 92/-          |
| Dunlop Rubber (£1)       | 27/6            | 26/6          | 26/-          | 26/3                                | 27/-                                | 27/-          |
| Elec. Mus. Indus. (10/-) | 9/9             | 9/6           | 8/6           | 8/6                                 | 9/3                                 | 9/3           |
| Imp. Chemical (£1)       | 30/6            | 29/9          | 28/9          | 30/-                                | 30/6                                | 30/6          |
| Vickers (10/-)           | 17/9            | 17/9          | 17/6          | 17/6                                | 17/6                                | 17/6          |
| <b>RUBBER</b>            |                 |               |               |                                     |                                     |               |
| Anglo-Indian (£1)        | 67/6            | 67/6          | 67/6          | 67/6                                | 70/-                                | 70/-          |
| Burmah (£1)              | 65/-            | 65/-          | 62/6          | 62/6                                | 65/-                                | 65/-          |
| Mexican Eagle            | 6/-             | 5/6           | 5/-           | 5/-                                 | 5/-                                 | 5/-           |
| Canadian Eagle           | 7/4 1/2         | 7/4 1/2       | 7/6           | 7/6                                 | 7/6                                 | 7/6           |
| Shell Transport (£1)     | 86/3            | 83/9          | 83/9          | 83/9                                | 87/6                                | 87/6          |
| <b>MINING</b>            |                 |               |               |                                     |                                     |               |
| Ashanti Gold             | 65 7/12         | 65/-          | 76/3          | 76/3                                | 75/-                                | 75/-          |
| Chartered (£1)           | 20/6            | 20/-          | 20/-          | 20/-                                | 20/-                                | 20/-          |
| New Modderfontein (10/-) | 23/9            | 22/6          | 23/9          | 23/9                                | 22/6                                | 22/6          |
| Rhokana (£1)             | 11 1/2          | 11 1/4        | 11 1/4        | 12                                  | 12 1/4                              | 12 1/4        |
| <b>RUBBER</b>            |                 |               |               |                                     |                                     |               |
| Anglo-Dutch (£1)         | 23/9            | 23/9          | 23/-          | 23/-                                | 26/3                                | 26/3          |
| Rubber Trust (£1)        | 26/3            | 26/3          | 26/3          | 26/3                                | 28/-                                | 28/-          |

## GOVERNMENT WAR RISKS INSURANCE OFFICE

The following scale of rates is quoted for merchandise to be transported overseas by the Government War Risks Insurance Office, Lloyd's Building, E.C.3:—

| Voyage                                                                                                                                   | Outwards  | Homewards |
|------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
|                                                                                                                                          | Per cent. | Per cent. |
| 1. U.S.A. (Gulf and Atlantic), Canada (Atlantic), West Indies (including British Guiana), Central America, Gulf (ex United States) ..... | 30s.      | 40s.      |
| 2. South America .....                                                                                                                   | 50s.      | 70s.      |
| 3. U.S.A. (Pacific) and/or Canada (Pacific) via Panama .....                                                                             | 30s.      | 50s.      |
| 4. Portugal and Spain (Atlantic) .....                                                                                                   | 30s.      | 40s.      |
| 5. West Africa .....                                                                                                                     | 40s.      | 50s.      |
| 6. South and East Africa (not via Med.) and not North of Mombasa .....                                                                   | 40s.      | 50s.      |
| 7. Australasia via Cape .....                                                                                                            | 40s.      | 50s.      |
| 8. India and Straits via Cape .....                                                                                                      | 50s.      | 60s.      |
| 9. Far East via Cape .....                                                                                                               | 60s.      | 70s.      |
| Far East via Panama .....                                                                                                                | 50s.      | 60s.      |
| <b>Outwards and Homewards</b>                                                                                                            |           |           |
| A. U.K. to U.K. ....                                                                                                                     | 20s.      |           |
| B. West Coast of U.K. to West Coast of U.K. ....                                                                                         | 15s.      |           |
| C. U.K. ex West Coast to Irish Free State .....                                                                                          | 15s.      |           |
| D. West Coast of U.K. to Irish Free State .....                                                                                          | 10s.      |           |
| E. France—not beyond Brest inclusive .....                                                                                               | 20s.      |           |
| F. France—Bay Ports .....                                                                                                                | 30s.      |           |
| G. Holland and Belgium .....                                                                                                             | 30s.      |           |

The above rates to apply to cargoes in all vessels to be named at time of acceptance, or thereafter, but warranted sailing within seven days of acceptance of the risk, or held covered at the scale in operation at the time of sailing.

Ship to Warehouse, and vice versa, as per Explanatory Memorandum, 10s.

Rates may be amended daily or as frequently as is thought desirable.

## Investment

## TRANSPORT RECEIPTS

British Railways and London Transport Board.  
Publication of Weekly Traffic Returns is now Suspended.

## MONTHLY TRANSPORT RETURNS

| Company              | Months | Ending  | Receipts for Month | Aggregate Receipts   |
|----------------------|--------|---------|--------------------|----------------------|
|                      |        |         | 1939               | + or -               |
|                      |        |         | 1939               | + or -               |
| Brazilian Tractn.    | 7      | July 31 | Gross \$3,024,381  | 22,364,161 + 621,154 |
| Canadian National    | 7      | July 31 | Gross \$1,600,085  | 11,632,351 + 105,706 |
| Canadian Pacific     | 7      | July 31 | Gross \$1,563,648  | 11,632,351 + 105,706 |
| Int. Rlys. C. Amer.  | 7      | July 31 | Gross \$1,563,648  | 11,632,351 + 105,706 |
| Manchstr. Ship Canal | 7      | July 31 | Gross \$1,563,648  | 11,632,351 + 105,706 |
| Peruvian Corp'n.     | 2      | Aug. 31 | Gross \$1,563,648  | 11,632,351 + 105,706 |

(a) Decreased deficit.

## AMERICAN RAILROADS

| Company            | Month of July, 1939 | Compared with July, 1938 | 7 Months, 1939 | Compared with 7 Months, 1938 |
|--------------------|---------------------|--------------------------|----------------|------------------------------|
| Baltimore and Ohio | Gross \$13,251,000  | + 1,926,000              | \$83,052,000   | + 10,115,000                 |
| New York Central   | Gross \$2,268,000   | + 418,000                | \$9,976,000    | + 5,612,000                  |
| Pennsylvania       | Gross \$2,118,000   | + 4,227,000              | \$18,088,000   | + 21,254,000                 |
| Railroad           | Gross \$2,812,000   | + 1,841,000              | \$11,502,000   | + 10,423,000                 |
| Southern Pacific   | Gross \$3,376,000   | + 4,917,000              | \$23,999,000   | + 27,016,000                 |
| Union Pacific      | Gross \$5,556,000   | + 829,000                | \$32,102,000   | + 7,397,000                  |
|                    | Gross \$18,394,000  | + 1,346,000              | \$118,444,000  | + 8,501,000                  |
|                    | Gross \$2,354,000   | + 730,000                | \$11,449,000   | + 9,799,000                  |
|                    | Gross \$14,026,000  | + 1,145,000              | \$86,033,000   | + 10,852,000                 |
|                    | Gross \$1,217,000   | + 667,000                | \$5,708,000    | + 29,000                     |

† Net operating income.

## 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                                |                                |
|                                 |             |                           |                                                 |                                   | Prefce. Amount                          |                                |
|                                 |             |                           |                                                 |                                   | Ordinary Amount                         |                                |
|                                 |             |                           |                                                 |                                   | Rate                                    |                                |
|                                 |             |                           |                                                 |                                   | Carried to Reserve, Deprecia-tion, etc. |                                |
|                                 |             |                           |                                                 |                                   | Balance Forward                         |                                |
|                                 |             |                           |                                                 |                                   | Net Profit                              |                                |
|                                 |             |                           |                                                 |                                   | Divi-dend                               |                                |
| Breweries                       |             |                           |                                                 |                                   |                                         |                                |
| ichfield Brewery                | June 30     | £21,115                   | £34,470                                         | £55,585                           | £6,875                                  | £18,300                        |
| ailuaine-TaliskerDistilleries   | June 30     | 10,623                    | 20,975                                          | 31,598                            | 3,783                                   | 15,510                         |
| Financial, Land, etc.           |             |                           |                                                 |                                   |                                         |                                |
| rojan (Holdings), Ltd.          | Aug. 14     | 643                       | 19,648                                          | 20,291                            | 725                                     | 18,489                         |
| Iron, Coal and Steel            |             |                           |                                                 |                                   |                                         |                                |
| arrow Barnsley Collieries       | June 30     | 16,534                    | 54,212                                          | 70,746                            | 26,729                                  | 19,980                         |
| rovesend Steel & Tinplate       | Apr. 1      | 21,816                    | 407,421                                         | 429,237                           | 16,250                                  | 250,000                        |
| otor, Cycle and Aviation        |             |                           |                                                 |                                   |                                         |                                |
| erfecta Motor Equipments        | June 30     | 5,837                     | 14,402                                          | 20,239                            | ...                                     | 7,613                          |
| Textiles                        |             |                           |                                                 |                                   |                                         |                                |
| hitworth and Mitchell           | June 30     | 509                       | 35,909                                          | 36,418                            | 30,000                                  | 5,438                          |
| Other Companies                 |             |                           |                                                 |                                   |                                         |                                |
| irkett (T. M.) and Sons         | July 31     | 5,890                     | 13,895                                          | 19,785                            | ...                                     | 6,162                          |
| reedlands, Ltd.                 | Mar. 31     | 7,713                     | 16,482                                          | 24,195                            | 2,015                                   | 9,135                          |
| ransvaal Mattress, etc.         | June 30     | 4,440                     | 34,858                                          | 39,298                            | 8,250                                   | 18,750                         |
| otal Profits, 1939, in £,000's: |             |                           |                                                 |                                   |                                         |                                |
| To September 2                  | 1,713       | 72,109                    | 217,303                                         | 289,412                           | 41,895                                  | 115,998                        |
| To September 9                  | 1,722       | 72,199                    | 217,941                                         | 290,140                           | 41,990                                  | 116,361                        |

(a) No comparable figure.

† Free of Income Tax.

## IRISH RAILWAY TRAFFICS

| Company             | Gross Receipts, week ended Sept. 1, 1939 (£'000) | Aggregate Gross Receipts 35 weeks (£'000) |
|---------------------|--------------------------------------------------|-------------------------------------------|
|                     | Pass. Goods Total                                | Pass. Goods Total                         |
| Belfast & Co. Down— |                                                  |                                           |
| 1938                | 3.3 0.4 3.7                                      | 93.0 15.0 108.0                           |
| 1939                | 3.6 0.5 4.1                                      | 95.9 15.4 111.3                           |
| Great Northern—     |                                                  |                                           |
| 1938                | 16.4 10.7 27.1                                   | 385.7 310.7 706.4                         |
| 1939                | 16.9 12.4 29.3                                   | 406.9 353.1 760.0                         |
| Great Southern—     |                                                  |                                           |
| 1938                | 51.0 39.4 90.4                                   | 1,309.1 1,358.4 2,667.5                   |
| 1939                | 50.8 44.9 95.7                                   | 1,310.4 1,401.1 2,711.5                   |

## OVERSEAS WEEKLY TRAFFIC RECEIPTS INDIAN

| Name                | Weeks Ending | Gross Receipts for Week | Aggregate Gross Receipts |
|---------------------|--------------|-------------------------|--------------------------|
|                     |              | 1939                    | + or -                   |
|                     |              | 1939                    | + or -                   |
| Bengal & N. Western | 18 Aug. 10   | Rs. 7,36,346            | Rs. 83,827               |
| Bengal-Nagpur       | 18 Aug. 10   | 24,22,000               | 4,35,668                 |
| Bombay, Bar. & C.I. | 20 Aug. 10   | 24,87,000               | 56,000                   |
| Madras & S. Mah.    | 18 Aug. 10   | 18,61,000               | 1,10,740                 |
| S. Indian           | 18 Aug. 10   | 13,83,890               | 25,749                   |

## SOUTH &amp; CENTRAL AMERICAN

|                  | Weeks Ending | Gross Receipts for Week | Aggregate Gross Receipts |
|------------------|--------------|-------------------------|--------------------------|
|                  |              | 1939                    | + or -                   |
|                  |              | 1939                    | + or -                   |
| B.A. and Pacific | 9 Sept. 2    | \$1,214,000             | \$104,000                |
| B.A. Central     | 8 Aug. 19    | \$124,300               | \$6,451                  |
| Nitrate          | 34 Aug. 31   | \$4,903                 | \$98                     |

\* Converted at average official rate 16.12 pesos to £. † Receipts in Argentine pesos. ‡ Fortnight. (a) Converted at official rate.

## Industry and Trade

## COMMODITY STATISTICS

## Coal

## COAL OUTPUT ('000 tons)

| District                                   | Week ended          |                     | Jan.-July |           |
|--------------------------------------------|---------------------|---------------------|-----------|-----------|
|                                            | Aug.<br>19,<br>1939 | Aug.<br>26,<br>1939 | 1938      | 1939      |
| Northumberland.                            | 279.0               | 279.6               | 7,649.8   | 7,804.5   |
| Durham .....                               | 620.6               | 649.8               | 18,773.8  | 18,631.8  |
| Yorkshire ...                              | 854.7               | 656.5               | 25,237.0  | 25,898.7  |
| Lancs, Cheshire<br>and N. Wales            | 331.7               | 318.5               | 10,006.6  | 10,046.5  |
| Derby, Notts &<br>Leicester                | 649.5               | 640.5               | 18,692.6  | 19,803.9  |
| Staffs, Worcs,<br>Salop and<br>Warwick ... | 355.5               | 402.5               | 11,557.5  | 12,098.6  |
| South Wales &<br>Monmouth...               | 666.5               | 674.8               | 21,456.6  | 20,984.8  |
| Other English<br>districts* ...            | 113.2               | 116.6               | 3,171.1   | 3,282.1   |
| Scotland .....                             | 613.4               | 610.9               | 17,284.4  | 17,650.3  |
| Total .....                                | 4,484.1             | 765.1               | 133,829.4 | 136,201.2 |

\* Including Cumberland, Gloucester, Somerset and Kent

\* Including Cumberland, Gloucester, Somerset and Kent.



## BRITISH WHOLESALE PRICES

| Aug. 30, 1939                                                                                      |         |        |         | Aug. 30, 1939                     |  |  |  | Aug. 30, 1939        |  |  |  | Aug. 30, 1939        |  |  |  |
|----------------------------------------------------------------------------------------------------|---------|--------|---------|-----------------------------------|--|--|--|----------------------|--|--|--|----------------------|--|--|--|
| 1939                                                                                               |         |        |         | 1939                              |  |  |  | 1939                 |  |  |  | 1939                 |  |  |  |
| CEREALS AND MEAT                                                                                   |         |        |         | SUGAR (per cwt.)—cont.            |  |  |  | GOLD, per fine ounce |  |  |  | SILVER, (per ounce)— |  |  |  |
| GRAIN etc.—                                                                                        |         |        |         | Crushed                           |  |  |  | 158 6                |  |  |  | 193 16               |  |  |  |
| Wheat—                                                                                             | s. d.   | s. d.  |         | 25 1 1/2                          |  |  |  |                      |  |  |  |                      |  |  |  |
| No. 2, N. Man. 496 lb.                                                                             | 26      | 9      |         | 23 10 1/2                         |  |  |  |                      |  |  |  |                      |  |  |  |
| Eng. Gaz. av., per cwt.                                                                            | 4       | 1      | 4       | 23 0                              |  |  |  |                      |  |  |  |                      |  |  |  |
| Liv., Oct., per cental                                                                             | 3       | 10     |         | 23 3                              |  |  |  |                      |  |  |  |                      |  |  |  |
| Flour, per 280 lb.—                                                                                |         |        |         | 23 3                              |  |  |  |                      |  |  |  |                      |  |  |  |
| Straights, d/d London                                                                              | 21      | 6      | 22      | 16 40                             |  |  |  |                      |  |  |  |                      |  |  |  |
| Manitoba, ex store                                                                                 | 22      | 0      |         | 13 19                             |  |  |  |                      |  |  |  |                      |  |  |  |
| Barley, Eng. Gaz., av. per cwt.                                                                    | 6       | 8      | 7       | 15 06                             |  |  |  |                      |  |  |  |                      |  |  |  |
| Oats                                                                                               | 5       | 7      | 5       | 13 55                             |  |  |  |                      |  |  |  |                      |  |  |  |
| Maize, La Plata, landed, 480 lb.                                                                   | 26      | 0      |         | 10 30                             |  |  |  |                      |  |  |  |                      |  |  |  |
| Rice, No. 2 Burma, per cwt.                                                                        | 8       | 0      |         | 11 92                             |  |  |  |                      |  |  |  |                      |  |  |  |
| MEAT—                                                                                              |         |        |         | 15 51                             |  |  |  |                      |  |  |  |                      |  |  |  |
| Beef, per 8 lb.—                                                                                   |         |        |         | TEA* (Auction Average) (per lb.)— |  |  |  |                      |  |  |  |                      |  |  |  |
| English long sides                                                                                 | 4       | 4      |         | N. India                          |  |  |  |                      |  |  |  |                      |  |  |  |
| Argentine chilled hinds                                                                            | 4       | 8      |         | S. India                          |  |  |  |                      |  |  |  |                      |  |  |  |
| Mutton, per 8 lb.—                                                                                 | 4       | 4      |         | Ceylon                            |  |  |  |                      |  |  |  |                      |  |  |  |
| English wethers                                                                                    | 5       | 4      |         | Java                              |  |  |  |                      |  |  |  |                      |  |  |  |
| N.Z. frozen wethers                                                                                | 2       | 4      |         | Sumatra                           |  |  |  |                      |  |  |  |                      |  |  |  |
| Lamb, per 8 lb.—                                                                                   | 4       | 4      |         | Africa                            |  |  |  |                      |  |  |  |                      |  |  |  |
| N.Z. frozen                                                                                        | 5       | 4      |         | Total                             |  |  |  |                      |  |  |  |                      |  |  |  |
| Pork, English, per 8 lb.                                                                           | 5       | 10     |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| BACON (per cwt.)—                                                                                  |         |        |         | TOBACCO (per lb.)—                |  |  |  |                      |  |  |  |                      |  |  |  |
| English                                                                                            | 100     | 0      | 100     | s. d.                             |  |  |  |                      |  |  |  |                      |  |  |  |
| Danish                                                                                             | 100     | 0      | 100     | Virginia, stemmed and un-         |  |  |  |                      |  |  |  |                      |  |  |  |
| Dutch                                                                                              | 97      | 0      | 97      | stemmed, common to fine           |  |  |  |                      |  |  |  |                      |  |  |  |
| Irish                                                                                              | 91      | 0      | 91      | Rhodesian, stemmed and un-        |  |  |  |                      |  |  |  |                      |  |  |  |
| HAMS (per cwt.)—                                                                                   |         |        |         | stemmed                           |  |  |  |                      |  |  |  |                      |  |  |  |
| Canadian                                                                                           | 90      | 0      | 90      | Nyassaland, stemmed and un-       |  |  |  |                      |  |  |  |                      |  |  |  |
| United States                                                                                      | 98      | 0      | 94      | stemmed                           |  |  |  |                      |  |  |  |                      |  |  |  |
| OTHER FOODS                                                                                        |         |        |         | East Indian                       |  |  |  |                      |  |  |  |                      |  |  |  |
| BUTTER (per cwt.)—                                                                                 |         |        |         | Stemmed                           |  |  |  |                      |  |  |  |                      |  |  |  |
| Australian                                                                                         | 116     | 0      | 116     | Unstemmed                         |  |  |  |                      |  |  |  |                      |  |  |  |
| New Zealand                                                                                        | 123     | 0      | 124     |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Danish                                                                                             | 124     | 0      | 125     |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| CHEESE (per cwt.)—                                                                                 |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Canadian (new)                                                                                     | 62      | 0      | 62      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| New Zealand                                                                                        | 61      | 0      | 61      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| English Cheddars                                                                                   | 82      | 0      | 82      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Dutch                                                                                              | 50      | 0      | 52      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| COCOA (per cwt.)—                                                                                  |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Accra, g.i.                                                                                        | 22      | 0      | 30      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Trinidad                                                                                           | 42      | 0      | 45      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Grenada                                                                                            | 55      | 0      | 57      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| COFFEE (per cwt.)—                                                                                 |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Santos supr. c. & f.                                                                               | 31      | 6      | 38      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Costa Rica, medium to good                                                                         | 84      | 0      | 88      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Kenya, medium                                                                                      | 72      | 0      | 78      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| EGGS (per 120)—                                                                                    |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| English (15-15 1/2 lb.)                                                                            | 17      | 6      |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Danish (15 1/2 lb.)                                                                                | 13      | 0      |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| FRUIT—                                                                                             |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Oranges, Brazilian (Peras) boxes                                                                   | 12      | 6      | 14      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| " S. African (Navels) boxes                                                                        | 9       | 3      | 11      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Lemons, Californian boxes I                                                                        | 13      | 6      | 15      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| " Murcia, I and II cases                                                                           | 13      | 6      | 25      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Apples, Californian                                                                                | 8       | 6      |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Grapefruit, Californian (M.S.)                                                                     | 10      | 6      | 11      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Pears (Californian) Bartletts                                                                      | 13      | 6      | 13      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| " B. Hardy                                                                                         | 13      | 9      | 13      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| LARD (per cwt.)—                                                                                   |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Irish, finest bladders                                                                             | 42      | 0      | 46      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| U.S.                                                                                               | 50      | 0      | 54      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| PEPPER (per lb.)—                                                                                  |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Black Lampong (in Bond)                                                                            | 0       | 2 1/2  |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| White Muntok (f.a.q.) (in Bond)                                                                    | 0       | 3 3/4  |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| POTATOES (per cwt.)—                                                                               |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| English, King Edward, Siltland                                                                     | 5       | 0      | 5       |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Wisbech, King Edward (per ton)                                                                     | 90      | 0      | 80      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| SUGAR (per cwt.)—                                                                                  |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Centrifugals, 96% prpt. shipm.                                                                     | 7       | 3      | Nom     |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| REFINED London—                                                                                    |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Yellow Crystals                                                                                    | 22      | 4 1/2  | 22      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Cubes                                                                                              | 26      | 10 1/2 | 26      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| 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                                                                    | 41      | 0      | 41      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| CHEMICALS—                                                                                         |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Acid, citric, per lb., less 5%                                                                     | 1       | 0 1/4  | 1       |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| " Nitric                                                                                           | 0       | 2 1/2  | 0       |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| " Oxalic, net                                                                                      | 0       | 5 1/4  | 0       |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| " Tartaric, English, less 5%                                                                       | 1       | 1 1/4  | 1       |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Alcohol, Plain Ethyl, per proof gal.                                                               | 20/0/0  |        | 20/0/0  |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Ammonia, carb., per ton                                                                            | 21/0/0  |        | 21/0/0  |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| " Sulphate                                                                                         | 7/3/0   |        | 7/5/0   |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Borax, gran., per cwt.                                                                             | 13      | 6      | 13      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| " powder                                                                                           | 15      | 0      | 15      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Nitrate of soda                                                                                    | 8/5/0   |        | 8/5/0   |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Potash, Chlorate, net                                                                              | 37/0/0  |        | 37/0/0  |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| " Sulphate                                                                                         | 10/0/0  |        | 10/0/0  |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Soda Bicarb.                                                                                       | 10/15/0 |        | 10/15/0 |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Crystals                                                                                           | 5/10/0  |        | 5/10/0  |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Sulphate of copper                                                                                 | 19/0/0  |        | 19/0/0  |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| COPRA (per ton)—                                                                                   |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| S.D. Straits, c.i.f.                                                                               | 11/0/0  |        | Nom.    |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| HIDES (per lb.)—                                                                                   |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Wet salted, Australian                                                                             | 0       | 4 1/2  | 0       |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| West Indian                                                                                        | 0       | 3 1/4  | 0       |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Cape                                                                                               | 0       | 4 5/8  | 0       |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Dry and Drysalted Cape                                                                             | 0       | 6 1/4  | 0       |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Market Hides, Manchester—                                                                          |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Best heavy ox and heifer                                                                           | 0       | 5 1/2  | 0       |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Best cow                                                                                           | 0       | 6 1/2  | 0       |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Best calf                                                                                          | 0       | 5 5/8  | 0       |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| INDIGO (per lb.)—                                                                                  |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Bengal, gr. red-vio. to fine                                                                       | 5       | 0      | 5       |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| LEATHER (per lb.)—                                                                                 |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Sole Bends, 8/12 lb.                                                                               | 1       | 2      |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Bark-Tanned Sole                                                                                   | 2       | 4      |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Shoulders from DS Hides                                                                            | 0       | 8      |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| " Eng. or WS do.                                                                                   | 0       | 11     |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Bellies from DS do.                                                                                | 0       | 6 1/2  |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| " Eng. or WS do.                                                                                   | 0       | 8      |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Dressing Hides                                                                                     | 1       | 2      |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Ro. Eng. Calf, 20/35 lb. per doz.                                                                  | 3       | 6      |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| PETROLEUM PRODUCTS (per gall.)—                                                                    |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Motor Spirit No. 1, London                                                                         | 1       | 6      | Nom.    |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Petroleum, Amer. rd. brl. Lond.                                                                    | 0       | 10     | Nom.    |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Fuel oil, in bulk, for contracts, ex instal. Thames—                                               |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Furnace Diesel                                                                                     | 0       | 3 3/4  | Nom.    |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| ROBIN (per ton)—                                                                                   |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| American                                                                                           | 19/0/0  |        | Nom.    |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| RUBBER (per lb.)—                                                                                  |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| St. ribbed smoked sheet                                                                            | 0       | 8 3/4  |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Fine hard Para                                                                                     | 0       | 7 3/8  |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| SHELLAC (per cwt.)—                                                                                |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| TN Orange                                                                                          | 36      | 0      | 42      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| TALLOW (per cwt.)—                                                                                 |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| London town                                                                                        | 15      | 6      | 15      |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| TIMBER—                                                                                            |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Swedish u/s 3 x 8                                                                                  | 24/0/0  |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| " 2 1/2 x 7                                                                                        | 23/10/0 |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| " 2 x 4                                                                                            | 22/10/0 |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Canadian Spruce, Deals                                                                             | 28/0/0  |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Pitchpine                                                                                          | 14/10/0 |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Rio Deals                                                                                          | 37/0/0  |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Teak                                                                                               | 24/0/0  |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Honduras Mahogany logs                                                                             | 0       | 10/0/0 |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| English Oak Planks                                                                                 | 0       | 6/0    |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| English Ash Planks                                                                                 | 0       | 7/0    |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| VEGETABLE OILS (per ton net)—                                                                      |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Linseed, naked                                                                                     | 29/15/0 |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Rape, refined                                                                                      | 32/5/0  |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Cotton-seed, crude                                                                                 | 16/5/0  |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Coconut, crude                                                                                     | 16/10/0 |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Palm                                                                                               | 13/15/0 |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Oil Cakes, Linseed, Eng.                                                                           | 8/10/0  |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Oil Seeds, Linseed—                                                                                |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| La Plata                                                                                           | 12/0/0  |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| Calcutta                                                                                           | 13/5/0  |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |
| TURNIPING                                                                                          |         |        |         |                                   |  |  |  |                      |  |  |  |                      |  |  |  |

have arisen would not seem to be the most direct way of ensuring the maximum possible production of war material. If this principle is maintained, the almost inevitable effect will be that programmes will be engaged in a constant struggle to catch up with schedules, without any scope for that steady increase of scope and foresighted anticipation of requirements which proved so necessary in the last war.

The same sort of doubts are aroused by the apparently settled policy of the Ministry to leave the control of each branch of industry in the hands of its existing trade association. Trade associations do not invariably bring to the front the ablest personalities of the industries they represent. Nor is it always true that the members of an industry are the most appropriate persons to initiate or carry through measures which must necessarily cut across their established practices and, in some cases, damage their established interests. It is difficult to avoid the suspicion that the Ministry of Supply is going about its task on the major hypothesis that the supply of arms is a limited business which should be carried through with the minimum disturbance to peace-time industry. But the only way in which we can win the war, since we have no preponderance of man-power, is by a crushing preponderance of material power. Our supply must be unlimited; the first item on the programme must be to produce as much as is humanly possible; and the system of supply should therefore be designed to provide both the maximum of imaginative anticipation of needs and the maximum of ruthless driving initiative.

A second field in which more needs to be done than has yet revealed itself in signs visible to the public is in the buttressing of our international trade. Foreign exchange is obviously one of the most vital of our war materials and drastic steps have very properly been taken to mobilise the realisable foreign assets of the public and to limit all non-essential demands for foreign exchange. But the most direct way of acquiring foreign exchange and the only way which does not involve some draft on the national capital is by the sale of exports. The maintenance of the export trades not only serves a war-time purpose; it is also an insurance against a severe crisis of readjustment after the war is over, since the production of goods for export is one of the very few ways in which an industry can continue at its peace-time occupation and yet make a direct contribution to the war. This fact has been recognised in principle, and the President of the Board of Trade promised in Parliament last week that producers for export would be granted "a high priority" in the allocation of materials and labour. This is admirable so far as it goes. But does it go far enough? Is it enough to say to the industrialist that if he will turn aside from the urgent demands (and the certain returns) of producing for the Government at home and take the hazardous and expensive initiative of increasing his export business, he will be granted a high priority? It is in the direct interest of the community that our export trade should not merely be maintained, but that it should be increased, notably at the expense of Germany. It would be very good business for the community, in the circumstances of the moment, to spend sterling in order to get a larger supply of foreign exchange. But none of these things will be done if they are left to the unco-ordinated and unassisted initiative of private traders. There should be a positive effort to increase exports, with the full drive of the Government's war-time powers behind it.

A third matter in which clarity of purpose is not yet visible is that of financing the expenditure of the Government. The general issue of taxing *versus* borrowing has often been argued in these columns and no more need be said, pending the production of the promised emergency Budget, than to express the hope that the Chancellor will not hang back from drastic measures of increased taxation out of any false hope

that there are other methods of finance which impose a lesser burden on the people. But whether or not the increase in taxation is sufficient, there must inevitably be borrowing on a very large scale, and the question arises at what rate of interest these loans are to be raised. At the moment, all rates of interest are under the influence of the doubling of the Bank rate on August 24th. That date was ten days before the outbreak of war, when the British financial system still retained many elements of freedom. In a free economy, a rise of interest rates is one of the recognised controls and an almost inevitable response to the need for very heavy borrowing by the Government. It chokes off borrowers other than the Government and stimulates the flow of savings. But since August 24th the economy has ceased to be free. Other borrowers are now being choked off by direct prohibition and the flow of savings can be stimulated both by patriotic propaganda and (more powerfully) by restrictions on consumption of all kinds. Moreover, high interest rates cannot in present circumstances play their traditional rôle of preventing inflation. The danger of inflation comes from excessive Government borrowing, and the amount of borrowing is unlikely to be significantly less however high interest rates are pushed. But it is obviously of the very greatest importance from other points of view that the cost of borrowing should be reduced to the minimum. High interest rates now will saddle the country with a very heavy burden of debt in the future and greatly impede the efforts that will have to be made when the war is over to stimulate a rapid revival of normal enterprise. The respective amounts of taxation and borrowing will have to be decided by the Government on a review of the widest considerations. But the decision once taken, every effort should be made to force interest rates down as low as possible.

To this very brief discussion of financial policy an addendum seems called for. The monetary history of the last war is by no means devoid of blunders by those in authority, and though outside criticism of official policy was often very wide of the mark, it was only through constant public discussion of the issues involved that the principles of sound policy slowly emerged. In this war, however, there is the very best reason for believing that criticism and comment will be hamstrung by lack of the necessary data. Already the publication of the monthly average figures by the London Clearing House has been suspended, without any indication that it will be resumed when the initial dislocations of the onset of war have been overcome. What is far more ominous, there are warnings that the publication of official and private figures relating to trade, production, prices, shipping and finance will be suppressed and that any expressions of opinion about the existence of inflation of currency and credit will need the prior approval of the authorities.

It is necessary to record, at the very outset, the most emphatic protest against any such attempt to impose a statistical black-out. Information likely to assist the enemy will, of course, be withheld. But it is difficult to see what assistance the enemy will be able to derive from public discussions of financial policy. He is far more likely to be assisted by the sort of mistakes that will be made in the absence of public criticism. And as for the morale of the home population, that is more apt to suffer from direct contact with rising prices than from a scientific measurement of the movement of the general price-level.

These fears are not illusory, though chapter and verse for them cannot be quoted in public. There is great need for an emphatic statement both by the Government and by other authorities that essential statistical data will not be withheld unless and until it becomes absolutely essential. No aspect of Government policy carries in it more seeds of danger to the stability of the social fabric than the management of the national finances. The public must be allowed to retain some control over its own destiny.

## Germany's Food Supplies

A FEW days before German troops marched into Poland, the carefully prepared system of rationing foodstuffs was set in operation. The rations, when compared with current consumption, as in the following table, show very clearly the weaknesses of Germany's food supplies:—

|                        | Rations per capita<br>(kg. per annum) | Actual consumption per capita,<br>1935-38<br>(kg. per annum) | Rations in % of<br>1935-38 |
|------------------------|---------------------------------------|--------------------------------------------------------------|----------------------------|
| All fats .....         | 22.2                                  | 26.05                                                        | 85.3                       |
| Milk .....             | 75.6                                  | 112.00                                                       | 67.5                       |
| Meat .....             | 40.0                                  | 45.45                                                        | 88.0                       |
| Sugar .....            | 14.56                                 | 23.1                                                         | 63.0                       |
| Coffee and substitutes | 3.28                                  | 4.4                                                          | 74.4                       |

NOTE.—Fats, meat and milk include the additional rations for children under 6 years of age, for expectant and nursing mothers, and for workers in heavy industries.

The more important high-quality foodstuffs are already rationed, and though bread, flour and potatoes have not yet been rationed, the ration cards have coupons for them, indicating more restrictions if the war should last longer than the official expectation. Further cuts in the meat and coffee rations have already been reported.

To estimate a country's food supplies in time of war is necessarily a difficult business because of the large number of unknown variables in the calculation. There is, for example, the normal hazard of good or bad harvests. There is the unknown magnitude of the effect on home production of the absorption of millions of men in the fighting forces and munition industries. There is the difficulty of knowing what imports will be available to a blockaded country. And there is the final mystery of stocks. An attempt will be made in this article, however, to assemble such data as are available.

**Cereals.**—Germany is better prepared now than in 1914 so far as bread grains are concerned, but in feeding stuffs she is fully as dependent on foreign supplies. On the average of 1935-38, the position was as follows:—

|                         | ANNUAL AVERAGE, 1935-38<br>Total Supplies,<br>Greater Germany<br>('000 tons) | Imports as % of<br>Total Supplies |
|-------------------------|------------------------------------------------------------------------------|-----------------------------------|
| <b>Bread grains:—</b>   |                                                                              |                                   |
| Wheat .....             | 7,521                                                                        | 12.0                              |
| Rye .....               | 9,983                                                                        | 3.5                               |
| <b>Feeding stuffs:—</b> |                                                                              |                                   |
| Barley* .....           | 6,363                                                                        | 2.8                               |
| Oats .....              | 7,784                                                                        | 1.5                               |
| Maize .....             | 2,029                                                                        | 73.6                              |

\* Including "mixed grains."

With the exception of maize, the position is thus not impossible. Moreover, abnormally high imports during 1937 and 1938 and last year's bumper harvest enabled the government to build up large stocks of grain, which were stated to have risen from 3.3 to 8.6 million tons in the twelve months to August 1, 1939. This year's harvest is good in bulk, but is believed to be poor in quality, because of heavy rain during the harvest time.

Germany can also draw on supplies of grain in adjoining countries. The countries to which a blockaded Germany has access can be divided, for this and later calculations, into three groups. Group A consists of Holland, Belgium, and the Scandinavian countries. The counter-attraction of trade with the outside world will be enough to ensure that these countries' exports to Germany are no greater than in peace-time. Group B consists of the Baltic states, whose normal commerce with Great Britain is cut off and which are also subject to heavy German pressure. Their exports to Germany may well increase, though Germany's difficulties in making payment may be a hindrance. Poland also belongs to Group B to the extent that it is

over-run by German armies and after the delay necessary to repair the damage of the invasion. Group C consists of the countries of South-Eastern Europe—Hungary, Yugoslavia, Roumania, Bulgaria—where the economic leverage of the Germans and of the Allies may be presumed to be more equal, and where the field is more open to bargaining. It does not seem at present likely that these countries will be willing to prejudice their neutrality either by refusing to sell to Germany or by selling her their total production. But the degree to which they will feel compelled to yield to German pressure for increased supplies will naturally differ from country to country.

Russia and Italy stand outside this classification. In the case of Russia there are serious transport difficulties in the way of supply to Germany (see *The Economist*, September 2nd, page 437). Italy is not a source of food supply to Germany, except in the case of vegetables (48 per cent. of German imports in 1935-38 came from Italy), fruit (23 per cent.) and rice (25.6 per cent.).

The cereal supplies available to Germany are set out in the following table. The first line for each commodity shows the amounts that Germany actually bought from the countries in question on the average of the years 1934-37—a basis more favourable to Germany than the average of 1935-38. The second line, in italics, shows, for Groups B and C and Russia, the total exports of the countries in question to all destinations:—

|              | CEREAL SUPPLIES ('000 TONS).                    |                                                  |                     |                       |                   |
|--------------|-------------------------------------------------|--------------------------------------------------|---------------------|-----------------------|-------------------|
|              | Exports of Neutral Countries<br>Average 1934-37 |                                                  |                     |                       |                   |
|              | Greater<br>Germany's<br>Imports                 | Group A<br>(Holland,<br>Belgium,<br>Scandinavia) | Group B<br>(Baltic) | Group C<br>(Balkans)  | Russia            |
| Wheat .....  | 906                                             | 15.2                                             | ...                 | 187.0<br><i>1,174</i> | 2.7<br><i>459</i> |
| Rye .....    | 332                                             | 18.2                                             | 1.4<br><i>15</i>    | 20.0<br><i>145</i>    | ...               |
| Barley ..... | 173                                             | 4.1                                              | ...                 | 45.7<br><i>350</i>    | 9.5<br><i>274</i> |
| Oats .....   | 118                                             | 8.6                                              | 0.2                 | 1.1<br><i>18</i>      | 19.0<br><i>89</i> |
| Maize .....  | 1,500                                           | ...                                              | ...                 | 204.0<br><i>1,226</i> | ...               |

It will be seen that the possibility of meeting Germany's normal import requirements depends upon securing the whole surplus of the Balkan countries. Even so, there would be a serious shortage of maize. Russian grain is hardly available, as it is shipped from Black Sea ports. Poland, in a normal year, exports enough rye and barley to meet German needs. In sum, the position would seem to be that Germany's supplies of bread grains will suffice for the next two winters. But feeding stuffs should be very short in the autumn of 1940 and bread grains later on. Any failure of the domestic harvest, as a result of bad weather or labour shortage, would accentuate the difficulties.

**Fats.**—Goering's alternative between guns and butter exposed a fundamental weakness in Germany's food position, for her supplies of edible fats depend upon imports to the extent of practically 45 per cent. The following table makes this point conclusively:—

|                     | ANNUAL AVERAGE, 1935-38                     |                        |                                      |
|---------------------|---------------------------------------------|------------------------|--------------------------------------|
|                     | Total Supplies,<br>Old Reich<br>('000 tons) | Imports<br>('000 tons) | Imports as<br>% of Total<br>Supplies |
| Butter .....        | 574                                         | 81                     | 14.1                                 |
| Lard and tallow ... | 576                                         | 40                     | 7.0                                  |
| Vegetable oil ..... | 635                                         | 603*                   | 95.0                                 |
| Whale oil .....     | 187                                         | 156                    | 83.5                                 |
| Total fats .....    | 1,972                                       | 880                    | 44.7                                 |

\* Oil equivalent of imported oilseeds.



If Germany were prevented from importing fats, and raw materials for producing fats, consumption would have to be reduced by nearly 50 per cent. Moreover, supplies of oil cake (a by-product of vegetable oil extraction) would be curtailed by roughly one million tons annually, and shortage of this important feeding stuff would clearly affect meat and dairy production. Nor has the incorporation of Austria and Czecho-Slovakia proportionately increased Greater Germany's home production of fats. Exports of butter and milk from Austria were very small, and 40.5 per cent. of Czecho-Slovakia's total fat supplies between 1934 and 1937 were either directly imported or manufactured from imported raw materials.

How far can these supplies be maintained in time of war? The answer is suggested in the comparison of Greater Germany's imports of fats and materials with the exports of the three neutral groups and Russia, first to Germany and secondly (in italics) to all countries:—

|                     | FATS SUPPLIES<br>( <sup>000</sup> tons) |                       |                                                    |               |             |
|---------------------|-----------------------------------------|-----------------------|----------------------------------------------------|---------------|-------------|
|                     | Greater<br>Germany's<br>Imports         | Exports of<br>Group A | Average<br>Neutral Countries<br>1934-37<br>Group B | Group C       | Russia      |
| Oilseeds .....      | 1,709                                   | 1.6                   | 0.3<br>18.6                                        | 54.0<br>200.6 | 0.5<br>39.0 |
| Whale oil .....     | 156                                     | 139.0                 | ...                                                | ...           | ...         |
| Butter .....        | 80                                      | 54.9                  | 17.5<br>41.3                                       | 1.8<br>2.0    | 1.5<br>26.0 |
| Lard and tallow ... | 59                                      | 12.0                  | 0.4<br>...                                         | 14.5<br>25.2  | ...         |

Blockade would clearly be most effective in preventing tropical supplies of vegetable oilseeds from reaching Germany. Even granted the deflection of total exports from countries in Groups B and C, and Russia, to Germany, little more than one-seventh of her normal requirements of oilseeds would be secured. Whale oil supplies, largely provided by Norway, could not be increased to make up the deficit. And the difficulties of maintaining adequate supplies of imported feeding stuffs could be expected to react fairly quickly upon the production of butter and lard and tallow, in which Germany is mainly self-sufficient—though only on the basis of a low standard of consumption. In the autumn of 1938 it was officially stated that stocks of all kinds of fats amounted to 462,000 tons, or 23 per cent. of the average annual supply. While present stocks may be higher, fat supplies are clearly the most vulnerable item in Germany's food supplies.

**High Quality Foodstuffs.**—Imports of high quality foodstuffs—meat, eggs, fish, vegetables and fruit—form a smaller proportion of Germany's total supplies than her imports of fats, but their interruption would impose a considerable strain on the German population. The following table relates average imports of such foodstuffs for 1935-38 to total supplies to the Old Reich:—

|                  | ANNUAL AVERAGE, 1935-38                                |                                   | Imports as<br>% of Total<br>Supplies |
|------------------|--------------------------------------------------------|-----------------------------------|--------------------------------------|
|                  | Total Supplies,<br>Old Reich<br>( <sup>000</sup> tons) | Imports<br>( <sup>000</sup> tons) |                                      |
| Meat.....        | 3,625                                                  | 734*                              | 20.2                                 |
| Fish .....       | 844                                                    | 235                               | 27.9                                 |
| Vegetables ..... | 3,473                                                  | 273                               | 7.9                                  |
| Fruit.....       | 2,426                                                  | 850                               | 35.1                                 |
| Eggs .....       | Mns.<br>8,125                                          | Mns.<br>1,452                     | 17.9                                 |

\* Including imported livestock killed in Germany.

Unfortunately, no detailed figures for these foodstuffs are available for Austria and Czecho-Slovakia, but Austria formerly imported a relatively higher proportion of meat and eggs. For a time, Germany's home supplies of meat could probably be maintained at the 1935-38 level, for the reduction in livestock which occurred during 1937 and 1938 has apparently been halted, while foot-and-mouth disease, which spread rapidly in 1937, now seems under

control. Old Reich livestock censuses of the past three years are shown below:—

|               | (In thousands)    |                   |                   |
|---------------|-------------------|-------------------|-------------------|
|               | December,<br>1936 | December,<br>1937 | December,<br>1938 |
| Pigs .....    | 25,892            | 23,847            | 23,481*           |
| Cattle .....  | 20,088            | 20,504            | 19,911            |
| Sheep .....   | 4,341             | 4,692             | 4,809             |
| Poultry ..... | 97,036            | 93,261            | 97,130            |

\* 22,480,000 at June, 1939, against 20,810,000 at June, 1938.

German food rationing is evidently based, at present, on the assumption that meat supplies will be better maintained than other vital foodstuffs. But as livestock is killed off and supplies of feeding grains and oilcake are reduced, it will be impossible to make up the deficit from European neutrals. In meat, the blockade may become highly effective at a later stage in the war.

Germany's prospects of increasing her imports of other high quality foodstuffs are illustrated by the following table:—

|                  | HIGH QUALITY FOODSTUFFS<br>( <sup>000</sup> tons) |                       |                                                    |                      |                    |
|------------------|---------------------------------------------------|-----------------------|----------------------------------------------------|----------------------|--------------------|
|                  | Greater<br>Germany's<br>Imports<br>(estimated)    | Exports of<br>Group A | Average<br>Neutral Countries<br>1934-37<br>Group B | Group C              | Russia             |
| Meat.....        | 200*                                              | 20.9                  | 1.3<br>20.2                                        | 34.7<br>37.6         | 1.9                |
| Fish .....       | 230                                               | 56.7                  | ...                                                | ...                  | 0.1<br>11.3        |
| Vegetables ..... | 300                                               | 90.0                  | ...                                                | 17.5                 | 63.4               |
| Fruit.....       | 900                                               | 21.4                  | 2.4<br>...                                         | 92.9<br>167.3        | 0.8                |
| Eggs .....       | Mns.<br>90                                        | Mns.<br>44.9          | Mns.<br>4.3<br>5.1                                 | Mns.<br>19.1<br>41.0 | Mns.<br>0.1<br>0.3 |

\* Manufactured and preserved meat only.

Germany's catches of fish are likely to fall considerably, for important fishing grounds will be closed to German vessels and adequate alternative supplies are not available. In vegetables Germany is largely self-sufficient, and in root crops—potatoes, mangolds and turnips—completely self-sufficient. Only a bad harvest, diversion of labour, or the loss of territory could create an acute shortage of root crops. Probably Germany could dispense with her fruit imports without undue privation, though they represent more than one-third of her supplies. The Balkan countries could increase their supplies of both fruit and eggs to Germany, but not on a large scale.

Under pressure of war violent economic changes are wrought. But even on the assumption that Germany could continue to import the same quantities of essential foodstuffs from all European neutral countries, shortages of feeding stuffs and fats would not be relieved. Between 1935-38 these countries supplied only 18.1 per cent. of total imports of maize and 3.95 per cent. of total imports of oilseeds to the Old Reich. Even if the Nazi dream of diverting the total exports of the Baltic, South-East European and Russian States to Germany were realised, the marked shortage of fats and the relative scarcity of high quality foods would still remain. And to obtain war time supplies Germany will be compelled to maintain a high level of manufactured exports. Finally, the severe rationing of sugar shows that Germany is self-sufficient in sugar only in time of peace. Actually, Germany is a sugar exporter, and her export capacity has been increased by the incorporation of Bohemia and Moravia. Czecho-Slovakia's free supplies, together with the 37 per cent. cut in German consumption, are equivalent to some 750,000 tons, which will be available for glycerine production. Germany has embarked upon war with a full granary, and an immediate stiffening of rationing may be averted. But in fats and foods other than bread the belt will have to be tightened much earlier.

## Defence Measures

THE past three weeks have witnessed a revolution in the civil life of Britain. The more obvious ways in which this fact has obtruded itself upon the public have amounted to little more than symptoms of the change. Such have been the transfer of large sections of the population, restrictions on lighting and transport, and the ubiquitous activity of the civil defence services. The basic reality is the transformation by means of a flood of new legislation, Orders-in-Council, and departmental instructions of the legal framework in which the civil and economic life of Great Britain is carried on. This fact can only make itself felt to the full as the war proceeds and the new measures come into complete operation.

In the last three issues of *The Economist* there has appeared a record of the various enactments and rules whereby the economy of the country has been placed on a war footing. This record, which is continued below, aims at reasonable completeness. The sheer number of new measures, and the necessity to catalogue them in summary fashion, have so far tended to obscure the fact that practically every item recorded has been sufficiently important to have required, in normal times, full exposition and commentary in this journal. It will be possible to resume this detailed treatment, which has already been accorded to some of the more outstanding of the existing measures, as the spate of new laws and orders dies down and those already passed come into full working. In the meantime the catalogue is continued, and in the case of most of the items the vital and far-reaching significance which they possess is allowed to speak for itself.

### DEFENCE LEGISLATION

Two Acts passed on Saturday, September 2nd, which were not mentioned in the previous record were:—

#### *Administration of Justice (Emergency Provisions) Act*

The object of this measure is to enable the administration of justice to be carried on in war time. It provides for the decentralisation of courts and records; revises the methods of bringing the commissioners of assize into being and of regulating the other courts; enables the Lord Chancellor to delegate some of his functions; reduces the size of juries and enables the period of remand to be extended.

#### *Administration of Justice (Emergency Provisions) (Scotland) Act*

On Thursday, September 7th, the following two Acts were passed:—

#### *Liability for War Damage (Miscellaneous Provisions) Act*

This Act relieves bailees of their liability in respect of goods in their possession which suffer loss or damage as a result of war.

#### *Police and Firemen (War Service) Act*

The appropriate authorities are enabled to supplement the pay of police and firemen, while they are serving in His Majesty's forces. Provision is also made for the continuity of their superannuation and pension rights.

### ORDERS IN COUNCIL

On Monday and Tuesday, September 4th and 5th, five Orders concerning commodities came into force which have not previously been mentioned in this record. They were the Cereal and Cereal Products Requisition and Control Order which requisitioned all existing stocks and cargoes arriving in this country in future; the Feeding Stuffs (Provisional) Prices Order; the Tea (Provisional Prices) Order and the Tea (Control) Order, the former of which prescribes the wholesale and retail prices of tea while the latter prohibits dealings outside the United Kingdom except under licence and provides for the taking over of all stocks by the Food (Defence Plans) Department; and an Order requiring particulars of existing stocks and further arrivals of imported canned meat.

It was announced on Thursday, September 7th, that a Ministry of Home Security had been set up by an Order-in-Council, made under the Ministers of the Crown (Emergency Appointments) Act, with Sir John Anderson at its head. On the same day the Priority of Work Order by the Minister of Supply was published. It required contractors and others to give priority to certain work in accordance with the orders of the departments concerned, but did not establish a complete schedule of industrial priorities. An Order by the Minister of Transport implemented the power given by the Defence Regulations to modify the restrictions placed upon hours worked by lorry drivers by the Road Traffic Act, 1930. The Order applied to motor vehicles employed on Government haulage work. Oils and fats were added to the list of commodities whose prices and distribution are controlled by Order. The import and export of pigeons were prohibited except under licence from the Air Ministry.

The Air Navigation (Provisional) Order, which became effective from September 2nd, was announced on Friday, September 8th. It provided that the registration of aircraft will not lapse upon change of ownership, destruction, withdrawal from use or a cessation of the right of the owner to register it. On the same day an Order came into force forbidding the use of sirens and other similar sound instruments except for air-raid warning purposes. Certain exceptions were made including the use of such instruments on railways and ships. The prices of fat cattle and sheep were fixed by Order.

Ships proceeding to sea from certain ports are required by the Control of Trade by Sea Order, of which notice was given on Saturday, September 9th, to obtain a licence from the Board of Trade. Two further Orders of the same day controlled the price of and trade in dried fruits; and the Board of Trade permitted the export of tobacco by an open general licence under the Export of Goods (Prohibition) (No. 2) Order.

A number of Orders announced on Monday, September 11th, dealt with commodities. One group concerned various aspects of the meat trade. The sale of fat cattle was prohibited outside livestock markets and their prices were fixed; maximum wholesale prices for butchers' meat were prescribed; and arrivals of imported chilled or frozen meat were requisitioned. The Potatoes (Provisional Prices) Order laid down maximum prices for potatoes for human consumption; and further Orders regulated stocks and prices of sugar.

The only two Orders announced on Tuesday were made by the Secretary for War and prohibited any person to have in his possession, convey or send into or out of the United Kingdom otherwise than by post any document or other article containing information unless a permit has been obtained from the Chief Postal Censor.

On Wednesday the Ministry of Food made an order prescribing the maximum prices for the sale of butter.

### DEPARTMENTAL INSTRUCTIONS

The type of civil defence activity which appeared first in the present emergency consisted of detailed instructions and orders of all kinds which were necessary to bring into operation the various measures which had been taken in anticipation of a war. The steady trickle of such measures which has been in evidence for some months rapidly broadened as the probability of war became plainer and has continued to flow since the outbreak. The following details supplement the record given in *The Economist* in the past three weeks.

On Thursday, September 7th, particulars of the functions of the new Ministry of Economic Warfare were published, and it was emphasised that those functions had been carefully planned and defined and the necessary organisation built up to perform them. This major item of information concerning central activity was accompanied by a number of particulars giving evidence of detailed steps. Progress was reported in the British Medical Association's scheme for providing sufficient medical services both for the forces and the civil population, and in the same department it was announced that the London Hospital had completed its arrangements to act as a clearing centre for air raid casualties. The regulations concerning the lighting of cars were made more stringent; it was announced that still more auxiliary firemen were needed; that the Police College at Hendon was to be closed; and that British subjects returning to parts of the Empire outside the British Isles and non-enemy aliens travelling to foreign countries were exempted from obtaining exit permits until September 16th. To strengthen British financial resources abroad and concentrate

all the Government's foreign resources in one reserve it had been decided on Wednesday to transfer the present reserve in the Issue Department to the Exchange Account and £280 millions was transferred forthwith. This move required an increase to £580 millions in the fiduciary note issue of the Bank of England.

Two political adjustments to reduce friction to a minimum were announced on Friday, September 8th. An agreement was made not to contest by-elections, the party previously holding the seat being allowed to nominate the new candidate without opposition; and liaison officers were appointed from among the leaders of the Labour Opposition to make contact with Government Departments. The appointment of a Director-General and Secretary to the Ministry of Economic Warfare was announced; particulars were published of the first meetings of the London County Council and City of London Emergency Committees; and the Ministry of Labour published a revised Schedule of Reserved Occupations, including several new classes. Further adjustments in civil life included announcements of the curtailment of train services on September 11th; of the reopening of certain schools in neutral areas on the same day; and of the necessity for travellers from Northern Ireland to Great Britain to obtain exit permits. Further particulars were given of the arrangements made by the London hospitals after the evacuation of September 1st to deal with war time requirements; and in the same connection St. Bartholomew's Hospital issued an appeal for wearable clothing to be given to casualties who require it. The Milk Marketing Board announced that the current milk contract and producer-retailer licences would remain in force until January 31, 1940. The Minister of Food informed the Press that rationing would not be necessary for three or four weeks; and an official statement summed up the whole food position.

Measures announced on Saturday, September 9th, affecting directly the life of the civil population gave particulars of 110 Citizen Advice Bureaux set up in the Metropolitan Police area; of a further registration for evacuation to take place on the following Monday and Tuesday; and of the reopening of cinemas, football grounds and other places of amusement in neutral and reception areas. Adjustments to commodity controls were facilitated by the announcement of the addresses of divisional petroleum officers to hear requests for additional rations; and of the new headquarters for the wholesale distribution of meat at Gerrard's Cross. Difficulties in working the present scheme for controlling the fishing industry were pointed out to the Minister of Food by the Grimsby trawler owners, who asked for a return to the normal methods of carrying with the sole safeguard of maximum prices. It was made known by the Customs through the Cardiff and Bristol Channel shipowners' associations that ships clearing from South Wales would only be allowed sufficient bunker coal for the outward journey unless they guaranteed to bring back cargoes to Great Britain or allied ports. Contraband

control bases were established at Kirkwall, Weymouth, The Downs, Gibraltar and Haifa.

On Monday the Ministry of Economic Warfare made an announcement clarifying the procedure concerning ships detained or seized by the contraband authorities. The Board of Trade suspended the Operation of the Sea-Fishing Industry (Regulation of Landing) Order, 1936, and thus removed the necessity for licences for the importation of sea fish and restrictions on the quantities imported. Rest days were restored in the Metropolitan Police and certain other police authorities decided to accept women who are willing to do police duties. Preliminary arrangements were commenced for the control of butter and cheese, and it was announced that arrangements had been made to deal with the special requirements for motor spirit and oil of those engaged in agriculture. Two developments dealing with the more unpleasant necessities of war-time civil organisation were the instruction by the Minister of Health to local authorities to suspend work on slum clearance and redevelopment schemes and to complete only those new houses which were in an advanced stage of construction; and the announcement by the Air Ministry that it would be necessary to withdraw the restrictions hitherto imposed on the use of air gunnery and bombing ranges.

The Ministry of Information announced on Tuesday that arrangements were being made to transfer from London between 7,000 and 8,000 members of the staffs of Government Departments. An official warning to persons suspected of profiteering was issued by the North-Western Regional Commissioner through the Town Clerk of Manchester.

It was made known on Wednesday by the Committee of London Clearing Bankers that publication of monthly statements of average weekly balances of London Clearing Banks will be discontinued. The uncertainty concerning the rates of payment for requisitioned vehicles used for Civil Defence purposes was to some extent alleviated by the publication by the Minister of Transport of a provisional schedule of payments. The closing to merchant vessels of an area in the dockyard port of Pembroke was notified by the Admiralty. A particularly welcome announcement concerned the relaxation of the lighting restrictions for motor vehicles and hand lamps used by pedestrians. A further extension of food control was represented by the notification of arrangements in progress for the grouping of butchers in retail buying committees.

Importers of Danish butter, bacon and eggs were requested on Thursday by the Minister of Food to appoint agents on their behalf at the principal ports at which cargoes are now being discharged. This was made necessary by the fact that ports other than the normal ones are now being used for this traffic. The National Camps Corporation were urged by the Minister of Health to push on at once with the completion of camps whose building was provided for in the Camps Act.

## NOTES OF THE WEEK

**A Free Commonwealth.**—In a most serious sense, it is true to say that the response of the Dominions to Britain's declaration of war is a vindication of the Statute of Westminster and the policy for which the Statute stands. The legal issues may be set aside, for it does not matter that some of the Dominion Governments have never ratified the Statute; the machinery was there, and if they have not used it in the past, no one could prevent them from using it now. But they have not used it. As in South Africa, where a Government that wished to remain neutral was thrown out of office by a substantial margin of votes, so in Canada, Australia and New Zealand it is the comprehensiveness of the response that is surprising. For years we have been told that the Canadians would never go to war again "for some European quarrel," that the bulk of the prairie people and of the French Canadians, if not the Canadians in the big cities, were dead set against intervention. That judgment was very wide of the mark. It was not only the Government and Conservative Opposition parties that supported the Canadian Government's motion for going into the war; the main body of the French Canadians themselves were behind M. Lapointe, the French Canadian Minister of Justice, when he offered his services and those of his French Canadian colleagues "without limitation" (on the understanding that there would be no conscription) and promised to devote "their best efforts to the common cause." In the sphere of administration the Government has brought in a war budget calling for £130 millions and has voted a war credit of £20 millions, the money to be raised on the principle of "equality of sacrifice and ability to pay."

Last week also saw the introduction of the Australian Budget for 1939-40, though in this case the estimates were made before the declaration of war and will therefore have to be revised. On the peace-time estimate a record total sum of £102 millions is asked for, and taxation is up accordingly. Expenditure on defence is up from £14 millions to £33 millions, but there is no alteration in the Commonwealth's borrowing programme. Public attention in Australia, however, is centred rather on the preparations being made for national defence and on the expected widening of the Federal Government to include parties now in Opposition. No final decision has yet been taken on the raising of a force to serve wherever it might be needed, though in this there is the example of New Zealand, where over 6,000 volunteers were enrolled in a special defence force, to serve in New Zealand or overseas during the first day's recruiting. It is understood that Mr Menzies is anxious to reconstruct the Government, and it seems that Sir Earle Page will retire from the leadership of the Country Party to facilitate this.

**Parliament and Publicity.**—Two features were outstanding in Wednesday's important meeting of the Commons—even apart from the House's united and inflexible determination to resist the aggressor to the end. In the first place, the Prime Minister, whose survey of the progress of the war was the *pièce de résistance* of the day, was extremely anxious that Members should know all that could be told about what was going on. In the second, the

Opposition, while fully appreciating Mr Chamberlain's position, were not disposed to abate in the slightest their constitutional duty to help to win the war by harrying the Government in the weakest places of its policy. Mr Greenwood was deadly effective: as Leader of the Opposition it was his duty to put his fingers on the weak spots, and he found them at the Ministries of Information and Supply. His strong words about the stupid *imbroglio* of Monday night, when news about British troops in France was jockeyed about between the Ministry of Information and the War Office, given to the Press, withdrawn and then put out again, drew no riposte from the Government benches, where the ill-working of official publicity so far was of necessity admitted. They were echoed by Sir Archibald Sinclair and accepted by Sir Samuel Hoare. Democratic processes were working at their best on Wednesday; and it is not the least sign of the truly representative character of the Commons that there emerged from that day's discussion the general view that what is most immediately wanted by the nation is more information, better information and information more skillfully handled and expressed. This is what every man and woman in the street has been saying ever since the war began.

**The French War Cabinet.**—Twenty-five years ago the Germans had come within fourteen miles of Paris, and the French Government, evacuated from the capital, had assembled at Bordeaux. To-day the French Army is advancing into Germany and the Government, firmly established with a War Cabinet, has no thought of leaving Paris. In the War Cabinet, M. Daladier has taken over, in addition to his duties as Prime Minister and Minister of Defence, those of the Minister for Foreign Affairs, and M. Bonnet has been relegated to the Ministry of Justice. M. Daladier will be assisted by three Under-Secretaries, M. Pernot, as Under-Secretary for Blockade, M. Champetier de Ribes, as Under-Secretary at the Quai d'Orsay, and M. Ducos as Under-Secretary for War and National Defence. The Prime Minister is currently in an unassailable position. He has the confidence of the country and may be trusted not to abuse it. Working under him he has an unusually large Cabinet, its leading Ministers unchanged with M. Reynaud at Finance, M. Bonnet at Justice (from Foreign Affairs), M. Sarraut at the Interior, M. Mandel in charge of Colonies, M. de Monzie at Public Works, and M. Pomaret at Labour. In addition M. Chautemps retains his post as Minister of State, and the two Defence Ministers, MM. Campinchi and La Chambre, are also unchanged. On the supply side M. Dautry, a newcomer, is in charge of the newly-created Ministry of Armaments, and another interesting appointment is that of M. Coulondre, fresh from his Embassy at Berlin, to be M. Daladier's *Chef de Cabinet* on the diplomatic side. Those who looked for a really national Government, with the inclusion of the Socialists, or at least of leading Radicals like M. Herriot, have therefore been disappointed; but, as was the case in London, their disappointment may only be temporary and need not be taken to heart. Like their British counterparts, the French parties not in the Government may prefer to hold a watching brief over the Government's conduct of the war, ready to step in whenever their presence is generally known to be needed, but also ready to offer the criticism without which no democratic Government, whether in peace or war, should feel entirely at its ease.

**The War in Poland.**—For the Germans this has been largely a week of consolidation and reconnaissance. It says a good deal for the powers of endurance of the Polish Army that they have taken advantage of this pause to hit back westwards from Warsaw and to extricate a number of divisions which had been caught up and passed by the German advance. One of those detachments is still holding out in the port of Gdynia, another is reported to have recaptured in its retreat the city of Lodz, a third is still in

the process of fighting its way out of the Corridor area into contact with the Polish troops north-west of Warsaw. Altogether the Germans seem to have taken far fewer prisoners and far less war material than was promised by the speed of their advance. For the moment they are held up north and west of Warsaw; their thrust from East Prussia by way of Mława and Przasnysz is held up in front of Pultusk, and the Polish Army still holds the fortress of Modlin. Elsewhere the tale is less encouraging. The second phase in the campaign is now opening, and once again the Germans seem to have secured their initial objectives and to be pressing hard towards the last lap in their advance before it reaches the waste lands of Eastern Poland. The phase took a double aspect this week. The first was a thrust in the north on the River Narew, which the Germans claim to have crossed to a point beyond the town of Łomża, important as a strategic base. From there they will be able to advance southwards along the left bank of the Narew as far as its confluence with the Bug, which now forms one of the Polish Army's main strategic supports, and eastwards until they cut the railway between Białystok, which by then they may have surrounded, and Brest Litovsk. The second aspect of the campaign is in the south, a determined advance north and south of the fortress of Przemyśl towards Lwów, which tank detachments are reported to have already reached, and the valley of the Dniester. The objective here is the cutting of railway communications with Roumania. Thus the Germans, held in the centre, are still trying to advance on both their flanks.

But the way is long, and now that the rains are beginning to bog the roads feet deep in mud, much of it will soon be impassable to heavy detachments of troops. If they mean to end the war in the east before the winter begins, the Germans must work fast; and one obvious though repellent sign of this was the order issued by the German High Command that resistance by the civil population would be quelled with "all the means at the German Army's disposal." "The German air arm," continues the order, "together with the heavy artillery, will carry through those military measures which are calculated to make clear in such places the hopelessness of resistance." The places meant by the order are, of course, the area of whole villages and towns wherever some Pole, in the tradition of all invaded peoples and without command from anyone, takes a gun and snipes at the invaders. This is the principle of "collective responsibility" applied on a most terrible scale. And if any neutral testimony were required of the German treatment of civilians, even before this order was made, there is the report of the American Ambassador in Poland, declaring that the German air force was "taking advantage of every opportunity, without regard to the danger for the civilian population which may be involved."

**The Western Front.**—Here the Allies are still in the stage of preparation. For the comfort of the hard-pressed Polish Army it should be added that the preparation seems to be both swift and efficient. On Tuesday the Supreme War Council, consisting of Mr Chamberlain and Lord Chatfield, Minister for the Co-ordination of Defence, and, on the French side, of M. Daladier and General Gamelin, Chief of the National Defence Staff, held discussions "on French soil." On the same day the news came out, from a French source and later (though after culpable vacillation on the part of the authorities) from

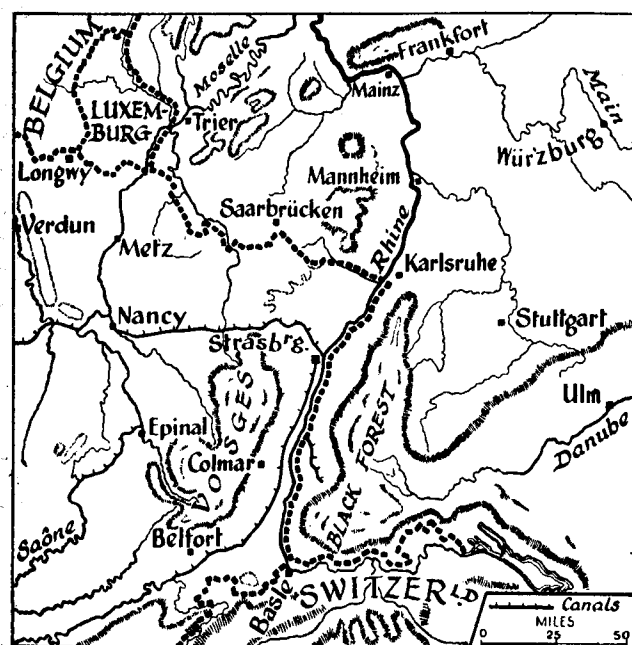
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the Ministry of Information, that British troops were already in France, and it would seem that the first detachments crossed the Channel nearly ten days ago. The Royal Air Force has now made five reconnaissance flights over German territory, dropping on the way well over 12,000,000 copies of messages to the German people,



with the loss of only one machine interned in Belgian hands. Another raid on the same scale of daring as that carried out on the German battleships lying at the western end of the Kiel Canal was made during the week on the Hindenburg Bridge between the mainland and the German air base on the island of Sylt off the Schleswig coast. Damage was done, but it appears that the bridge itself was not hit. On land, the French Army continues to feel its way across German territory towards the main bulk of the Siegfried Line. French troops have now advanced into Germany on the whole stretch of the front between the Rivers Rhine and Moselle. The town of Saarbrücken is reported to be partially surrounded and to have been evacuated by most of the civilian population. German counter-attacks are being held all along the line, and both sides are active with aircraft and artillery. Here the R.A.F. is taking its share of the fighting. The preliminary rounds have undoubtedly gone to the Allies.

**Business as Unusual.**—The first object of civil defence measures is to enable the nation's necessary business to be carried on in conditions of war; and it is by no means sure that this aim has so far been kept fully in view. The present intensity of the black-out imposed upon the whole country is an undoubted contribution to security against air attack. But it is equally an invitation to citizens to suspend their activities entirely in the hours of darkness, and there are grounds for the fear that, when the days shorten into winter, much business which ought to be carried on may in fact be immobilised. A good deal can be done to make the most of daylight by adjusting shop and office hours to fit week by week; and there is no doubt that many of the major and minor casualties in black-out hours up to now have been due to careless and unnecessary use of the roads and pavements. Nevertheless, some relaxation of the black-out rules, by the use of specially dimmed road lights to be put out by a master switch in the event of an air-raid warning, is imperative if winter darkness is not to be a dead loss to much of national business. The technique of picking out the roads for traffic and pedestrians has hardly begun to be elaborated. In like manner, the very radical curtailment of suburban train services, for some unexplained defence reason, may mean material dislocation of business travel. But national security is the first consideration and it is

only ill-counsellors who gird too drastically against inconveniences. An undoubtedly serious blow has been the curtailment of public entertainment, and it is wholly to the good that in many districts outside of precise danger zones cinemas have been opened again. A new provincial life has been given to the theatre, and sport, too, will find its attenuated revival curiously redistributed geographically. But it still remains an unwarranted risk to throw open places of public congregation in vulnerable centres without very careful thought about the possible consequences. The fact is that much of the pressure for a return to normal is due to the absence of air raids so far. This is irrational and must not influence public policy in any way.

**Crisis in Evacuation.**—The physical task of evacuating women and children was accomplished *à merveille*. The process of settling the evacuees is not going along so well. Householders with refugees billeted in their homes are finding it hard to feed growing children adequately with the allowance given; and in a number of unhappy instances they are finding it harder still to deal with the lawlessness and quarrelsomeness of crude and nerve-swept guests. Even more serious are the few cases where dirty or diseased persons have been moved indiscriminately into clean homes in healthy towns. And, on the other side, not the least grave feature is the number of women and children who have returned home because of distaste for their new surroundings or, more understandably, because of anxiety for the men-folk and grown-up children they have left behind. It should, of course, be realised that the majority of failures which have lately been given so much publicity are still not representative of evacuation as a whole. But this is not enough. In the short run view, it is vital to control the drift back to the towns and to mitigate and end the misery of refugees and their foster-families. In the long run, it is even more vital to make the newly swollen centres true communities with a real place and interest for all the inhabitants. It must be made quite plain that the new order in the evacuation areas is erected upon a fifty-fifty basis. There should be no undue sense of obligation or deprivation on either side. Financial arrangements should be re-examined. Strict and stringent standards of health and hygiene should be at once imposed throughout the reception areas. It should be made clear to evacuees where their duty to themselves and the country lies; and that the families they have left are being cared for. An extension of facilities for communal meals would be invaluable, socially and economically, in both reception and evacuation areas. Unless a planned series of such steps is begun at once a golden chance to pluck progress out of national danger will be thrown away.

**Congress Recalled.**—Mr Roosevelt's canvass of the state of American public opinion has resulted in a summons to Congress to meet in special session next Wednesday. There is to be a meeting between the President and the leaders of the isolationist Opposition on the preceding day, but there is little expectation that Mr Roosevelt will be able to convert them to his views. Senator Borah has already undertaken to resist an amendment of the Neutrality Act to the utmost, and he is not a man who changes his mind easily. The opposition to the repeal of the arms embargo rests on two separate lines of thought. There is the school represented by Senators Borah and Nye, who hold that the war is no direct concern of America's and that if she allows herself to become the arsenal of one side she inevitably becomes the target of the other. And there is also the less logical and less high-minded argument, represented by Senator Barbour, that America's interest in resisting German militarism will be adequately looked after by the Allies without more assistance from America than they are now receiving. The strength of these schools of thought must not be underrated. It seems probable that they are a minority of the whole public, but they are a large, vocal, sincere and persistent minority. Indeed, the outbreak of war has

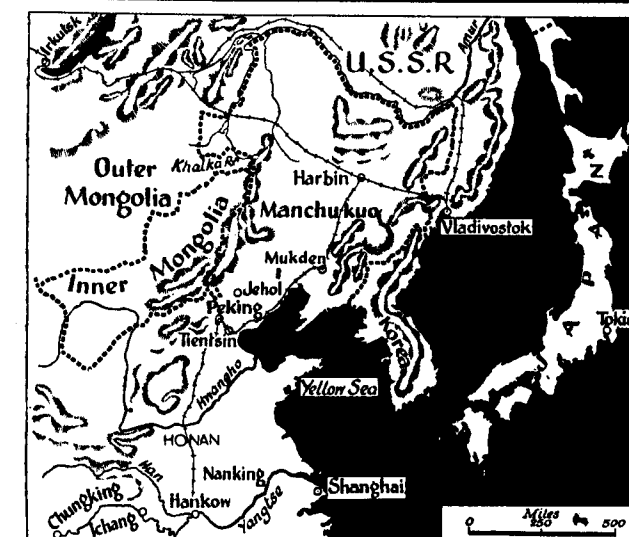
brought to the surface all America's latent isolationism and distrust of Europe to an extent that has surprised many observers. The prospect is that comfortable majorities will be found in both Houses of Congress for a repeal of the arms embargo—but not until there has been a debate that will certainly be lengthy and may well be embittered. Meanwhile the attention of the American public has been concentrated on the extraordinary behaviour of the security and commodity markets. Prices have risen with astonishing rapidity and many of the munitions industries, notably steel, have been swamped by a sudden rush of orders. This movement has been wildly exaggerated and must lead to an equally sharp reaction later.

**Neutral Problems.**—The sort of conditions which the neutral countries of Europe may expect to have to bear are gradually emerging from the flux of wartime regulations issued by the belligerent Powers. Although the British Government, for technical reasons, has not declared a blockade of Germany, contraband laws are already in force which mean that neutral shipping is liable to search and, possibly, to detention. The German Government, so long as its warships are able to keep the sea, will doubtless do all it can to reply in kind to these measures; German submarines have already introduced a "blockade" of the Allies. The stringency of contraband laws is likely, in this war as in the last, to become harsher as the months and years pass, and on their side the small neutral States are taking all the precautions they can to make sure that they do not run short of essential commodities. On the one hand they have to consider, with an extreme nicety of judgment, the course of their neutrality through the warring antagonism of both sides in the war; on the other hand, they have to ensure supplies to their own nationals. The answer to the first set of problems is in treating both sides as nearly as possible in the same way; the answer to the second is in the regulation by licence of all export, import, and transit trade. The Scandinavian countries, Holland and Belgium, for instance, whose representatives met at Brussels this week to discuss common difficulties, have each imposed strict licence regulations on their foreign trade, while trying at the same time to carry on the bulk of their peace-time business.

In the Balkans the problem of commercial neutrality wears a rather different aspect. Each of the Balkan countries does most of its foreign trade with Germany; each, therefore, must continue to cultivate good relations with Germany. At the same time, the danger of Germany's trade predominance has long been felt throughout south-eastern Europe, and, while continuing to cultivate those good relations, the Governments of the Balkans will presumably seek to use what occasions they can find to alleviate that danger. One of the first occasions to present itself is already in the making through Italy's neutrality and corresponding wish to regain the hold on Balkan trade which she lost to Germany during the period of sanctions. As the war wears on, Germany will make increasingly strong demands on Balkan produce, and her capacity to pay, either in cash or in kind, will obviously descend in inverse ratio. Italy is the largest available alternative market. Italy should therefore benefit.

**The Japanese Wait and See.**—Japanese second thoughts on the German-Soviet non-aggression pact have confirmed the state of mind in which the Japanese Government denounced the pact "as a violation of the spirit of the Anti-Comintern Pact." Berlin's soothing words have not turned away Tokyo's wrath. That must be the plain conclusion to be drawn from the various statements of policy made by the new Prime Minister, General Abe, one of the most salient of which came out last Sunday when General Abe said that there might be in future some

sort of readjustment of diplomatic relations with the Soviet, United States, British and French Governments. "Japan will not hesitate to resume the ruptured Anglo-Japanese talks if Britain breaks the deadlock by showing sincerity." This appears to be saying rather more than might have been expected, and to be not far from tantamount to an admission that Japan cannot win her war in China without the withdrawal of Anglo-French-American support from the Chinese Government. There is even a hint that the Japanese Government may be willing to cut



its losses and come into an Entente with the Allied Powers—always provided that those Powers do not entirely baulk its aims in China. But it would be poor diplomacy to read too much into what the Japanese Government may think fit to say at this moment. The Japanese Army has been deceived by the Germans, and is very bitter about it; the Japanese Navy has never been in complete agreement with the anti-British policy of the Army, and now, doubtless remembering the profitable years of 1914-1918, is likely to be less than ever anti-British; the Government itself is in the hands of a "moderate" group pledged to make good the diplomatic damage and indignity done by Germany's defection. All told, the Japanese are in a mood to reason rather than declaim. The mistake on our side would be to think that they are thereby less attached to their plans for Chinese conquest and hegemony.

Another sign of this turn towards "moderation" (a good deal may be read into the inverted commas) is the number of changes announced for the Japanese High Army Command in China and Manchukuo. It is significant that the fire-eaters are being sent northwards. General Itagaki, the Minister of War, who resigned with the Government that went out of office with the announcement of the German-Soviet Pact, has become chief of staff of all the Japanese forces in China. There are reliable reports that the Army in Manchukuo is being strengthened against the need for men on the Soviet-Manchukuo frontier, where spasmodic fighting has taken place over the last few months near Nomonhan and the Khalka River, and the Russians are now said to have broken through. This tightening of military precautions in the north coincides with a marked slackening of hostilities on the main China front. Mr Wang Ching-wei, lately expelled from the Kuomintang, is at last forming a puppet Government with which Tokyo will presumably sign "peace terms."

**Contraband Control.**—In the absence of a formal blockade of Germany, the administration of the law of contraband is a matter of critical importance both for relations with neutrals and the efficiency of British shipping. The primary requirement is clarity. It must be known beyond shadow of doubt, to all those responsible for the dispatch and carriage of cargoes, what the law is and how it will be administered. Official pronouncements so far

have been quite plain. First, on the outbreak of war, the Admiralty announced that all British merchant vessels were liable to examination by the British Naval Contraband Control Service; stated what classes of ships would not be detained for other purposes than the establishment of their identity; and indicated the control bases on various routes. Strict observance of these rules will ensure the minimum of interference with British ships. Next arms, fuel, means of communication, coin, bullion and evidence of debt were proclaimed absolute contraband and foodstuffs and clothing conditional contraband. The full list is available and leaves little room for misapprehension. The Ministry of Economic Warfare, in whose province these matters fall, has also made clear the procedure in the case of cargoes and ships which are detained or seized. In fact, all that can be done at the moment has been done. It cannot be expected at the outset that all neutrals will accept the new restrictions as anything other than an unpleasant necessity. Argentina, for example, although her sympathies in the war are unmistakably on the side of Great Britain and France, has already emphasised her long-standing argument that food for civil populations should not be considered contraband. But neutrals can become reconciled to the necessities of war, so long as the measures enjoined by those necessities are equitably administered; and they may even accord them a judicious welcome when, as is often the case, they carry with them the possibilities of economic advantage. An intelligent administration of the contraband laws can temper a not entirely ill wind to a by no means shorn lamb.

\* \* \*

**Employees and the War.**—The fear of widespread unemployment which marked the early weeks of war in 1914 proved largely ill-founded; but it would be foolish short-sight to rely entirely this time on some "hidden hand" to effect the transfer of workers from non-essential to war-time trades without considerable delay and suffering. Conditions are now very different. Air raid fears and air raid precautions have heaped up a novel volume of

worklessness. City shops have cast off thousands of employees. City offices have done the same or gone off to other towns with shortened staffs. The entertainments industry, now of a massive size in terms of workers, has come almost to a halt. And, with the progress of public and private evacuation, old markets have dwindled, and the new ones to replace them have scarcely begun to be organised. On the other hand, there is no call yet for a rush of recruits for the forces—the principle is, very soundly, that men should wait until they are called for—and even the defence and armament trades, since they have been working at pressure for many months already, are not yet making the greedy demand for hands they made twenty-five years ago. In short, there is a very grave short-term problem of dislocation. Nor is it one which has been unforeseen. But the short-term problem has been obscured by an even more obvious long-term fact. When the war-economy reaches full speed, which ought to be as soon as possible, there will be no problem of surplus labour. It has long been taken for granted, and rightly so, that the labour situation in war must rather be one of marked shortage. The forces will grow greatly, more greatly than the new Schedule of Reserved Occupations put out last Friday seems to envisage. The munition trades will expand. The Civil Service will swell. And, moreover, although it is wholly to the national advantage that many non-essential or luxury occupations should have been voluntarily cut down so swiftly, not a few of the trades and businesses that have hastily slimmed to the limit will have to extend their activities again if the nation is to carry on with reasonable convenience. It is the first shock that is most staggering: all of which adds proof that what is needed is a far-reaching labour plan to tide over the current transition with the minimum of loss and misery, and to set the new model war economy smoothly in motion at the earliest date. There is some Government direction of the shape which employment should take for the national interest in the war-time Schedule of Reserved Occupations. What is needed further is guidance as to how the new pattern is to be achieved in practice and aid in the process of transfer.

## THE WORLD OVERSEAS

### The Soviet Census

(From our Moscow Correspondent)

SO far as the outside world was concerned, the principal characteristics of the census of the Soviet Union which was taken in 1938 were that the results were never published; and that, shortly after its completion, many of the members of the census committee were shot or exiled on charges of spying, and "sabotaging the census." At least a partial reason for this was that the number of answers to questions of literacy, and religious beliefs, which, from the standpoint of the Bolsheviks, were unfavourable, was large. Be that as it may, the entire census was retaken in 1939, and preliminary results were published in August.

The population of the entire Soviet Union is 170,467,186, representing an increase of about 23,000,000 since the last census in 1926. Table I shows the number of men and women and the number of city dwellers and country dwellers, according to the census of 1926 and that of 1939.

TABLE I  
POPULATION OF THE SOVIET UNION

| Year                | Men        | Women      | Total       | City       | Country     |
|---------------------|------------|------------|-------------|------------|-------------|
| 1926                | 71,043,352 | 75,984,563 | 147,027,915 | 26,314,114 | 120,713,801 |
| 1939                | 81,664,981 | 88,802,205 | 170,467,186 | 55,909,908 | 114,557,278 |
| Percentage Increase | 15         | 16.9       | 15.5        | 112.5      | 5.1*        |

\*Decrease

The most striking item in these figures, and one which is of tremendous importance in the Soviet Union of to-day, is the 30,000,000 new city dwellers. These ex-peasants left their villages to go to construction camps and industrial centres, to build and run the new mills, mines and industries that the Union has acquired since the beginning of the first Five-Year Plan in 1928. They generally came in response to recruiting campaigns for industrial labour power. Others came to escape from the bad conditions prevalent in many villages in all parts of the country during and immediately after the collectivisation of agriculture. Others came because they wanted to learn trades and become workers, or even professional men. A few came as functionaries and leaders.

In any case, the results on the national economy were far-reaching. Thirty million men and women who were used to making most of the things they consumed suddenly attacked the market, with their newly acquired money in their pockets, and demanded manufactured foods, factory-made furniture, electric lights, radios, and, most difficult of all, manufactured clothes and shoes.

Soviet light industry, given second or third place in the capital allocations (after heavy industry and transport) could not, and cannot, yet begin to meet that demand. Russia is still to-day a country of hungry buyers with their pockets full of money, ready to take almost anything even at high

prices. Far from disappearing, this tendency for the peasants to flock to the villages is becoming more marked according to a definite plan. At the eighteenth party congress in March of this year Stalin made an appeal for two million peasants every year to join the ranks of industrial workers. These are now being recruited in villages all over the Union.

Figures of the increase of population during the last twelve years in the U.S.S.R. by districts and by republics (city dwellers and country dwellers being shown separately) illustrate the very rapid increase in the number and proportion of city dwellers—who are, of course, mainly industrial workers—in several of the outlying districts and republics in Central Asia. In Turkmenia, for instance, the city population has increased by 203 per cent. since 1936; in Kazakhstan by 328 per cent. during the same period. The power projects, State cotton farms, and textile cities in Turkmenia, and coal, nickel, zinc and other mining and industrial enterprises in Kazakhstan are taking their workers from the nomadic, primitive native populations of these remote areas.

The Soviet Union has two cities with a population of over a million—Moscow, whose 4,137,018 inhabitants more than double the 1926 figure, and Leningrad, with 3,191,314, against 1,690,065 in 1926. There is then a large gap before the next group of cities is reached. There are nine with populations between 500,000 and 900,000—Kiev, Kharkov, Baku, Gorky, Odessa, Tashkent, Tblisi (formerly Tiflis), Rostov-on-the-Don and Dnepropetrovsk. The size of most of these cities has nearly doubled since 1926. Some of the 70 cities with populations between 100,000 and 500,000 have increased in size by thousands of per cent. since 1926, and several, like Magnitogorsk and Karaganda, are completely new since that time.

The figures of birth-rates and the relation between births and deaths are extremely interesting. Births exceeded deaths in 1937 in England by 21 per cent.; in Germany by 62 per cent.; in the United States of America by 30 per cent.; in Italy by 38 per cent.; and in the U.S.S.R. by 115.7 per cent. In France deaths have been exceeding births for several years. Table II gives the absolute and relative birth-rate for several cities in the U.S.S.R. and in other countries.

TABLE II

| CITIES      | Year | Births (absolute) (thousands) | Average births per 1,000 |
|-------------|------|-------------------------------|--------------------------|
| Moscow      | 1938 | 117.2                         | 28.5                     |
| Leningrad   | 1938 | 83.8                          | 27.4                     |
| Kiev .....  | 1938 | 22.5                          | 27.4                     |
| Kharkov...  | 1938 | 22.4                          | 27.7                     |
| Baku .....  | 1938 | 26.9                          | 33.9                     |
| New York    | 1936 | 99.4                          | 13.5                     |
| London ...  | 1936 | 56.3                          | 13.6                     |
| Paris ..... | 1936 | 32.5                          | 11.5                     |
| Berlin ...  | 1936 | 59.5                          | 14.1                     |
| Rome .....  | 1936 | 34.0                          | 21.7                     |

#### The Soviet Family

The Soviet Press, in commenting on this high birth-rate, claims it to be the result of the great attention and assistance which is given to the Soviet family by the Government. It is true that steps have been made in this direction recently; large sums have been spent on construction of maternity wards, nurseries and other children's institutions. Bounties have also been granted to mothers with seven or more living children, and the laws requiring a father to assist in the support of illegitimate children are being strictly enforced. Still, in the opinion of the writer, the most important factors contributing to the high birth-rate are the new anti-abortion law and its strict enforcement, crowded living quarters, particularly in the cities, and the comparative illiteracy in matters of hygiene and contraception of large sections of the population.

An interesting note on family life is that there were 35.8 per cent. less divorces in 1938 than in 1936, while there were more marriages. This is partly due to the rise in the price of divorces since 1937. They used to cost three roubles (the price of a packet of good cigarettes, now the price is 50 roubles the first time, 100 the second, 200 the third and so on).

The development of the population of the city of Moscow is interesting. Before the war there were 1,481,000 inhabitants, but by 1917, due to the stimulation of the war, the figure had risen to 2,165,000. During the three years of the civil war, however, there was nothing to eat in the big cities, and the population of the capital fell to 952,000 (1920). By 1926, with the re-establishment of peace and order, it had risen to just over 2,000,000, and in the subsequent twelve years, as a result of industrialisation, centralisation and natural growth, it went up to well over 4,000,000. Despite the fact that during the second Five-Year

Plan the State spent 16.3 billion roubles on living quarters, the situation is not improving very rapidly. The phenomenal growth in the number of city dwellers has a very dark side. Living quarters in Moscow, for instance, are unbelievably crowded. People marry, divorce, even commit murder for a room or a part of a room.

August 26th.

## War and U.S. Markets

[FROM OUR NEW YORK CORRESPONDENT]

IN spite of long months of increasing tension the New York financial community had persisted in the hope that the European conflict would not eventuate in war. This was shown not only by the conversational comments commonly made in late August, but also by the behaviour of the markets—often a better indicator of opinion than actual verbal expression. But war did come; and all three organised markets—bonds, shares and commodities—expressed their surprise at the actual outbreak of hostilities in varying ways and degrees.

The bond market declined. Last spring a combination of circumstances lifted gilt-edged to unmatched high levels. By the end of June long-term Government securities were selling at prices giving a yield only a little over 2 per cent., and first class corporate and municipal bonds were correspondingly appraised; while short-term interest rates were at vanishing point. The supply of funds (in this instance, of bank credit) had been increased by nine months' enormous gold imports, and the demand for funds had been extremely low. Corporate and municipal new issues were relatively small; and, while commercial loans were expanding, brokers' loans were contracting. At the same time, although the Federal deficit was larger and the aggregate of Federal debt increasing rapidly, actual demands upon the market were nil, for the deficit was financed (a) by sales to the Trust Funds, (b) by U.S. Savings bonds, and (c) by drafts on the Treasury cash balance. In the six months ended June 30, 1939, the Federal debt "in the market" did not increase. At the same time, the banks, with great excess reserves and hard pressed for earning assets, became heavy buyers of securities, especially Government securities.

In short, in the first half of 1939 there was a sellers' market in gilt-edged bonds. At the same time there was an undercurrent of business improvement, in part probably financed by the sale of securities (especially Governments) by non-bank holders to the banks in lieu of borrowing therefrom. This left a vulnerable position, susceptible to shock of any kind. The outbreak of war brought the shock; it came in the form of the break in sterling from its long-pegged level of 4.68 and the advance in the Bank of England rate. The result was a slide of several points in Government bonds, although this was promptly cushioned by buying by the Federal Reserve Bank; and there was a more severe decline in gilt-edged corporate securities.

Nevertheless, although this decline is worth noting for purposes of record, it has so far been quite trivial in extent. In sum, the first week of war carried the gilt-edged market back to the level of last December.

Technically, the position of the stock market was much

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stronger than that of the bond market. The shadow of Europe had hung heavily over the share market ever since March, and indeed longer. The flow of European capital into American shares almost completely ceased some months ago.

The stock market had not followed the increase in corporate earnings during the first half of 1939. The relation of prices to earnings was unusually low in the share market—the precise antithesis of the situation in the bond market where the relation of price to coupon was unusually high. This relation of price to earnings in shares became more exaggerated in the first two months of the third quarter, when business was definitely moving upward through July and August, but share prices were moving down, because of persistent though light liquidation by persons who preferred cash to shares.

Thus, in an opposite way, the share market was as vulnerable as the bond market and the prospects of "war orders," superimposed on a belated recognition of business improvement, induced convulsive buying. In the vernacular of the street, the shock of the past week caught the bond market technically over-bought and the stock market technically over-sold. The uprush centred, as would be expected in the raw material shares—oil, steel and non-ferrous metals—which had been greatly depressed.

### Sharp Rise in Commodities

Advances were marked in stocks whose earnings are determined by the price of a raw material produced. A hesitant and irregular advance was in motion in a number of commodities—notably non-ferrous metals—from early summer; and in a few others the rise can be dated from late August. But, on the whole, primary commodity prices were low, and the lethargy of the commodity markets was often cited as evidence of the unlikelihood of war. By and large, except for a flurry in the summer of 1938, and scattered price rises in the early summer of 1939, there has been a buyer's market in primary commodities since March, 1937. Inventories had been expanded in the winter of 1936-37; and some losses were incurred in the subsequent liquidation.

On September 1st the buyers' market in commodities suddenly became a sellers' market; and the response was galvanic. It was not that large orders were immediately placed by belligerents; the anticipation that such orders might be forthcoming was sufficient to provoke buying—with the prompt discovery that the primary commodity market, like the stock market, was "over-sold." The first week of the war lifted Moody's commodity price index to a point which represented the recovery of one-third of the loss registered between 1937 and mid-August, 1939.

In short, the behaviour of the bond market, the share market and the commodity markets, each indicated surprise; and the variation in their behaviour shows how each was caught off its guard.

The present situation presents few analogies with 1914. In August, 1914, the dollar broke—the Federal Reserve System was just in process of establishment—and the mechanism of exchange was disrupted by transitions. The share market was closed until November, and by the year-end prices were little changed from those of the previous August. Nor was the response of commodities immediate; indeed, commodities remained somewhat inert right into 1915. In short, the principal immediate repercussion of 1914 was felt through the foreign exchange market. In 1939 the principal repercussion was in commodity markets; and it was through these that it was communicated to the share market.

September 8th.

## In the Eastern Baltic

(FROM OUR TALLINN CORRESPONDENT)

IN the three small Baltic States, Estonia, Latvia and Lithuania, people have taken the outbreak of war with a good deal of calm. The Lithuanian Government, with an eye to the protection of its neutrality, has called up several classes, and the Latvian Government, with the same intention, has taken similar measures. These are not extensive. Perhaps the most worrying aspect of the war, from the point of view of these small States, is the complete upset of foreign trade. In Estonia, for instance, it looks as if some 25-30 per cent. of all trade with foreign countries, and 95 per cent. of that transported by sea, is menaced by the hostilities. With Finland and Sweden the regular steamship lines are being maintained, thus accounting for about 10-15 per cent. of Estonia's trade; and with Germany even the "tramp" traffic is undisturbed.

The most serious case is the breaking-off of trade with Britain, for Britain takes about 30 per cent. of Estonia's foreign trade (and a correspondingly important part of Latvia's and Lithuania's as well), and is the main supplier of raw materials to these small States. This trade was done largely in British bottoms, and the lack of these will make a profound difference. There seems some chance of continuing this trade with Britain via Sweden and Finland. Several shipments destined for Britain and for overseas have already been despatched to Stockholm.

For want of the necessary refrigerating space, a part of the Estonian butter destined for England has been sent to Germany, although generally speaking there is no intention of increasing deliveries to Germany, since it is desired to avoid unbalancing the clearing accounts. Of late this clearing has fallen back from 8.5 million Estonian crowns (£1 = 18.2 crowns) to about 4 millions.

More exports to Germany must be balanced by more imports from Germany. But there is an assumption here that Germany is not now in a position to increase her exports of manufactured products to Estonia. It is even questioned whether Germany will be able to deliver coal or iron.

It is possible that a delegation will shortly go to Berlin to clear up the precise position with regard to the exchange of goods. At the time of writing, a good deal of confusion is common; there is a general hope that some new means of carrying on trade with Britain will be found with the help of the Scandinavian countries.

The tense political situation has naturally had its effect on the money market. Withdrawals from the banks were to be expected; but no major difficulties have been met with. The new monetary policy of Sweden and Finland is followed here with great interest, and the Eesti Bank has been in close consultation with the Government with the idea of bringing the currency into line with the pound sterling. But it is further argued that Estonia is too small a country to indulge in monetary experiments, and that a preliminary attachment to the Swedish crown would cause fluctuations against the pound sterling which might be of considerable damage to business interests.

September 6th.

## Canada Prepared

[FROM OUR OTTAWA CORRESPONDENT]

THE Government has summoned to Ottawa the chief officials of the Canadian Wheat Board to discuss a war-time policy. Mr McIvor, the chairman of the Board, has announced that it has sold all its wheat from last year's crop and it has now large stocks on its hands from the new crop. The presumption is that the Board will hold all stocks of Canadian wheat for the exclusive use of Britain and her allies, and that it will deal with allied purchasing commissions which would be created by the Governments of Britain and France. It is also understood that the Government has reached an understanding with the gold-producing companies, whereby production in their mines will be maintained at current levels.

During the last war so many people enlisted from the mining camps that the staffs of mines were depleted and production fell off. It is now considered to be in the national interest that there should be no diminution of the valuable supply of liquid assets provided by gold and that potential buying power of this kind should be maintained. Again, the Canadian dollar has weakened in sympathy with sterling, and the continuance of exports of gold to the United States at their present level would help to keep it up. In recent months large quantities of gold have been stored by governments and other interests for safe keeping in the vaults of the Bank of Canada, and although no official statement has been issued about the amount of this earmarked gold it is estimated to be about 700 million dollars.

It is now being taken for granted that the Government will assume control of certain vital industries on the outbreak of war. A large number of Canadian plants are now engaged in producing war materials and munitions, and some fresh orders have recently been placed by the British Government.

The western grain crops are being harvested under favourable conditions and a good deal of the wheat has already been threshed. There is a wide variation in grades, but the threshing returns from many fields are better than was expected, and the latest estimate was raised to 449 million bushels. Farm crops in the eastern provinces are also up to the average, and for minor crops like tobacco and apples there is the promise of satisfactory yields. At present the

farmers are complaining about the fall in prices of most of their products, but war usually raises them. Anyhow, Canada will be in a position this autumn to send large supplies of foodstuffs to Britain.

### Business Activity

The waning of the summer finds Canadian business at almost exactly the same level as a year ago, which is a very satisfactory situation; indeed, the general economic index of the Bureau of Statistics for the week ending August 19th, 108.3, was just fractionally below the figure for the parallel week of 1938, 108.5. The Bureau's business survey of the first half of 1939 gives the index of the physical volume of business for this period at 116.2, as compared with 110.1 for the parallel half of 1938, which represented a gain of 5.5 per cent.; the index of manufacturing production at 118.4, as compared with 111.5, showed a gain of 6.2 per cent. The most discouraging feature was a severe fall of 10.7 per cent. in wholesale prices, for which the index fell from 82.2 to 73.4. Since August began the general index of the Bureau has not varied, and given below are data about its three major components with parallel figures for last year:—

| Week ending      | Car Loadings | Wholesale Prices | Bank Clearings | General Index |
|------------------|--------------|------------------|----------------|---------------|
| Aug. 5, 1939 ... | 76.9         | 72.3             | 90.7           | 108.3         |
| " 12, 1939 ...   | 76.7         | 72.1             | 89.7           | 107.7         |
| " 19, 1939 ...   | 76.9         | 71.9             | 94.7           | 108.3         |
| " 26, 1938 ...   | 72.5         | 75.8             | 95.5           | 108.5         |

The latest employment bulletin of the Bureau, covering up to July 1st, showed a further expansion of employment with 1,126,216 workers on the pay-rolls of reporting firms—a gain of 26,118, or 2.4 per cent., for the month of June, which is slightly larger than the average June gain since 1920. The number of persons on public relief in June was placed at 848,000, a decrease of 4 per cent. from the figure for June, 1938.

New construction is being well maintained, and the value of new contracts placed in July was \$22,129,700, which had not been exceeded in any July since 1931. Activity in the mining industry is being maintained at a high level, and the exports of copper, nickel and zinc in July were respectively 469,353 cwts., 172,757 cwts. and 340,735 cwts., as compared with 472,184 cwts., 145,765 cwts. and 273,806 cwts. in June, 1938. The asbestos industry is enjoying almost a boom, and its exports in July totalled 41,450 tons, which was almost treble the figure for July, 1938. In the manufacturing field, conditions are variable; there have been seasonal recessions in motor manufacturing, the clothing trade and the production of furniture, but the cotton mills have increased their scale of operations and are having the novel experience of getting orders from Britain. The flour mills are fairly busy. The plants engaged in canning fruits and vegetables are at the height of their seasonal activity, and the packing plants are reasonably busy.

September 2nd.

## Australia's Oversea Trade

[FROM OUR SYDNEY CORRESPONDENT]

OVERSEA trade is of the greatest importance to Australia's economy. In the past, internal stability has been very susceptible to influences of export prices and the balance of payments: high prices for exports, increased deposits, reduced overdrafts, improved banking liquidity and promoted industrial activity. Growth of secondary industry and cessation of overseas borrowing have made Australia less sensitive to external influences. In spite of the fact that the value of exports fell from £A162 millions in the financial year 1936-37 to £A158 millions in 1937-38 and to £A140 millions in 1938-39, business activity has continued at a reasonable level.

Notwithstanding the drought which afflicted a large part of the Eastern States, the volume of exports was well maintained except in the cases of lead, meat and—particularly notable—wheat. The serious fall in export prices was the main reason for the drop in the total value of exports. The Bank of New South Wales Australian export price index (base 1934-35=100) fell from an average of 116 in 1937-38 to 94 in 1938-39. The chief factor in this fall was a drop of over 40 per cent. in the average price of wheat in the latter period, compared with the former. Wool, also, showed a marked decline from an average of 13.2d. per lb. in 1937-38 to 10.5d. per lb. in 1938-39. The fall in wool prices was to some extent offset by an increase in the volume exported, but the value of exports declined by £A4.4 millions.

The value of gold exports showed an important rise during the twelve months from £A15.9 millions to £A17.9 millions,

moving up to supplant wheat as the second most important of Australia's exports. A further notable increase occurred in exports of iron and steel, which rose during the year by nearly 100 per cent. to £A2.3 millions. The important growth of Australia's heavy industries is evidenced by the British purchases of Australian steel for air-raid shelters.

As was to be expected after the adverse balance of payments in the financial year 1937-38, imports declined considerably in 1938-39 from £A143 millions to £A128 millions. In contradistinction to exports this fall in value is almost entirely due to decreased volume. The Commonwealth Bank has computed an index of Australian import prices, and this gives valuable information indicating that the fall in the prices of imports since the end of June, 1938, has been negligible. The index (base 1932-3=100) stood at 106 in the second quarter of 1938 and had dropped to only 105 in the first quarter of 1939. This index, covering the period since 1928, is an excellent record of the difficulties imposed on a primary producing country through the excessive fluctuations in the prices of primary products compared with the prices of manufactured goods which must be imported. Since 1928 the Australian export price index mentioned above has varied between a low point of 81 in 1932-3 and a peak of 130 in 1936-37. During the same period the import price index has only varied between a low point of 97 in 1933 and 1934 and a peak of 118 in 1931.

The main items contributing to the fall in imports were metals and machinery (including motor cars), which fell from £A47 millions in the financial year 1937-38 to £A39 millions in 1938-39. Textiles also fell considerably by 16 per cent., but most items contributed to the downward movement. The decline in imports, however, was not sufficient to compensate for the drop in export values, with the result that the balance of trade declined, the excess of exports in 1938-39 falling to £A11.6 millions compared with £A14.9 millions for the previous financial period.

Great Britain still remained the most important country in Australia's overseas trade; the total trade with the United Kingdom being £A117 millions, or about 44 per cent. of Australia's trade with the world. The United Kingdom took proportionately less of Australia's exports, her share declining from 55 per cent. in 1937-38 to 47 per cent. in 1938-39, but her share of Australia's import trade did not vary, amounting to 40 per cent. of the total in each of the two financial years. Next in importance was the United States of America, with a total of £A38 millions. The major item in this trade was the export of gold from Australia, which turned an excess of imports of £A11 millions in 1937-38 into an excess of exports of a little over £A1 million in 1938-39. Next in order of value of total trade with Australia was Canada, with £A11 millions.

It is too early yet to give an accurate estimate of the movement in Australia's balance of payments in the last financial year. Imports of capital have probably been slightly less than they were in the preceding twelve months. The balance of trade, however, as mentioned above, showed a deterioration of £A3.3 millions. External interest on Commonwealth Government and Local Authorities' debt remained at £A27.5 millions. A preliminary rough estimate for the financial year just past would thus give us an adverse balance of something more than £A15 millions. Australia's London funds were estimated to be £A78.4 millions in June, 1938, and were probably more than £A60 millions in June last.

August 28th.

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## Books and Publications

### Mercantilism in Practice

It has been said that one of the more surprising things about the cumbrous administrative system of the late seventeenth and eighteenth centuries is that it managed to work at all. How, precisely, it did work has scarcely been investigated, and many important departments of State are still without a historian. Dr Hoon has made a careful and judicious analysis of the organisation of the customs between the completion of the Merchantist system for the control of trade by the Navigation Act of 1696 and Pitt's Consolidation Act of 1787, which drastically simplified and modernised the customs. Her book,\* along with Professor G. N. Clark's recent *Guide to English Commercial Statistics, 1696-1782*, makes it possible to understand clearly one of the more important branches of administration and provides a much-needed background to the critical study of the customs records, where most of the raw material for the history of English trade in a period of great importance is to be found.

In the Boards and Committees of this period, which spread the function of administration over the governing class and provided for continuity in personnel and policy, are to be found the prototypes of the modern Government departments. It was Parliament and the Cabinet, and not the civil servants, who were responsible for the worst features of the system, a tangled and multifarious scale of duties, expensive sinecures and burdensome fees, which placed a great burden on the merchants and put a premium on confusion, inefficiency and fraud. To the single fixed rate of duty, established in 1660, for each article liable to pay customs, successive enactments had added many additional charges, until, by 1784, there were no fewer than 100 distinct duties levied.

The system placed an almost intolerable burden both on the official accountants and on the merchants. Yet many offices in the service were held by men who took no part whatever in the administration. The offices were granted for political services and the work was done by ill-paid deputies. By 1784 fifty-seven patent officers—customers, controllers and searchers, acted through 299 deputies. The deputies had to get at least £20 *per annum*, but at Chester between 1762 and 1764 three officials holding sinecure offices took an average of £101 13s. 4d. in salaries and £1,891 16s. 8d. in fees between them each year.

Although Dr Hoon is concerned primarily with administration she gives much information on how trade was carried on in the eighteenth century. The general picture which emerges from her work is that of a cumbrous system of administration, badly in need of drastic pruning, endeavouring to adapt itself without altering in essentials to a steadily increasing stream of trade. But the Industrial Revolution was forcing forward the need for reforms in the customs organisation and a new chapter in the history of this branch of the Civil Service begins immediately after the date at which this study terminates.

\*"The Organisation of the English Customs System, 1696-1786." By Elizabeth Evelyn Hoon, Ph.D. D. Appleton. Century Co. 1938. 18s.

"Government and the Governed." By R. H. S. Crossman. Christophers. 306 pages. 8s. 6d.

Mr Crossman gives his latest book the sub-title "A History of Political Ideas and Political Practice." His object is to demonstrate the connection between the two. He concludes that the connection is close when the ideas are the expression of a genuine understanding of current economic and social trends; and if not, not. Mr Crossman is no believer in the dynamic quality of ideas unless those ideas themselves receive their impetus from events. He takes as the starting point of his historical study the breakdown of the mediæval compromise between a world-wide Church and territorial princes and the realistic interpretation of this event made by Machiavelli. He then traces the interconnection, or lack of connection, between political philosophy and political practice down to the present day. The first five chapters, which bring the story down to the French Revolution, are a clear and highly condensed statement of a brilliantly thought-

out analysis. The remaining four chapters, which cover the Industrial, the Russian and the Fascist Revolutions and take in National Liberalism, Imperialism and Socialism on the way are less compact and less convincing. They provide a concrete demonstration of what the reader begins to suspect before he has finished the earlier chapters—that the task which Mr Crossman has set himself could only be treated satisfactorily in an encyclopedia.

"Reclaiming the Zuider Zee." By V. J. P. de Blocq van Kuffeler. An article in the July issue of the quarterly review of the *Amsterdamsche Bank*, N.V.

The Chief Engineer and Director in charge of the reclamation works on the Zuider Zee has written an interesting summary of what has been done, what is still to do, and the expenditure which is in question. When the works are complete the area of Holland will have been increased by 7 per cent. and the arable land by 10 per cent. The writer touches on the unemployment situation, which has been very favourably affected by the works. The review is written in English.

### Books Received

*Stock Exchanges Ten-Year Record.* Compiled and published by Fred C. Mathieson & Sons. 590 pages. 20s.

The thirty-first issue of this reference book continues a series which is invaluable to all interested in the long-term market history of the principal companies known to British investors. For each security, the highest and lowest prices and the dividends paid are given for each of ten years, as well as the amount of capital outstanding at the beginning and end of the ten-year period.

*Germany's War Chances.* By Ivan Lajos. Victor Gollancz, Ltd. 160 pages. 3s. 6d.

*Oils and Fats: Production and International Trade.* International Institute of Agriculture. Part I. 345 pages. 1.25. Part II. 423 pages and charts. L.25. (Rome) The Institute, Villa Umberto, 1.

*The People's War.* By I. Epstein. (London) Gollancz. 384 pages. 7s. 6d. net.

*The Economics of a Declining Population.* By W. B. Reddaway. (London) Allen and Unwin. 270 pages. 8s. 6d. net.

*National Sovereignty and International Order.* By George W. Keeton. Peace Book Co. (London), Limited. 186 pages. 7s. 6d. net.

*The Smaller Democracies.* By Sir E. D. Simon. Victor Gollancz, Ltd. 191 pages. 6s. net.

*The Recent Development of Economic Foreign Policy in the Netherlands East Indies.* By J. van Gelderen. Longmans, Green & Co., Ltd. 90 pages. 5s. net.

*Refugees: A Review of the Situation since September, 1938.* By Sir John Hope Simpson, K.B.E., C.I.E. The Royal Institute of International Affairs. 114 pages. 3s. 6d. net.

*The Condition of the Workers in Great Britain, Germany and the Soviet Union, 1932-1938.* By Jurgen Kuczynski. Victor Gollancz, Ltd. 92 pages. 1s. 6d. net.

*The Illusion of Economic Stability.* By Eli Ginzberg. Harper and Brothers. 275 pages. 8s. 6d. net.

*Administering Unemployment Compensation.* By R. Clyde White. University of Chicago Press and Cambridge University Press. 312 pages. 10s. net.

*League of Nations Financial Committee: Agricultural Credit, Medium Term Credit to Industry.* Allen and Unwin. 23 pages. 1s. net.

*De Svenska Privat-Anställda.* By Fritz Croner. (Stockholm) Kooperativa Förbundets Bokförlag. 474 pages. Kr.12

*Tolley's Complete Income Tax, Sur-Tax, etc., for 1939-40.* 95 pages. 3s. 6d. post free. *Eire Supplement* 8d. N.D.C. 1s. net. (London) Waterlow and Sons, Limited.

### Official Publications

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

*Air Services Appropriation Account, 1937.* 1s. 6d. net.

*Newfoundland Annual Report by the Commission of Government on the Work of the Commission during 1938.*

*Report of the Committee of Council on Education in Scotland for the year 1938.* Cmd. 6007. 2s. net.

*Imperial Economic Committee. World Consumption of Wool, 1938.* 2s. 6d. net. *A Survey of the Trade in Canned Food, 1939.* 2s. 6d. net. *Grain Crops, 1939.* 2s. 6d. net.

## THE BUSINESS WORLD

### Merchant Shipping

THE Navy's job in war is to keep the sea routes open to Britain and her allies and to close them to the enemy; the rôle of the merchant fleet is to carry on Britain's overseas trade and, if necessary, to assist that of her allies. The successful fulfilment of these functions is vital to victory and, as in the Great War, Germany will do her utmost to impede it. On the other hand, an earnest of the seriousness with which the British Government is setting about its task can be found in the decision, announced by the Prime Minister on Wednesday, to set up a Ministry of Shipping in the immediate future.

So far as the merchant fleet is concerned, the problem has two aspects; the one is quantitative and the other financial. Quantitatively, success depends (a) on the relation between the initial "stock" of the shipping capacity at the disposal of Britain and her allies and the demands likely to be made upon them and (b) on the ratio between losses and replacements. Financially, success depends on the degree of efficiency of the machinery set up by Britain and her allies to economise space and to control freight rates. It must be noted at the outset, however, that these equations cannot be stated in precise terms, for they contain a number of unknowns which only experience can fill in.

The initial "stock" of carrying capacity likely to be available to Britain and her allies is not simply the aggregate of the shipping tonnages registered in the respective countries, but it includes vessels of neutral countries which can be bought or chartered. The following table shows the present position compared with 1914:—

STOCK OF STEAM AND MOTOR TONNAGE  
(a) ALLIES

|                 | June, 1939 | Thous. gross tons | Change from June, 1914 | Thous. gross tons |
|-----------------|------------|-------------------|------------------------|-------------------|
|                 | No.        |                   | No.                    |                   |
| United Kingdom  | 6,722      | 17,891            | - 1,865                | - 1,001           |
| Dominions ..... | 2,255      | 3,111             | + 719                  | + 1,479           |
| France .....    | 1,231      | 2,934             | + 206                  | + 1,012           |
| Total .....     | 10,208     | 23,936            | - 940                  | + 1,490           |

(b) NEUTRAL COUNTRIES

|                  | June, 1939 | Thous. gross tons | Change from June, 1914 | Thous. gross tons |
|------------------|------------|-------------------|------------------------|-------------------|
|                  | No.        |                   | No.                    |                   |
| Denmark .....    | 705        | 1,175             | + 129                  | + 405             |
| Greece .....     | 607        | 1,781             | + 200                  | + 960             |
| Holland .....    | 1,523      | 2,970             | + 814                  | + 1,498           |
| Norway .....     | 1,987      | 4,834             | + 331                  | + 2,876           |
| Sweden .....     | 1,231      | 1,577             | + 143                  | + 562             |
| Total .....      | 6,053      | 12,337            | + 1,617                | + 6,301           |
| U.S.A. (Sea) ... | 2,345      | 8,910             | + 1,232                | + 6,883           |

Taking first the Allied fleets, it will be seen that the decline in Britain's aggregate tonnage since 1914 has been offset by an increase in that of the Dominions and France. On the other hand, the growth in the number of vessels registered in the Dominions and France has not sufficed to compensate the marked reduction in Britain's fleet. For example, the number and tonnage of handy vessels between 1,000 and 4,000 gross tons (excluding tankers) registered in the United Kingdom has declined between the end of 1913 and the end of 1938 from 2,706

vessels of 6,908,000 gross tons to 1,006 vessels of 2,154,000 gross tons; the fleet of vessels exceeding 4,000 gross tons, on the other hand, has increased from 1,598 vessels of 9,511,000 gross tons to 1,602 vessels of 11,289,000 gross tons. Moreover, the aggregate tonnages given in the table include vessels like the "Queen Mary" and the "Normandie," which offer easy targets, as well as tankers, and small vessels unfit for ocean traffic. The decline in numbers and the consequent increase in the average size of vessels has been due chiefly to technical progress and to changes in the nature of trade. While the present fleet available to the Allies thus has a bigger capacity and is faster and more efficient than in 1914, the reduction in numbers has rendered it more vulnerable to enemy action in that the tonnage lost by the sinking of one vessel is now likely to be bigger, on the average, than 25 years ago.

So far as the fleets of the principal neutral countries of Europe and of the United States are concerned, the tendency to self-sufficiency since the Great War has contributed to a marked increase in both numbers and tonnage. In the aggregate, the number and carrying capacity of the fleets of the Allies and of the principal neutral countries are now far greater than twenty-five years ago. Indeed, the present supply of shipping in relation to peace-time requirements is excessive. On the assumption that Britain and her allies will be able to draw on this reservoir of neutral tonnage, their position would be much more favourable than twenty-five years ago. It cannot, of course, be taken for granted that Britain will in fact be able to draw on this neutral tonnage to any marked extent. But even if neutral vessels cannot be brought under Allied control, they are not likely to be kept off the seas, especially if freight rates are rising; moreover, even if these vessels are only available for trade between neutral countries, which is unlikely, their operation will reduce the pressure on the world's freight markets, and it will enable British vessels to be withdrawn for the trade of the United Kingdom.

The present supply of shipping tonnage in the Allied and neutral countries is thus very much greater than at the beginning of the Great War. But, judging by a comparison of the shipping tonnage launched in 1913 and 1938 (the best of the five years 1909-13 and 1934-38), the aggregate building capacity of Britain, her allies and neutrals is much smaller than twenty-five years ago. Launchings in both Britain and France have shown a serious decline, and there has been virtually no change in

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those of the Dominions, which remain comparatively small. The principal neutral countries in Europe, on the other hand, have substantially increased their output, but not sufficiently to offset the decline in Britain and France. As the table below shows, the tonnage launched by the Allies in 1913 was almost double that launched in 1938:—

| MERCHANT TONNAGE LAUNCHED<br>(Thous. gross tons) |        |       |
|--------------------------------------------------|--------|-------|
| (a) Allies                                       |        |       |
| U.K.                                             | 1913   | 1938  |
| Dominions                                        | 1,932  | 1,030 |
| France                                           | 27     | 28    |
|                                                  | 176    | 47    |
| Total                                            | 2,135  | 1,105 |
| (b) Neutral Countries                            |        |       |
| Denmark                                          | 41     | 158   |
| Holland                                          | 104    | 240   |
| Norway                                           | 51     | 55    |
| Sweden                                           | 19     | 166   |
| Total                                            | 215    | 619   |
| U.S.A. (sea)                                     | 228    | 195†  |
|                                                  | † 1937 |       |

These figures, however, probably convey too pessimistic an impression of the position, for, as a result of technical progress, it should be possible, in the United States, for example, to increase output fairly rapidly; what can be done was demonstrated by that country in the Great War, when it increased its output of merchant vessels from 157,000 gross tons in 1915 to 821,000 gross tons in 1917, 2,602,000 gross tons in 1918 and 3,580,000 gross tons in 1919.

It is, of course, impossible at this stage to estimate the probable rate of loss of shipping tonnage. According to the figures given in Sir Arthur Salter's book on Allied Shipping Control, no less than 12.5 million gross tons of allied and neutral shipping were lost in the Great War—7.7 million gross tons by the Empire and 4.8 million gross tons by other countries. But while losses between August, 1914, and November, 1918, exceeded replacements by 3.1 million gross tons in the Empire (by 63,000 gross tons in 1915, by 687,000 gross tons in 1916, by 2,353,000 gross tons in 1917, and by 242,000 gross tons in 1918), the aggregate volume of construction in allied and neutral countries in the five years from 1914 to 1918 exceeded the tonnage lost in war by about 2.2 million gross tons, mainly as a result of the remarkable expansion of output in the United States. It can be taken for granted that Germany will spare no efforts in an attempt to blockade Britain and her allies by sinking their ships, either on the high seas by submarines and raiders or in port by bombers. Experts hold that the convoy system—which effectively countered the intense German submarine campaign in the Great War—will keep losses within reasonable proportions. But past experience is not necessarily a guide to the future, and the success of the convoy system nearly a quarter of a century ago cannot be used as an excuse for complacency. Steps have already been taken to introduce the convoy system as quickly as possible; but its organisation requires some weeks, and substantial losses must be expected before it is functioning efficiently. The number of British ocean-going vessels so far reported sunk—in ten days—is fifteen and their tonnage is 89,705 gross. This rate of loss is considerably bigger than at the beginning of the Great War and about two-thirds of the average rate in the worst three months of the war.

While it is therefore impossible to estimate the prospective rate of loss, it is no easier to compute probable requirements. A proportion of the available tonnage will no doubt be required for military purposes, for the shipment of men and their equipment. And in view of the loss of effective carrying capacity through the introduction of the

convoy system (due to the delay in assembling some 25 ships and the reduction of their speed to that of the slowest vessel) and the possibility that shipping may have to be diverted from some of its customary trade routes, the task will be to cut the coat according to the cloth. Efficiency in the utilisation of merchant tonnage therefore becomes of the utmost importance. In the Great War the policy was to solve the problems as they arose; the Ministry of Shipping was not set up until December, 1916; the Tonnage Priority Committee and the Inter-Allied Shipping Committee were not appointed until January, 1917, and requisitioning was not made general until February of that year.

The first step of the new Ministry must be to take a census of available shipping capacity. Next, a co-ordinating committee should be set up to allocate shipping space in accordance with a well-thought-out and flexible priority system to cover the trade in all essential commodities; this priority or licensing Committee will have to work in close collaboration with the Defence Departments, which will require tonnage for the transport of men and their equipment. It will probably be necessary to set up similar machinery in France so that the two countries can work in close collaboration, as they did in the later stages of the Great War. It is debatable whether Government action should stop at this point; on general grounds there is much to be said for going further and converting the Priority Committee into a central purchasing agency, responsible for the purchase and import of all important commodities.

On the other hand, it is hardly necessary, or even desirable, to nationalise the shipping industry. The blame for the enormous rise in freight rates on the free market and the consequent jump in profits during the Great War cannot be laid at the door of the shipowners. Freight rates rose because shipping space was scarce. In the autumn of 1914 the Admiralty Transport Arbitration Board, composed of officials and leading shipowners, formed a panel from which arbitrators were selected to determine the compensation to be paid for the ships requisitioned by the Government. Those panels worked out the "Blue Book" rates, which, with some later modifications, were the standard rates for requisitioned tonnage throughout the war. Although these freight rates were somewhat in excess of market rates when first introduced, open-market rates subsequently rose to six times the Blue Book figures. The experience of the Great War has shown how freight rates and profits can be kept at a reasonable level without the need for nationalising the industry. Official rates should be fixed without delay by agreement with the shipping industry. As in the Great War shipowners should be allowed to use any space surplus to the Government's requirements at the rates ruling on the free market, but only on condition that the difference between the rates paid by the Government and those obtained on the free market is handed over to the Treasury.

This brief examination of the shipping position in war indicates the magnitude and urgency of the task confronting the Governments of the allied countries, but especially the British Government. On the one hand, the aggregate effective capacity of the fleet will be lowered in war by the introduction of the convoy system and diversion and the tonnage available for carrying on trade will be reduced by the additional demand for the transport of troops and their equipment; on the other hand, the rate of loss cannot be foreseen. It follows that tonnage will have to be economised and imports controlled by a system of priorities; but this can only be done by a central co-ordinating committee, which should be set up without delay. But while the maintenance of our overseas trade will be the chief task of the authorities, steps should also be taken to keep costs down to a minimum by a system of financial control.

## Investment and War—Retrospect

THIS week the Stock Exchange has been attempting to find an appropriate dealing basis to fit wartime conditions. To the general relief of brokers and jobbers, the "House" reopened on September 7th. Seven days of official wartime dealings have now been recorded, and the normal investment machinery is attempting, with some success, to resume its vital work. True, the broker's day is attenuated, for the "House" has closed this week at 2 p.m. But the concentration within limited dealing hours of such business as arises has its advantages; an idle market is not infrequently a weak and erratic market.

The root fact, however, is that dealings have been promptly resumed on an official basis. There has been no repetition of the experience of 1914, when the "House" remained closed for more than five months. That fact is welcome, for investors, both as savers and as taxpayers, will shortly be faced with a financial task of a magnitude which can only be handled with the assistance of a normally functioning Stock Exchange. The scale of this task will be larger than in 1914-18. At the same time, the risk from the air is a new factor, whose effect upon the purely technical aspects of security dealing is unpredictable. And although the investor has long been familiar with the broad consequences of the transition from a peace to a war economy, the air risk adds its quota to industrial dislocation, and thus reduces any attempt precisely to assess the possible trend of wartime earnings for individual companies, or even industrial groups, to sheer futility. Already the economics of threatened war taxation and the actual burden of war risks insurance have taken their toll of brewery, tobacco, and consumption goods shares generally, in this week's thin markets.

No two wars are alike, and of all instances of "jobbing backwards," the presentation of closely-drawn analogies from the war of 1914-18, are likely to be misleading. It is precisely because the unknowns are so many and their force so great that few conclusive arguments regarding wartime investment can be developed from the experience of the Great War, to illumine the prospects in this Greater War. Consequently, what follows in this article is only an attempt to set a wartime scene, based on a description of what actually occurred in the security markets between 1914 and 1918. The application of history to present circumstances—if indeed history provides any workable inferences—and the working out of investment principles which may be applied to the present war must be left to a succeeding article.

Fixed interest securities are commonly reckoned the most vulnerable investment category in wartime. The validity of this presumption may be tested by reference to the following table, which sets out the average price of Old Consols between 1913 and 1922:—

| AVERAGE PRICE, 2½% CONSOLS, 1913-22 |                                    |      |                                 |
|-------------------------------------|------------------------------------|------|---------------------------------|
| 1913                                | 73 <sup>21</sup> / <sub>32</sub>   | 1918 | 56 <sup>1</sup> / <sub>8</sub>  |
| 1914                                | 74 <sup>27</sup> / <sub>32</sub> * | 1919 | 54 <sup>1</sup> / <sub>16</sub> |
| 1915                                | 65 <sup>1</sup> / <sub>2</sub>     | 1920 | 47 <sup>1</sup> / <sub>32</sub> |
| 1916                                | 58                                 | 1921 | 48                              |
| 1917                                | 54 <sup>11</sup> / <sub>16</sub>   | 1922 | 56 <sup>1</sup> / <sub>2</sub>  |

\* Seven months.

In relation to wartime financial needs, the fall in 2½ per cent. Consols between 1914 and 1916 cannot be regarded as catastrophic, though the decline was stayed by the institution of minimum prices for a time. And the steadiness of gilt-edged during the last three years of the Great War was surely remarkable. Acute weakness did not develop, in fact, until 1920. It was inevitable that the gilt-edged yield basis should rise over the period, but the actual wartime rise was limited from 3½ per cent. to 4½ per cent. Five per cent. was not an effective market rate during the Great War period.

The experience of the general investor in these years can best be illustrated by indices of various security groups,

based on the *Bankers' Magazine* indices, which first appeared in *The Economist* of May 14, 1938:—

INDEX OF SECURITY PRICES, 1914-20  
(July 20, 1914 = 100)

|                              | July 30, 1914 | Jan. 20, 1915 | Dec. 1915 | Dec. 1916 | Dec. 1917 | Dec. 1918 | Dec. 1919 | Dec. 1920 |
|------------------------------|---------------|---------------|-----------|-----------|-----------|-----------|-----------|-----------|
| British and Indian Funds ... | 94            | 91            | 84        | 76        | 75        | 81        | 71        | 63        |
| Foreign Government Stocks    | 94            | 90            | 76        | 71        | 71        | 74        | 60        | 49        |
| British Railway Ord. Stocks  | 95            | 94            | 80        | 76        | 72        | 78        | 71        | 59        |
| American Railway Shares ...  | 92            | 94            | 109       | 109       | 69        | 81        | 87        | 91        |
| Commercial and Industrial    | 94            | 85            | 73        | 83        | 88        | 100       | 112       | 76        |
| South African Mines .....    | 84            | 75            | 75        | 80        | 80        | 93        | 125       | 76        |

These indices do not suggest that industrial equities afforded so conclusive a war-hedge as many investors are apt to believe. Commercial and industrial shares as a whole did not recover their level of July 20, 1914, until the end of 1918. And in the early stages of the war they suffered a fall no less serious than that experienced by gilt-edged stocks and home railway ordinary stocks in 1917. In the last war, at any rate, timing was the essence of investment success. There was no automatic guarantee of capital security, based on the protective qualities of equity investments. And if the story is continued until the collapse of the post-war boom in 1921-22 the tenacious holder of equities, particularly those in over-expanded war industries, and in export industries bereft of markets, suffered severely.

Within this general context, however, excellent profits were to be garnered in the industrial markets. Stock Exchange shares, which sank to 50 during the war, stood at 121 when peace was concluded in June, 1919. The movement of many industrial prices during the Great War is obscured by the widespread distribution of capital bonuses, particularly in the later stages of the war. Yet there was a definite pattern of spectacular capital gains and wartime adversity among leading equity shares during the Great War. Its character is indicated in the following table of prices (selected at random), which covers the period from May, 1914, to June, 1919:—

|                      | May 2, 1914                     | July 30, 1914                  | Jan. 4, 1915                    | Nov. 12, 1918                   | June 24, 1919                   |
|----------------------|---------------------------------|--------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Breweries            |                                 |                                |                                 |                                 |                                 |
| Allsopp              | 14                              | 11                             | 3                               | 48 <sup>1</sup> / <sub>2</sub>  | 82 <sup>1</sup> / <sub>2</sub>  |
| Watney, deferred     | 25 <sup>1</sup> / <sub>2</sub>  | 31 <sup>1</sup> / <sub>2</sub> | 13                              | 107 <sup>1</sup> / <sub>2</sub> | 172 <sup>1</sup> / <sub>2</sub> |
| Miscellaneous        |                                 |                                |                                 |                                 |                                 |
| Aerated Bread        | 41 <sup>1</sup> / <sub>16</sub> | 4 <sup>1</sup> / <sub>2</sub>  | 4 <sup>3</sup> / <sub>16</sub>  | 3 <sup>1</sup> / <sub>8</sub>   | 4                               |
| Associated P. Cement | 5 <sup>5</sup> / <sub>8</sub>   | 5                              | 4 <sup>3</sup> / <sub>16</sub>  | 7                               | 7 <sup>13</sup> / <sub>16</sub> |
| J. & P. Coats        | 8                               | 7                              | 6 <sup>1</sup> / <sub>16</sub>  | 7 <sup>3</sup> / <sub>4</sub>   | 8 <sup>5</sup> / <sub>8</sub>   |
| Courtaulds           | 2 <sup>3</sup> / <sub>8</sub>   | 2 <sup>5</sup> / <sub>16</sub> | 2                               | 8                               | 10 <sup>3</sup> / <sub>4</sub>  |
| Dunlop               | 1 <sup>15</sup> / <sub>16</sub> | 2 <sup>3</sup> / <sub>16</sub> | 1 <sup>3</sup> / <sub>4</sub>   | 4 <sup>1</sup> / <sub>16</sub>  | 7 <sup>1</sup> / <sub>8</sub>   |
| Harrods              | 4 <sup>1</sup> / <sub>2</sub>   | 4 <sup>1</sup> / <sub>16</sub> | 3 <sup>15</sup> / <sub>16</sub> | 3 <sup>3</sup> / <sub>8</sub>   | 4 <sup>1</sup> / <sub>16</sub>  |
| J. Lyons             | 6 <sup>5</sup> / <sub>8</sub>   | 6 <sup>1</sup> / <sub>4</sub>  | 5 <sup>9</sup> / <sub>16</sub>  | 5 <sup>1</sup> / <sub>16</sub>  | 5 <sup>5</sup> / <sub>16</sub>  |
| Armaments            |                                 |                                |                                 |                                 |                                 |
| Armstrong Whitworth  | 13 <sup>1</sup> / <sub>32</sub> | 2                              | 1 <sup>15</sup> / <sub>16</sub> | 13 <sup>1</sup> / <sub>32</sub> | 17 <sup>8</sup> / <sub>16</sub> |
| Vickers              | 11 <sup>1</sup> / <sub>16</sub> | 1 <sup>3</sup> / <sub>4</sub>  | 1 <sup>25</sup> / <sub>32</sub> | 2                               | 17 <sup>8</sup> / <sub>16</sub> |
| Shipping             |                                 |                                |                                 |                                 |                                 |
| Cunard               | 1 <sup>9</sup> / <sub>16</sub>  | 1 <sup>3</sup> / <sub>8</sub>  | 1 <sup>3</sup> / <sub>4</sub>   | 5                               | 3 <sup>1</sup> / <sub>8</sub>   |
| P. & O. deferred     | 288                             | 280                            | 265                             | 430                             | 500                             |
| Royal Mail           | 102 <sup>1</sup> / <sub>2</sub> | 79 <sup>1</sup> / <sub>2</sub> | 86                              | 147 <sup>1</sup> / <sub>2</sub> | 165                             |
| Oil and Rubber       |                                 |                                |                                 |                                 |                                 |
| Burmah               | 4 <sup>3</sup> / <sub>4</sub>   | 3 <sup>5</sup> / <sub>8</sub>  | 3 <sup>7</sup> / <sub>8</sub>   | 7 <sup>3</sup> / <sub>4</sub>   | 11                              |
| Shell                | 5 <sup>3</sup> / <sub>16</sub>  | 3 <sup>7</sup> / <sub>8</sub>  | 3 <sup>7</sup> / <sub>8</sub>   | 6 <sup>5</sup> / <sub>16</sub>  | 9 <sup>9</sup> / <sub>16</sub>  |
| Anglo-Dutch          | 2 <sup>5</sup> / <sub>32</sub>  | 2 <sup>1</sup> / <sub>32</sub> | 1 <sup>7</sup> / <sub>32</sub>  | 1 <sup>27</sup> / <sub>32</sub> | 2 <sup>1</sup> / <sub>2</sub>   |

It may seem odd that the most spectacular gains during the period were registered by two groups which, at first sight, would seem to have had most to lose—brewery shares and shipping shares. The initial shock of war upon the brewing industry was profound. By January, 1915, Allsopp ordinary could be bought for £3, and Watney deferred stood at 13. The former increased in value 27

times by the time peace was signed, four and a half years later, and the latter 13 times. It is tolerably certain that this experience will not be repeated over the next few years, for the brewing industry, unlike 1914, is now a system of completely consolidated units. The bidding for shipping shares which has been evident at certain times during the past week is evidently based on the assumption that history may repeat itself. If it does, holders of shipping shares will enjoy the paradox that an industry which has been afflicted by unremunerative operations through many years of peace may become prosperous when its tonnage is being destroyed in time of war.

These instances, however, rank among the oddities in the list. Conclusions drawn from movements of the remaining shares are less impressive. For example, the behaviour of typical consumption goods shares—Aerated Bread, Harrods, and J. Lyons—was not outstanding between 1914 and 1918. And it is perhaps for shares such as these that the basic conditions of the two wars will show the minimum of change. It was not until the latter stages of war that Associated Portland Cement (whose current importance in war-time is generally acknowledged) broke through its pre-Great War levels, and not until 1919 that J. and P. Coats (whose war-time experience was one of disturbed export markets) regained its pre-war price. On the other hand, both Dunlop Rubber and Courtaulds, after experiencing the check common to almost all industrial

shares during the initial stages of hostilities, made most impressive strides in their later stages.

Possibly the behaviour of the two representative shares in the armaments group between 1914 and 1919 justifies the caution with which the prospects of similar shares have been assessed in these columns during the past year. Armstrong Whitworth were lower at the end of the war than in July, 1918, and Vickers only fractionally higher. Oil and commodity shares, in fact, afforded a far better war-time hedge than the shares of companies most closely concerned with the manufacture of arms. Of all the tentative conclusions which emerge from this survey of investment trends in 1914-18, that is likely to stand.

Selectivity and timing are thus of the essence of successful investment operations in war. On this occasion, unlike the Great War, economic control has already been established over so wide a sector of British industry that the opportunity of accurate selection has been correspondingly reduced. The discovery of "war babies," which produce essential manufactures, but which escape the full rigour of industrial control—and also unduly close public interest in their profits—will be an even more difficult process in this war than in the last. Investors can, in fact, only attempt to establish certain guiding principles of war-time investment, in to-day's changed conditions, and endeavour to apply them to individual groups of securities. Those principles, and their application, will form the subject of future articles.

## Finance and Banking

**Exchange Regulations.**—The foreign exchange market has had an exceptionally busy week. The turnover has been considerable, though this fact has to some extent been veiled by the new method of direct dealing with the Bank of England. The compulsory sale to the authorities of gold and foreign exchange assets held by residents in this country is already in full swing, and during the past week the Exchange Account must have gained considerable quantities of exchange. The energies of the market have, however, been devoted not so much to coping with a comparatively heavy turnover of business as to the elucidation of the new regulations and their attendant official forms. The details of the regulations as given to the market at the beginning of last week bore evident proof of painstaking preparation. But closer investigation and the submission of the regulations to the test of practical experience revealed both gaps and certain misunderstandings. Some of these were inevitable, while others could have been avoided had more expert and specialist advice been taken in their preparation. The Defence Regulations applying to dealings in gold and foreign exchange are clear-cut and their objectives understandable. The various forms issued in order to comply with the formalities demanded by the regulations are self-explanatory and to the point. The difficulties arise in the interpretation of the regulations as applied to the special cases that must inevitably arise when dealing with a mechanism so intricate and sensitive as an international foreign exchange market. A few questions will illustrate the types of points that have arisen. Should banks sell to the authorities the foreign exchange balances held by them for account of non-resident clients? May a bank transacting international business retain that part of its foreign exchange assets which is essential to the normal conduct of foreign exchange business? May a non-resident convert his sterling balances into foreign currency? On such points diverse answers have been obtained from official quarters. But this diversity of opinion is gradually disappearing, and in almost every case the final and decisive answer has been that dictated by a spirit of liberality, which, it may be hoped, will continue to characterise the functioning of our financial markets even under the temporary regime of controlled exchanges.

**The Decline in Bill Rates.**—The 4 per cent. Bank rate with which the war was heralded is already losing much of its reality. The weight of credit in the short loan market has this week driven the rate for loans from non-clearing banks against the security of bonds to  $2\frac{1}{2}$  per cent., or  $\frac{1}{2}$  per cent. below the rigid rate at which the clearing banks will lend against bills. The clearing banks' rate is a pegged rate. That for outside money is free and is therefore the better indicator of conditions in the credit situation. That it should have fallen below the level at which the clearing banks lend against the preferable security of bills is the first indication we have had that Bank rate and the money market rates pegged upon it are already out of touch with the true state of the credit position. The same indication has been provided by the trend of discount rates, which this week has been steeply downward. The hot Treasury bill which was issued a week ago at just under  $3\frac{1}{2}$  per cent. has this week been bid down to  $3\frac{1}{8}$  per cent. The banks have returned to the discount market with an appetite for bills which has not been seen for some months past, and have taken October and November bills freely at 3 and  $3\frac{1}{8}$  per cent. respectively. As the market syndicate obtained the bountiful allotment of 94 per cent. of its applications for Treasury bills last Friday, it has been a fairly ready seller, and the turnover in the discount market has grown to proportions unprecedented in recent times. The market is still suffering an appreciable loss on the shorter bills which it is selling, but that loss is being rapidly made good by the excellent margin of profit already earned on the bills discounted and then resold since the rise in Bank rate.

**Cancellation of Credits.**—One of the most serious sources of difficulties in the new regulations is the suggested cancellation of credit facilities to foreign customers. As originally announced, this cancellation appeared unconditional and was to apply to all revocable foreign credits, irrespective of the ends which they served. These instructions, which were intended to prevent all leakages of capital from this country or the provision of sterling facilities which might be used as the basis of speculative

attacks on the currency, have already had to be modified. Banks have been officially notified that the restrictions on sterling acceptance credits are to be interpreted so as to put the least possible hindrance in the way of essential imports into the United Kingdom or of exports from the United Kingdom and other sterling countries and, moreover, that the regulations are intended to maintain as far as possible the normal functioning of the London money market. External credits financing the movement of goods to and from ports outside the United Kingdom and Empire countries may only be opened after previous permission has been obtained through an authorised dealer. These instructions still leave unaffected many sterling facilities granted to non-resident clients of banks, the sudden cancellation of which might have undesirable results. For example, there are loans secured by various sterling securities held by foreigners whose cancellation would call for the massive liquidation of the collateral, a process which cannot be desired under present circumstances. In other words, there is in the present position ample scope for the exercise of imagination and liberal discretion.

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**Emergency Problems.**—The discount market is being spared most of the difficulties that have swooped on the foreign exchange market with the advent of exchange control. Its only concern with the new regulations arises through the discounting of sterling bills remitted on foreign account. When paying the proceeds of such discounts to the banker of the foreign customer in question the form E.I. has to be filled and the declaration duly signed that this transfer is not contrary to the Defence (Finance) Regulations. There has been some doubt whether the onus of filling in this form and signing the appropriate declaration fell on the discounter or the banker holding the account. The general consensus of opinion appears to be that the discounter should complete these formalities and satisfy himself that the payment accords with the regulations. Another difficulty has arisen concerning the nomination of Treasury bills deposited by the market as security for loans from clearing banks. These bills are now duly nominated, and when deposited as collateral for loans a declaration is deposited by the borrower undertaking that he will duly endorse the bills at maturity. The rapidity with which Treasury bills travel in the market has, however, resulted in bills nominated in the name of X being deposited as collateral for a loan granted to Y. The lending banks have not yet decided how to fill this loophole in the present arrangements. Clearing delays are still causing some difficulties and anomalies. Here is an amusing example of the latter. A discount house borrowed £50,000 from a Scottish bank and in the normal course drew a cheque on this institution and paid it into its account with a London clearing bank. The loan was recalled next day and the amount plus one day's interest duly repaid by a London clearing bank cheque. The original cheque on the Scottish bank, by following the devious route to Stoke-on-Trent, was not debited to its account until two days after it had been drawn. Thus the Scottish bank obtained one day's interest on money which, in fact, it never lent. The loser was the discount house, which did not get definite credit for its loan until the day after the loan was repaid.

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**Bank Averages for August.**—The Committee of London Clearing Banks have announced that until further notice the publication of monthly statements of average weekly balances of London clearing banks will be discontinued. "Until further notice" may be taken as the equivalent of "for the duration." Although no official statement of the August averages is being published, the individual clearing banks have now issued their respective monthly returns and by combining these the statistics of the banking position can be brought up to the outbreak of the war. The movements as between the months of July and August are of comparatively small dimensions. The feature is a

rise of £10,300,000 in acceptances, engagements, etc., to £132,436,000 at which level this item is higher than at any time for the past nine years. Cash is £2,000,000 lower and short money has fallen by £3,600,000 representing the calling in of funds during the critical final days of the month. Bills discounted have risen by £1,100,000. The

| (In £ millions)                           |           |            |          |           |           |           |
|-------------------------------------------|-----------|------------|----------|-----------|-----------|-----------|
|                                           | Aug. 1938 | April 1939 | May 1939 | June 1939 | July 1939 | Aug. 1939 |
| Capital and reserves.....                 | 138.6     | 138.8      | 138.8    | 138.8     | 138.8     | 138.8     |
| Acceptances, etc. ....                    | 115.7     | 126.2      | 127.3    | 124.4     | 122.1     | 132.4     |
| Notes in circulation .....                | 1.4       | 1.4        | 1.4      | 1.4       | 1.4       | 1.4       |
| Current deposit and other accounts.....   | 2,298.1   | 2,154.8    | 2,166.8  | 2,218.8   | 2,239.9   | 2,245.1   |
| Total liabilities .....                   | 2,553.8   | 2,421.2    | 2,434.3  | 2,483.4   | 2,502.2   | 2,517.7   |
| Cash .....                                | 241.0     | 229.0      | 236.1    | 235.2     | 234.9     | 232.9     |
| Cheques, balances, etc. ...               | 55.4      | 60.8       | 61.6     | 64.2      | 60.5      | 68.3      |
| Items in transit .....                    | 4.1       | 4.3        | 4.2      | 5.2       | 3.9       | ...       |
| Money at call .....                       | 153.1     | 145.2      | 143.5    | 149.8     | 155.4     | 151.8     |
| Discounts .....                           | 304.7     | 184.4      | 200.7    | 248.6     | 278.0     | 279.1     |
| Investments .....                         | 641.5     | 610.5      | 604.5    | 600.2     | 597.0     | 599.3     |
| Loans and advances, etc....               | 970.3     | 992.5      | 988.0    | 987.3     | 981.9     | 985.3     |
| Investments in affiliated banks .....     | 23.9      | 24.2       | 24.2     | 24.2      | 24.2      | 24.2      |
| Cover for acceptances premises, etc. .... | 159.8     | 170.3      | 171.5    | 168.7     | 166.4     | 176.8     |
| Total assets .....                        | 2,553.8   | 2,421.2    | 2,434.3  | 2,483.4   | 2,502.2   | 2,517.7   |

*Note.*—The figures for August, 1939, have been compiled from the individual bank returns and some details are not strictly comparable with those for the preceding months.

liquidity ratio has thus suffered slightly as between July and August. Nevertheless the banks extended their advances by £3,400,000 and their investments by £2,300,000. For our future observation of changes in the banking position we shall presumably have to depend on the banks' half-yearly balance sheets which it is to be hoped may be spared from the black-out which is descending on financial statistics. Monthly figures of the principal London banks were first published in 1891, their publication being prompted by the agitations which followed the Baring crisis. They were discontinued after July, 1915, and then resumed in their present form of weekly average statements in January, 1921.

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**Tripartite Agreement Safe.**—The Tripartite Agreement has during the past fortnight been subjected to the severest test of its chequered existence. Once again this resilient convention has emerged unscathed from the trial. Despite the depreciation of sterling and French francs by some  $13\frac{1}{2}$  per cent. and the introduction of exchange control in the United Kingdom and France the agreement continues to be effective. Mr Morgenthau announced this week that the United States did not regard the new rates for sterling and francs as involving "competitive devaluation," and that consequently the Tripartite Agreement remains in force not only among the three original members but with the other signatories, namely Holland, Switzerland and Belgium. The United States Treasury remains ready to purchase gold at \$35 per ounce from Britain, France and other sellers. The importance of this announcement can hardly be overstressed. The maintenance of the agreement provides the machinery by which a reasonable stability of exchange rates between the allied currencies and the dollar can be achieved despite the abnormal pressure to which the European exchanges are going to be submitted during the period of hostilities.

\* \* \*

**French Exchange Control.**—Control of the foreign exchange market was imposed in France at the beginning of this week. All operations in the French foreign exchange market must now be made through the intermediary of the Bank of France or some other authorised bank. The main point of difference between the control system as established in Great Britain and that which is now in force in France is that the latter does not provide for the compulsory sale of gold and foreign exchange assets held by French nationals. On the other hand the export of



all capital from France is forbidden except with the authorisation of the Finance Minister. The import and export of bullion has been made subject to licence, and all operations by French nationals concerned with the transfer or negotiation of bullion must receive official sanction. Similarly, the buying, selling or transfer of foreign securities are made subject to official permission. The decree laws by which the control of exchanges in France was introduced specify that the retention abroad of the proceeds of French export trade is deemed to be equivalent to the export of capital and therefore prohibited. The same applies to the income derived from French investments abroad. The withdrawal of French currency by travellers leaving France is to be limited to 5,000 francs and remittances to French residents abroad will be restricted to 10,000 francs a month. The regulations have hardly been tested yet by actual experience, but they appear to have been drawn up in a workmanlike manner.

**Commodities War Insurance.**—As soon as war broke out the Government made the commodities war insurance scheme compulsory and fixed the rate at 30s. per cent. for three months. This in itself has caused some criticism, as the premium automatically due from firms with large stocks of saleable commodities is very high, and many of them, if left with a free choice, would prefer not to insure. In addition to this central difficulty others have arisen from the ambiguous wording of the Act and from misunderstandings in the minds of merchants at the time they registered—many firms finding themselves liable for premium on stocks far more valuable than those they actually hold. It is difficult, too, to co-ordinate the commodities scheme with the sea war risk scheme. Under this sea insurance transit from warehouse to ship's side can be insured for an additional premium of 10s. per cent., and many firms are in doubt whether the commodities scheme for which they have registered covers goods in transit to the ship or whether they should pay this additional premium to the Government's sea insurance scheme. Doubtless the two schemes will shake down in time, but clear guidance on the doubtful points would be welcome. Firms with large stocks are, incidentally, finding it difficult to get their exact value, and if they overstate the value no return of

premium is allowed. That is an embarrassment of some importance. Other questions turn on the position of contractors who are paid as work is completed and on goods commandeered by the Government, which still have to be insured, although the merchant ceases to have possession of them. The cost of insurance falls most heavily on concerns whose rate of stock-turn is lowest, and whose average stocks are consequently high. But since, unfortunately, the possibility of loss depends upon the volume of goods at risk, it is difficult to make actuarial adjustment for this type of hardship. But there is no reason why the "declaration" policy should not be introduced for the scheme to take account of variations in stock values.

**War Marine Insurance.**—Some congestion at the Government War Risk Office during the first week of its existence was inevitable, for a spate of business coincided with the transfer of a large part of the war marine risk cover to the state. Brokers are now more familiar with the new organisation, and the Government office is functioning as an integral and efficient part of the market. Underwriters work side by side with the Government office, concentrating on risks which are not eligible for State insurance. Evidence of their intention not to allow war risks business to pass from the London market is provided by Wednesday's new schedule of open-market rates, which shows some considerable reductions on those in force since the last schedule was issued on September 3rd. Moreover, very favourable treatment has been given to cargoes sailing in neutral ships; for the majority of such shipments north of Cape Finisterre a reduction of 25 per cent. is granted on the basic rate, while for most sailings south of that point the reduction is 50 per cent. While the open market has thus strengthened its competitive position, it has at the same time rationalised its machinery by setting up joint underwriting arrangements. Two groups of company underwriters, comprising many of the principal companies in the market, are transacting their business on a group basis and are housed in two offices at Lloyd's building. With practically all company underwriters thus working in only two groups, the procedure in the marine market has been greatly simplified.

## MONEY MARKET NOTES

THE wide margin for U.S. dollars was narrowed on Thursday to 4.02-04. On that day sterling broke in neutral centres, falling below \$4 in New York. There has been some fluctuation in the quotation for Montreal. Last Saturday it appreciated to 4.32-36, but on Tuesday it showed a big setback to 4.40-46, improving again on Wednesday to 4.38-44. On Wednesday the Bank of England fixed lower rates for some Continental currencies also; belgas being quoted at 23.30-60, against 23.50-80, and Swiss francs at 17.65-84, against 17.75-94, while both Swedish and Norwegian crowns were fixed 10 points lower.

Silver began the week with a weaker tone, some speculative reselling on last week's rise bringing the price for both cash and forward down to 20½d. On Wednesday, however, renewed bear covering, coupled with continued buying from India, in a market almost devoid of sellers, cause a sharp rise of ½d. in the spot price and of ¾d. in the forward to their highest levels for about two and a half years. The New York market price has moved in accordance with the London price.

The Bank Return shows some indication that the expansion in the note cir-

ulation is slowing down, for the rise on the week is only £3.6 millions, compared with over £20 millions in each of the preceding two weeks. The rise has not been offset by an increase in the holding of Government securities, which is unchanged, so that bankers' deposits have suffered somewhat, the effect of the withdrawal of notes having been mitigated to a certain extent by a transfer from public deposits.

In the money market a feature of the week has been a heavy demand for Treasury bills from the Stock Exchange, with the result that the "hot" bill has been bid down to 3 per cent.

## MONEY MARKET RATES

|                                | Sept. 15, 1938 | Sept. 7, 1939 | Sept. 14, 1939 |
|--------------------------------|----------------|---------------|----------------|
| Bank Rate .....                | 2              | 2             | 2              |
| London Deposit Rate ..         | 12             | 12            | 12             |
| Short Loan Rates:              |                |               |                |
| Clearing Banks .....           | 12-14          | 3-31½         | 3-31½          |
| Others .....                   | 6-8-34         | 24-314        | 212-284        |
| Discount Rates:                |                |               |                |
| Treasury Bills (3 mth.) ..     | 34             | 34            | 38             |
| Three months' bank bills ..... | 13½-78         | 31½-6         | 38-312         |

\* 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. † Viz. 3 per cent. for loans against Treasury bills and British Government securities; 3¼ per cent. for loans against other collateral.

## THE BANK RETURN

|                          | Sept. 14, 1938 | Aug. 30, 1939 | Sept. 6, 1939 | Sept. 13, 1939 |
|--------------------------|----------------|---------------|---------------|----------------|
| Issue Dept. £ mil.       |                |               |               |                |
| Gold .....               | 326.4          | 263.0         | 0.1           | 0.1            |
| Value per oz. fine ..... | 85s. 0d.       | 158s. 6d.     | 168s. 0d.     | 168s. 0d.      |
| Notes in circulation ..  | 478.6          | 529.5         | 549.9         | 553.5          |
| Banking Dept.            |                |               |               |                |
| Reserve .....            | 47.8           | 34.2          | 30.8          | 27.2           |
| Public Depts. ....       | 31.6           | 31.1          | 15.0          | 12.0           |
| Bkrs' Depts. ....        | 99.6           | 90.1          | 111.3         | 109.6          |
| Other Depts. ....        | 36.4           | 39.0          | 41.2          | 40.8           |
| Govt. Secs. ....         | 98.5           | 113.1         | 123.7         | 123.7          |
| Dis. & Adv. ....         | 5.9            | 6.4           | 6.0           | 3.9            |
| Other Secs. ....         | 22.1           | 24.6          | 25.0          | 25.9           |
| Proportion .....         | 31.2%          | 21.3%         | 18.3%         | 16.7%          |

## THE BULLION MARKET

| Date        | Gold                  |      | Silver |           |
|-------------|-----------------------|------|--------|-----------|
|             | Price per ounce fine* |      | Cash   | Two Mths. |
| 1939        |                       |      |        |           |
| Sept. 8 ... | s. d.                 | d.   | d.     | d.        |
| " 11 ...    | 168 0                 | 215½ | 201½   | 201½      |
| " 12 ...    | 168 0                 | 207½ | 207½   | 207½      |
| " 13 ...    | 168 0                 | 219½ | 212    | 212       |
| " 14 ...    | 168 0                 | 212  | 212    | 212       |

# Investment

**Gilt-edged and the Minima.**—Stock Exchange business this week could not be described as robust. Turnover has again been strictly limited, and prices have moved adversely—where they have been allowed to move at all. Industrial share prices, as measured by the *Financial News* ordinary share index, have now fallen below the low levels recorded before Munich last year, and in January this year. In gilt-edged, it has become more difficult to sell at minimum levels, and there has been a tendency, particularly in the longer-dated stocks and especially in War Loan, for dealers to insist on sellers taking their turn. And since investors who required additional cash could not obtain it readily through the gilt-edged market, they have been compelled to sell industrial securities instead. There is, in fact, a danger that the existing level of minimum prices may become quite unreal. The advantage of minimum prices is that they help to stem panic selling; their disadvantage lies in the cessation of business if the basic level of prices actually falls below the fixed minima. Minimum prices, in short, are only useful as a flexible instrument of market control. And their rigidity, based on a level of prices before Bank rate was increased which now contains numerous anomalies between the short- and long-dated stocks, has congealed the gilt-edged market at a time when ready marketability, in both directions, is far more important than the maintenance of a notional level of prices.

**The Industrial Trend.**—Possibly the authorities concerned are willing to permit the present rigidity to continue for a short time in the expectation that Bank rate may be reduced. Such action should stimulate the market in a general sense, though it would not counteract the special factors which have affected the industrial markets this week. Equity investors are pursuing a waiting policy until the shape of the emergency budget is clear. They have also been conscious this week of the heavy burden

ence has ranged from copper shares early this week to oil and tin shares on later days. In sum, the reaction of the market to war conditions, though not yet severely tested, is opening out on rational lines. When technical adjustment has been made to the cut in contingencies and their increased cost, it is to be presumed that price movements will be more disciplined, and that a reasonably fluid two-way cash business will be established.

**Technical Dealing Adjustments.**—Part of the market's trouble in the first stages of war has been to adjust the normal routine of dealing to the new circumstances. These difficulties are steadily being overcome. In the gilt-edged market, arrangements are now working for the certification of jobbers' (and certain brokers') balances of inscribed gilt-edged stocks by the Bank of England in London. For the certification of deed stocks the Share and Loan Department is maintaining its normal services. The only delay which will now arise through the transfer of the stock registers will occur in transfer of clients' inscribed stocks. Postal delays, in addition to the complications of detail which not infrequently arise in inscribed stock transfers, will inevitably occur in such cases, but it is difficult to see how they could be alleviated at present. A certain measure of elasticity has been introduced by the sanction given to sellers of British funds to make delivery in registered form. Secondly, members have welcomed the publication on Wednesday this week of precise terms of settlement under the present regime of cash dealings. If securities deliverable by deed are not delivered within

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which the compulsory stocks insurance scheme will impose upon industry—the potential effect of which upon leading companies is examined on page 534. Yet some buying orders have been received to offset the further taking of profits. And the heavy falls in certain consumption goods shares—brewery, tobacco and retail trade issues were severely hit early in the week—have not been extended. The market appears to be governed by the right instinct in marking commodity share prices higher, though its prefer-

eleven days, the issuer of the ticket may buy-in on the eleventh day (or subsequently) after the issue of the ticket. Secondly, a deliverer of securities transferable by deed who does not receive a ticket by 12 noon on the fifth business day after the bargain may report the matter to the manager of the buying-in and selling-out department, who may recommend to the committee that selling-out should take place. These cash dealing rules are less stringent than those adopted during the Great War, and, coupled with the postponement of the settlement to September 21st, they tend to increase the open position, at least for the moment.

\* \* \*

**Incidence of War Insurance on Stocks.**—The burden of insurance of traders' stocks against war risks (to which reference is made on page 532) caused a substantial setback in the price of many industrial shares earlier this week. As fixed in the first instance, the premiums are at the rate of 6 per cent. per annum—a figure which takes no account of the rapidity of stock-turn, and thus affects different traders in quite unequal degree. If the rate is maintained, the absolute cost to many industrial companies will substantially reduce net profits and dividend expectations, for the burden will either fall directly on the companies concerned, or will affect their trading if it is passed on to consumers. While these would be preferable alternatives to total loss through war destruction, investors are clearly wise in taking the cost into account. In the following table the stocks disclosed in the latest balance sheets of a number of important industrial undertakings are set out, and the war risks insurance premium based on these stocks is compared with the net profits available for ordinary shareholders in the latest year:—

(Amounts in £'000)

| Company                   | Latest Stocks | War Risks Insurance at 6% p.a. | Latest Equity Earnings | Proportion absorbed by War Risks Insurance |
|---------------------------|---------------|--------------------------------|------------------------|--------------------------------------------|
| Guinness .....            | 2,341         | 140                            | 1,485                  | 9.4                                        |
| Dorman, Long .....        | 1,698         | 102                            | 361                    | 28.3                                       |
| Stewarts & Lloyds .....   | 2,812         | 169                            | 1,224                  | 13.8                                       |
| United Steel .....        | 1,034         | 62                             | 763                    | 8.1                                        |
| J. and P. Coats .....     | 2,028         | 122                            | 1,205                  | 10.1                                       |
| Patons and Baldwins ..... | 2,559         | 154                            | 297                    | 51.8                                       |
| Austin Motor .....        | 1,122         | 67                             | 181                    | 37.0                                       |
| Ford Motor .....          | 1,726         | 104                            | 171                    | 60.8                                       |
| Ass. P. Cement .....      | 578           | 35                             | 863                    | 4.1                                        |
| Boort .....               | 2,372         | 142                            | 827                    | 17.2                                       |
| Brit. Oxygen .....        | 371           | 22                             | 472                    | 4.7                                        |
| Dunlop Rubber .....       | 7,333         | 440                            | 838                    | 52.5                                       |
| Harrods .....             | 776           | 47                             | 408                    | 11.5                                       |
| Imp. Chemical .....       | 13,314        | 799                            | 5,395                  | 14.8                                       |
| Int. Tea .....            | 1,912         | 115                            | 255                    | 45.1                                       |
| London Brick .....        | 179           | 11                             | 402                    | 2.7                                        |
| T. Lyons .....            | 2,764         | 166                            | 1,265                  | 13.1                                       |
| Marks and Spencer .....   | 1,643         | 99                             | 522                    | 19.0                                       |
| Tate and Lyle .....       | 2,679         | 161                            | 1,189                  | 13.5                                       |
| Turner and Newall .....   | 2,287         | 137                            | 1,167                  | 11.7                                       |
| Woolworth .....           | 3,254         | 195                            | 4,712                  | 4.1                                        |

† Approximately consolidated figures.

For a number of reasons these calculations are not precise. Stocks are frequently taken at arbitrary values below cost; sometimes they are shown after reserves; and in some instances (for example, Imperial Tobacco) they are combined with stocks held abroad and other current asset items. Moreover, the treatment of subsidiaries' stocks varies widely. Nor can comparison of the cost of war risks insurance with equity earnings be exact without complicated adjustments for income tax. But the size of the burden is indicated sufficiently accurately for general purposes by the table. Where the rate of stock-turn is highest—for companies such as Marks and Spencer, Woolworth, Associated

Portland Cement and London Brick—the proportion of equity earnings absorbed by war risks insurance at the present rate is lowest. For companies compelled to carry large stocks—Patons and Baldwins is an outstanding example—the cost threatens to be intolerably heavy. And the uneven incidence of the premiums is well illustrated by the different concerns representative of the iron and steel and motor industries.

\* \* \*

**Richard Thomas Prospects.**—Sir William Firth's account of last year's difficulties of Richard Thomas and Company and his reference to the company's prospects at last week's meeting were commendably detailed and frank. In relation to the company's present trading position, the results for the year to March last belong to the limbo. Liquidation of surplus stocks, reduced demand for sheets and tinplate, and the completion and running-in of the Ebbw Vale plant seriously affected last year's profits, although Sir William was able to show that profits for the three years to last March were reasonably close to the original prospectus estimates, despite the lack of any contribution from the Ebbw Vale plant. Of the technical success of the new mill there is no doubt; it produces a vastly superior product at substantially lower cost. On the capital side, the group's position is now secure. A sum of £1,017,335 was needed as at March 31st to complete the development programme, and £1,910,590 of prior lien debenture stock remained available. To-day the company still has £1,129,000 of the stock to draw upon, apart from accruing profits. But certain financial problems still await a final solution. For example, the company owns 265 old-type sheet and tinplate mills, which stand in the books at £1,600,000 net. This figure is much lower than their replacement cost, but over the next few years much of it must be written off. Secondly, depreciation is expected to be increased from £440,000 to £650,000 for the current year, and the eventual figure may even be higher if the auditors' present review of a proper depreciation provision calls for an increase. Moreover, a sum of £267,429 must be restored to general reserve, and the agreed provision of £100,000 made to reserve, before earnings may be distributed. These provisions must substantially increase the earnings necessary to provide a surplus for preference shareholders and a full 6½ per cent. dividend, which were roughly computed in *The Economist* of September 2nd. Indeed, shareholders—and particularly equity shareholders—must continue to exercise patience, even in war conditions, when the plant will be able to give a full account of its capabilities. The company's steel capacity accounts for 10 per cent. of the total ingot capacity of the country, and half of it is capitalised at the very low figure of 25s. 3d. per ton. In present circumstances that fact can be regarded as a national advantage, whose value for Richard Thomas shareholders is likely to be displayed in future years.

\* \* \*

**D. Gestetner Results.**—The attainment—by a comfortable margin—of a new high record in profits during 1938-39 is a most satisfactory result for D. Gestetner shareholders. Total profits are 6 per cent. higher at £250,210, and the 40 per cent. dividend is well covered by earnings, whereas a year ago it was slightly short-earned. The preoccupations of the past fortnight have not prevented the company from issuing its annual report with customary promptitude, and the progress made may in part be due to inclusion within the financial year of some five months of striking industrial recovery. On the other hand, though the report does not specify the amount of any special charges, the balance of profit is presumably struck after allowing for some exceptional expenditure. An extensive A.R.P. scheme was put in hand during June, and as no value has been placed on assets in enemy countries, Poland and Eastern Europe, it is to be presumed that these items have been written off from 1938-39 profits.

The allocation of profits in the past three years is shown in the following table:—

|                             | Years to August 31 |           |           |
|-----------------------------|--------------------|-----------|-----------|
|                             | 1937               | 1938      | 1939      |
| Profit .....                | 237,623            | 236,722   | 250,210   |
| Depreciation .....          | 15,072             | 15,248    | 17,862    |
| Taxation .....              | 30,000             | 35,000    | 35,000    |
| Other expenses .....        | 8,942              | 8,749     | 8,900     |
| Preference dividend .....   | 18,375             | 18,375    | 18,375    |
| Ordinary stock:—            |                    |           |           |
| Earned .....                | 165,234            | 159,350   | 170,073   |
| Paid .....                  | 129,094            | 161,367   | 161,367   |
| Earned % .....              | 54.9               | 39.5      | 43.0      |
| Paid % .....                | 40*                | 40        | 40        |
| General reserve .....       | 45,683             | ...       | ...       |
| Special credits (net) ..... | Cr. 11,427         | Cr. 1,285 | Cr. 3,010 |
| Carry-forward .....         | 21,615             | 20,884    | 32,600    |

\* Also 25% capital bonus, absorbing £80,683 from general reserve.

The balance sheet reveals no outstanding changes, though the fall in stock from £109,961 to £94,777—despite the general expansion of business—suggests a more rapid turnover. All company meetings during coming months will be awaited with exceptional interest, in the hope of obtaining the chairmen's opinion of prospects under war conditions. This is especially true of miscellaneous industrial concerns such as D. Gestetner, whose outlook can hardly be assessed on broad considerations. With the growth of official work, the company's domestic prospects may be favourable, but the fate of its important export trade is more problematical.

\* \* \*

**Prices Tailors Setback.**—Though the postponement of a final dividend on Prices Trust Company ordinary shares is to some extent a precautionary measure, the operating results of the undertaking are disappointing. The fall in Prices Tailors total profits for the year to June 30, 1939, is as much as 21 per cent., though the 1937-38 earnings were exceptionally high and included an adjustment of provision for stock depreciation not required. After a reduced charge for taxation, the actual payment made to Prices Trust is only sufficient to cover the interim dividend of 12½ per cent. already paid on the latter company's ordinary shares, assuming that the Trust's expenses were similar to those for 1937-38. In the following table we show the allocation of Prices Tailors profits in each of the past three years. Figures for 1938-39, however, are only approximate, since they are based on the preliminary profits statement.

|                                | Years ended June 30 |         |         |
|--------------------------------|---------------------|---------|---------|
|                                | 1937                | 1938    | 1939    |
| Profit .....                   | 521,788             | 572,576 | 452,000 |
| Taxation .....                 | 115,000             | 170,000 | 150,000 |
| Depreciation and fees .....    | 94,215              | 90,597  | 97,500  |
| Pref. and pref. ord. div. .... | 41,594              | 40,563  | 39,875  |
| Ordinary shares (tax free):—   |                     |         |         |
| Earned .....                   | 270,979             | 271,416 | 164,625 |
| Paid .....                     | 192,000             | 200,000 | 70,000  |
| Earned % .....                 | 154.8               | 155.1   | 94.1    |
| Paid % .....                   | 109.7               | 114.3   | 40.0    |
| Spec. renewals reserve .....   | 10,000              | 10,000  | 20,000  |
| Contingencies reserve .....    | ...                 | 30,000  | 20,000  |
| Carry-forward .....            | 226,415             | 257,831 | 312,457 |

It is clear that the omission of a final dividend by Prices Trust (a year ago a final of 37½ per cent. followed the 12½ per cent. interim) is due to policy rather than necessity. Even allowing for the allocations of renewals and contingencies, current earnings on the operating company's ordinary capital would be £124,625, or equivalent to 71 per cent., against an actual tax-free dividend of 40 per cent. If these earnings had been distributed in full to the Trust—a supposition admittedly at variance with previous policy—the latter would have shown earnings of roughly 28½ per cent. on its ordinary shares, compared with the 12½ per cent. dividend actually paid. The group's prospects in war conditions depend on the resultant of reduced real purchasing power and the extent of Government work.

**Initial Services Progress.**—Shareholders of Initial Services were informed at last year's meeting that, despite the bonus issue of 331,200 5s. ordinary shares in September, 1938, the dividend should be maintained in 1939. This confident forecast—repeated in July this year on the offer for sale of part of the company's issued ordinary capital—was substantiated by last week's preliminary profits statement. The accounts, published this week, show that trading profits for the year to June 30th increased by 10.7 per cent. to £340,876, against £307,659. Taxation provision requires £93,234 compared with £84,729, but since other charges show little change, earnings for ordinary shares amount to £209,807, against £187,428, and represent 31.8 per cent., against 30.9 per cent. on the lower capital. The profits distribution for the past three years is given below:—

|                           | Years to June 30 |         |         |
|---------------------------|------------------|---------|---------|
|                           | 1937             | 1938    | 1939    |
| Trading profit .....      | 277,499          | 307,659 | 340,876 |
| Total income .....        | 287,349          | 314,669 | 346,872 |
| Fees and charges .....    | 3,334            | 3,043   | 3,263   |
| Depreciation .....        | 7,322            | 7,469   | 8,568   |
| Taxation .....            | 63,195           | 84,729  | 93,234  |
| Preference dividend ..... | 32,000           | 32,000  | 32,000  |
| Ordinary shares:—         |                  |         |         |
| Earned .....              | 181,498          | 187,428 | 209,807 |
| Paid .....                | 130,094          | 151,800 | 165,082 |
| Earned % .....            | 34.9             | 30.9    | 31.8    |
| Paid % .....              | 25               | 25†     | 25      |
| To reserve .....          | 50,000           | 32,800  | 50,000  |
| Carried forward† .....    | 14,734           | 16,218  | 10,604  |

† Plus capital bonus of 10 per cent.

‡ After writing off £1,344 in 1938 and £339 in 1939 for new issue expenses.

The balance sheet reflects the expansion in activity over the year. Freehold properties stand at £137,849 compared with £107,306, while stocks and equipment have increased from £123,029 to £132,662. Investments in subsidiary companies also show an advance from £574,200 to £604,200. At the meeting a year ago the chairman declared that the business, although dependent to some extent upon general conditions, was not subject to wide fluctuations. Though this statement may require some modification to meet war conditions, there should be ample scope for the company's activities. The chairman's views on immediate prospects will be awaited with interest. The 5s. ordinary shares are quoted at 19s. 4½d.

\* \* \*

**Johannesburg Consolidated.**—The variety of Johannesburg Consolidated's interests and the inclusion in total earnings of capital profits have resulted in an irregular profits record, and a year-to-year changes in earnings of much of their significance. For the year to June 30, 1939, total profits of £632,305 compare with £744,989 for 1937-38 and £1,172,990 for 1936-37, the balance in all three years being struck after providing for contingencies. After expenses, net profits for 1938-39 amount to £616,129 against £720,380, or 15.6 as compared with 18.2 per cent. The 15 per cent. dividend is repeated, but there is no allocation to reserve, which thus remains at the impressive figure of £3,050,000. Putting aside all the unknown factors, the setback in profits may be explained solely by reference to the known results of the gold-mining companies in the group. Owing to lower-grade mining, the value of gold recovered by these companies in 1938 fell from £18,275,364 to £17,299,989, while working profit

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fell to £6,094,109 against £7,395,229. The principal change in the balance sheet is a decline from £6,375,553 to £5,988,976 in stocks and shares, whose market value is still much above book values. An interesting summary of the company's development since its registration fifty years ago supplements the annual accounts.

\* \* \*

**Modder East Position.**—Mining companies whose financial year ends in June are now reflecting the benefit of the rise in the value of gold which began in the latter part of 1938. Thus the Modder East report shows that the company obtained a virtually unchanged gold recovery of 270,538 fine ounces, but enjoyed a gold price of 146s. 8d.—some 7s. higher on the average than in 1937-38. A fall in yield per ton milled of 0.281 dwt., and in working revenue of 9d., was offset by an 8 per cent. increase in the tonnage and a further fall in working costs to 17s. 3d. The net effect was a drop of 3d. per ton working profit but a rise of £37,367 in its total amount. The main features of the past three reports are summarised below:—

|                           | Years ended June 30 |                |                |
|---------------------------|---------------------|----------------|----------------|
|                           | 1937                | 1938           | 1939           |
| Gold net price per oz.... | s. d. 140 7         | s. d. 139 8    | s. d. 146 8    |
| Ore milled .....          | Tons 1,287,000      | Tons 1,382,000 | Tons 1,494,000 |
| Yield per ton .....       | Dwt. 4.067          | Dwt. 3.903     | Dwt. 3.622     |
| Working costs per ton...  | s. d. 18 8          | s. d. 17 9     | s. d. 17 3     |
| Working profit per ton    | 10 0                | 9 7            | 9 4            |
| Gold revenue .....        | £ 1,843,457         | £ 1,886,071    | £ 1,986,137    |
| Total profits .....       | 663,742             | 684,777        | 723,516        |
| Capital expenditure ...   | 34,688              | 120,967        | 17,214         |
| Other expenses .....      | 322,228             | 324,093        | 345,610        |
| £1 shares:—               |                     |                |                |
| Earned .....              | 306,826             | 239,717        | 360,692        |
| Paid .....                | 279,242             | 279,242        | 349,052        |
| Earned % .....            | 33.0                | 25.8           | 38.7           |
| Paid % .....              | 30                  | 30             | 37½            |
| Carry-forward .....       | 185,194             | 145,669        | 157,309        |

## THE STOCK EXCHANGES

### London

Note: All dealings are for Cash

THE re-opening of the House has not resulted in any marked revival of activity. Dealings in many securities remain largely a matter of negotiation; it has become more difficult to sell gilt-edged stocks at minimum prices; the closing of positions is more evident than any improvement in business. But dealers, at least, are beginning to work out the implications of a war economy for different classes of securities. The potential effects of war taxation and stocks insurance have found their mark. And commodity shares have naturally fared relatively well.

In the gilt-edged market, conditions were exceptionally dull. Buying support was absent, and on the week gilt-edged stocks at their minimum prices, to which quotations fell early in the week, did not attract buyers. In any case, the imminence of a War Budget is a factor of uncertainty which is likely to prevail until the worst is known. Home corporation and Dominion stocks showed no increase in activity.

Among foreign bonds, there was considerable demand for South American

issues, with Chilean bonds prominent, and, to a smaller extent, Argentine loans. Japanese bonds were firm, and among European issues, German loans lost further ground. With the curtailing of carry-over facilities, there was some selling of home rails. New business was restricted by absence of knowledge of the financial arrangements between the Government and the companies during the period of control. Dealings in prior charges were on the basis of unofficial minimum prices. Argentine rails were in demand, and a short supply of stock caused substantial rises.

Though movements were not uniform, industrial share prices as a whole moved downwards (in some cases to new "lows"), and business was on a small scale. The incidence of possible future taxation and increased costs were the leading considerations. Iron and steel and heavy industrial shares were quiet and irregular, but towards mid-week the decline became more widespread. Electrical equipment issues made a mixed showing at first, and then lost ground in common with other sections. There was lack of uniformity in the motor section, but aircraft issues became steadier after an early setback. Textile and rayon shares were perhaps

Capital expenditure has played an important part in recent years in distribution policy. The chief items in the programme, however, are now complete, and the consulting engineer's report points out that future requirements should be on a modest scale. Thus in contrast with 1937-38, when exceptionally heavy capital requirements required a draft on the carry-forward to the extent of nearly £40,000 to permit the maintenance of the 30 per cent. dividend, last year's increased distribution of 37½ per cent. is covered by a small margin. Available ore reserves again showed an increase, to 6,468,500 tons, with a fall of 0.2 dwt. in value. Kaffir shares have recently been subdued by the Union Government's proposal to expropriate any gold premium over 150s. per ounce, but even if the proposal were carried out in full rigour Modder East should be capable of further progress in the current year.

\* \* \*

**The Week's Company Profits.**—Our usual summary of profit and loss accounts, appearing on page 549, contains 18 companies for which comparable figures are available. Net profits amount to £1,506,000 against £1,897,000, and thus show a fall of 20½ per cent., which, however, is largely due to the Calico Printers' results. Aggregate net profits of 1,740 companies reporting in 1939 to date are £219,447,000, and show a fall of 8 per cent., compared with £238,539,000 earned by the same companies a year ago. The week's results are discussed in preceding Notes and on page 545 under the heading "Shorter Comments."

\* \* \*

**Company Meetings of the Week.**—Reports of company meetings commence on page 542 of this issue. Sir William Firth's address at the Richard Thomas meeting is discussed on page 534. At the Second Alliance Trust meeting Mr James Prain declared that, while the revenue outlook was uncertain, the directors would strive to avoid sharp fluctuations. Mr H. E. Miller informed shareholders of Bajoe Kidoel Rubber and Produce Company that the rejuvenation and replanting programmes of recent years should enable the company comfortably to weather war-time difficulties.

## New York

WALL STREET forged ahead after the week-end, with war stocks in the lead. Bullish sentiment was assisted by rumours of impending abrogation of the Neutrality Act in its present form,

### New York Prices

|                                        | Close<br>Sep.<br>7,<br>1939 | Latest<br>Sep.<br>14,<br>1939 |                              | Close<br>Sep.<br>7,<br>1939 | Latest<br>Sep.<br>14,<br>1939 |
|----------------------------------------|-----------------------------|-------------------------------|------------------------------|-----------------------------|-------------------------------|
| <b>1. Rails and Transport</b>          |                             |                               | <b>Shell Union...</b>        |                             |                               |
| Atchafalaya .....                      | 27½                         | 31¼                           | Socony Vac...                | 15½                         | 15                            |
| Bal. & Ohio .....                      | 61½                         | 81½                           | Stan. Oil Cal.               | 14½                         | 14¾                           |
| Ches. & Ohio .....                     | 35¾                         | 40¼                           | Stan. Oil N.J.               | 29¾                         | 32¾                           |
| G.N. Ry. Pr. ....                      | 29½                         | 29½                           | Texas .....                  | 47¾                         | 53¼                           |
| Illinois Cent. ....                    | 13                          | 15                            |                              | 45½*                        | 45½                           |
| N.Y. Central .....                     | 16¾                         | 20¾                           | <b>4. Manufacturing</b>      |                             |                               |
| Northern Pa. ....                      | 10                          | 10½                           | Briggs .....                 | 20½                         | 24                            |
| Pennsylv. R. ....                      | 19½                         | 24                            | Chrysler .....               | 82½                         | 88¾                           |
| Southern Pa. ....                      | 14½                         | 16½                           | Elec. Autolite ..            | 35                          | 35                            |
| Southern Ry. ....                      | 16½                         | 17¾                           | Gen. Motors ..               | 51½                         | 54                            |
| Union Pac. ....                        | 98½                         | 99¾                           | Nash Kelvnr. ....            | 70                          | 76                            |
| Greyhound .....                        | 15½                         | 15½                           | Boeing Airplan               | 24½                         | 27¾                           |
|                                        |                             |                               | Douglas Airl... ..           | 70                          | 76                            |
|                                        |                             |                               | United Aircr. ....           | 40¼                         | 43½                           |
| <b>2. Utilities and Communications</b> |                             |                               | Allied Chem. ....            | 186½                        | 195                           |
| Am. W. works. ....                     | 117½                        | 117½                          | Dupont .....                 | 181                         | 183¼                          |
| Con. Edison .....                      | 30                          | 30½                           | Un. Carbide .....            | 92½                         | 92½                           |
| Col. Gas & El. ....                    | 67½                         | 71½                           | Allis Chalmers               | 49¾                         | 45                            |
| El. Bond & Sh. ....                    | 98                          | 98                            | Gen. Electric ..             | 38¾                         | 42½                           |
| Nat. Pwr. & Lt. ....                   | 21½                         | 22½                           | West' hse Elec. ..           | 112                         | 117½                          |
| N. American .....                      | 21½                         | 22½                           | American Can ..              | 107                         | 114                           |
| Pac. Gas & El. ....                    | 29½                         | 29½                           | Caterpillar .....            | 53½                         | 59                            |
| Pub. Serv. N.J. ....                   | 36½                         | 37½                           | Int. Harvester ..            | 61¾                         | 69                            |
| Un. Gas Imp. ....                      | 31                          | 31½                           | Johns Manville ..            | 66¼                         | 78                            |
| Amer. Tel. ....                        | 13                          | 13½                           | Am. Radiator ..              | 9                           | 9                             |
| Inter. Tel. For. ....                  | 5                           | 5½                            | Corn. Prod. ....             | 63¼                         | 62                            |
| Westn. Union .....                     | 25¼                         | 28¾                           | Glidden .....                | 17½                         | 17½                           |
| Radio .....                            | 57½                         | 58                            | Celanese of A. ....          | 25½                         | 24½                           |
|                                        |                             |                               | Eastm'n Kdk. ....            | 153                         | 151½                          |
| <b>3. Extractive and Metal</b>         |                             |                               | Loews .....                  | 33¾                         | 33½                           |
| Am. Mol. Mill. ....                    | 21½                         | 21½                           | 20th Cen. Fox ..             | 13¾                         | 13¾                           |
| Beth. Steel .....                      | 80½                         | 93¾                           | <b>5. Retail Trade, etc.</b> |                             |                               |
| Republic St. ....                      | 24½                         | 26¾                           | Mont. Ward. ....             | 51½*                        | 54½                           |
| U.S. Steel .....                       | 64¼                         | 78¼                           | Sears Roebck. ....           | 77                          | 78½                           |
| U.S. Steel P. ....                     | 119½                        | 119½                          | Woolworth .....              | 40½                         | 36½                           |
| Am. Metal .....                        | 33                          | 28¾                           | Nat. Biscuit. ....           | 23¼                         | 23¼                           |
| Am. Smelting .....                     | 55¼                         | 58½                           | Nat. Dairy .....             | 16                          | 16                            |
| Anaconda .....                         | 37¾                         | 35¾                           | Am. Tob. B. ....             | 79½                         | 79½                           |
| Cerro de Pas. ....                     | 45¼                         | 44                            | Nat. Distillers ..           | 22¾                         | 23½                           |
| Int. Nickel .....                      | 50½                         | 53¾                           | <b>6. Finance</b>            |                             |                               |
| Kennecott .....                        | 43¾                         | 43¾                           | Comcl. Credit ..             | 42½*                        | 41½                           |
| U.S. Smelt. ....                       | 62                          | 62                            | Com. Inv. Tr. ....           | 46*                         | 46½                           |
| Phillips Petr. ....                    | ...                         | ...                           |                              |                             |                               |
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### ACTUARIES' INVESTMENT INDEX

Publication of the Actuaries' Investment Index is temporarily suspended.

### "FINANCIAL NEWS" INDICATORS

|         | Total     | Corres.  | Security Indices |                |
|---------|-----------|----------|------------------|----------------|
|         | Bargains† | Day 1938 | 30 ord. shares*  | 20 fixed int.† |
| 1939    |           |          |                  |                |
| Sept. 8 | 1,250     | 5,460    | 76.3             | 112.1          |
| " 11    | 2,460     | 5,585    | 75.1             | 112.0          |
| " 12    | 2,195     | 5,560    | 74.1             | 111.8          |
| " 13    | 2,480     | 6,470    | 73.0             | 111.7          |
| " 14    | 2,505     | 5,275    | 72.1             | 111.0          |
| 1938    |           |          |                  |                |
| High... | ...       | ...      | 88.0             | 123.5          |
| Low...  | ...       | ...      | Mar. 10          | Jan. 3         |
|         |           |          | 72.1             | 111.0          |
|         |           |          | Sep. 14          | Sep. 14        |

\* Approx. total recorded in S.E. List. \* July 1, 1935 = 100. † 1938 = 100.

while the news of higher steel mill activity provided a firmer background to steel shares, which gradually influenced other industrial issues. In the bond market, Government issues were a shade easier. Though Tuesday saw profit-taking on a large scale, a rally in the late trading more than wiped out earlier losses. Steel issues were again predominant, but rails also joined the general upswing. The Dow-Jones industrial average had then advanced since Saturday from 150.91 to 155.92. In mid-week, however, prices reacted on further profit-taking, assisted by rumours of impending federal invocation of the anti-trust laws to control profiteering. *Iron Age* estimates steel ingot production this week at 71 per cent. of capacity, compared with 59 per cent. a week ago. A considerable volume of forestalling orders is now being placed.

By courtesy of the Standard Statistics Company, Inc., of New York, we print below the following index figures of American values calculated on closing prices (1926 = 100). As they were not received in time for last week's issue, figures for the week ended September 6 are given as well as those for September 13.

### WEEKLY AVERAGES

|                 | 1939        |             | Aug. 30, 1939 | Sept. 6, 1939 | Sept. 13, 1939 |
|-----------------|-------------|-------------|---------------|---------------|----------------|
|                 | Low Apr. 12 | High Jan. 4 |               |               |                |
| 347 Ind'ls....  | 92.8        | 114.5       | 98.4          | 109.5         | 113.7          |
| 32 Rails.....   | 23.3        | 32.5        | 24.2          | 27.6          | 31.2           |
| 40 Utilities... | 77.8        | 89.9        | 84.5          | 83.2          | 84.7           |
| 419 Stocks...   | 79.3        | 95.6        | 84.3          | 92.0          | 95.5           |
| Av. yield*...   | 4.42%†      | 3.31%‡      | 4.30%         | 3.82%         | 3.68%          |

\* 50 Common Stocks. † August 2nd. ‡ Aug. 23.

(Continued on page 545.)

## NEW MODDERFONTEIN GOLD MINING COMPANY, LIMITED

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the Year ended 30th June, 1939  
Issued Capital, £1,400,000, in 2,800,000 Shares at 10s. each

### DIRECTORATE

DR. H. PIROW (Chairman).  
SIR ABE BAILEY, Bart., K.C.M.G.  
W. A. MACKENZIE.

R. S. G. STOKES.  
R. W. FEENELL.

J. MARTIN.  
S. C. BLACK.  
MAJOR C. S. GOLDMAN.

Tonnage milled, 2,338,000.

|                                           |                        |                |                 |
|-------------------------------------------|------------------------|----------------|-----------------|
| Total Working Revenue .....               | £2,997,538 18 11       | Per ton milled | £1 5 8          |
| Total Working Expenditure .....           | 1,726,164 2 10         |                | 0 14 9          |
| <b>Working Profit</b> .....               | <b>£1,271,374 16 1</b> |                | <b>£0 10 11</b> |
| <b>Net Profit for the year</b> .....      | <b>£1,269,145 0 11</b> |                | <b>£0 10 11</b> |
| Balance unappropriated at 30th June, 1938 | 205,788 18 7           |                |                 |
| Forfeited Dividends Account .....         | 881 4 2                |                |                 |
|                                           | <b>£1,475,813 3 8</b>  |                |                 |

This amount has been dealt with as follows:—  
Miners' Pensions—Provision on account of Outstanding Liability as at 31st July, 1938 ... £27,745 6 2  
Provision for Taxation ... 517,149 8 10

Dividends declared during the year—No. 65 of 25 per cent. and No. 66 of 25 per cent. ... £830,918 8 8  
700,000 0 0  
Leaving a balance unappropriated of ... £230,918 8 8

The Ore Reserve has been re-estimated as at 30th June, 1939, and is as follows:—

|                        | AVAILABLE        |                    |               | UNAVAILABLE    |                    |               | TOTAL            |                    |               |
|------------------------|------------------|--------------------|---------------|----------------|--------------------|---------------|------------------|--------------------|---------------|
|                        | Tons.            | Value Dwt. Per ton | Width Inches. | Tons.          | Value Dwt. Per ton | Width Inches. | Tons.            | Value Dwt. Per ton | Width Inches. |
| South Reef .....       | 1,334,800        | 2.7                | 45.0          | 145,900        | 4.1                | 42.8          | 1,480,700        | 2.8                | 44.8          |
| N.A. 6 and 7 .....     | 639,500          | 2.7                | 42.6          | 132,400        | 5.4                | 42.3          | 771,900          | 3.2                | 42.5          |
| N.A. 3, 4 and 5 .....  | 252,500          | 2.5                | 44.3          | 86,100         | 2.8                | 44.8          | 338,600          | 2.6                | 44.4          |
| N.A. 1 and 2 .....     | 2,731,000        | 3.0                | 50.3          | 212,800        | 3.9                | 48.2          | 2,943,800        | 3.1                | 50.2          |
| Main Reef Leader ..... | 1,676,700        | 5.4                | 54.4          | 113,100        | 5.0                | 60.8          | 1,789,800        | 5.4                | 54.8          |
| <b>Total</b> .....     | <b>6,634,500</b> | <b>3.5</b>         | <b>49.0</b>   | <b>600,300</b> | <b>4.8</b>         | <b>46.8</b>   | <b>7,234,800</b> | <b>3.6</b>         | <b>48.8</b>   |

Compared with the previous year, the ore reserve shows a decrease of 671,300 tons, and the value and stope width are lower by 0.2 dwt. and 0.2 inch, respectively.  
The full Report and Accounts (with Plan of Workings) may be obtained from the London Secretaries, A. MOIR & CO., 4 London-wall Buildings, E.C.2.

# Industry and Trade

**Employment in August**—The latest pre-war returns of employment and unemployment relate to the position on August 14th. Between July 10th and August 14th the number of registered unemployed showed a further reduction of 24,000 to 1,232,000. The estimated number of insured persons aged 16 to 64 in employment in Great Britain has shown a slight decline for the first

## 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                                                      |                                         |                                                                           | Number                                                  | Index, adjusted for seasonal variations |            |
|                | Number                                                     | Index, adjusted for seasonal variations |                                                                           |                                                         |                                         |            |
|                | '000                                                       | 1935 = 100                              | '000                                                                      | %                                                       | '000                                    | 1935 = 100 |
| 1937           |                                                            |                                         |                                                                           |                                                         |                                         |            |
| Sept. 13.....  | 1,339                                                      | 66.1                                    | 1,091                                                                     | 9.5                                                     | 11,706                                  | 112½       |
| 1938           |                                                            |                                         |                                                                           |                                                         |                                         |            |
| 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                                                                     | 11.3                                                    | 11,685                                  | 112½       |
| May 15.....    | 1,492                                                      | 74.7                                    | 1,234                                                                     | 10.3                                                    | 11,838                                  | 113½       |
| June 12 .....  | 1,350                                                      | 67.6                                    | 1,099                                                                     | 9.5                                                     | 11,969                                  | 115        |
| July 10 .....  | 1,256                                                      | 62.2                                    | 1,014                                                                     | 8.8                                                     | 12,064*                                 | 116        |
| Aug. 14 .....  | 1,232                                                      | 60.7                                    | 968                                                                       | ...                                                     | 12,053*                                 | 116        |

\* Estimated.

time since last January, due, presumably, to the calling up of militiamen and reservists, of which 50,000 were in training on August 14th. There has been a reduction in unemployment in all the administrative divisions with the exception of the Midlands. So far as individual industries are concerned, unemployment showed a further decline in building, public works contracting, coal mining, and in the engineering, shipbuilding and cotton trades.

**War and the Marketing Boards.**—The agricultural marketing boards were established to assist British farmers, notoriously disinclined to co-operative action and weak in bargaining power, to exercise monopoly powers over the output of selected commodities. These experiments in agricultural and economic organisation have aroused much interest and a lot of criticism, but the interruption of war, which has converted the boards from producer-controlled monopolies into Government agencies, will vitally affect their development. *The Economist* recorded last week the suspension of the bacon pig contract; the trade in fat pigs as in fat cattle and sheep has been taken over by the Ministry of Food, which has ruled that all animals sold for slaughter must be sold through a recognised auction, at prices not exceeding those laid down; meat prices are also subject to maximum levels. The Chairman of the Potato Marketing Board has been appointed Potato Controller, under the Ministry of Food, and maximum wholesale and retail prices are in force. Similarly, the Milk Marketing

Board has been taken over by the Ministry of Food. The prices and conditions of the existing 1938-39 contract have been prolonged until the end of January, 1940, when the redistribution of the population and the probable depletion in the ranks of dairymen will necessitate a complete revision of conditions in the trade. It is probable therefore that the necessities of war will bring about that reorganisation of the distributive side of the milk trade which the Government had attempted (and failed) to carry out in times of peace.

**Restriction Schemes in War.**—The outbreak of war has completely changed the basis of international commodity control. The demand for many controlled products will be raised materially by the war, while at the same time normal trading will be completely disorganised. In certain schemes (the International Steel Cartel, the nitrate agreements and the sugar scheme) both Germany and members of the Peace Front have taken part. The working of these schemes will probably be interrupted or at least limited, although so far no formal announcements to this effect have been made. Among the remaining schemes a distinction must be drawn between private arrangements between international producers (like the copper and lead agreements) and the official schemes of the Governments of the leading producing countries (like the tin, rubber and tea schemes). The detailed text of the private schemes has not been published, but it is known that these agreements do not contain special war clauses. Probably restriction will be lifted if demand warrants it. Incidentally, it is rumoured that the co-operating copper and lead producers are already working at full speed without special regard to the existing quotas which have not been formally raised or lifted this week. The rubber and tin schemes contain special clauses according to which members who are involved in hostilities may give notice of their withdrawal from their obligations. In tin this would cover all obligations, but in rubber it would not affect the prohibition on new plantings and on exports of planting material to non-restricting countries. So far these clauses have not been invoked, and it is learned that the British authorities are anxious to keep the schemes intact as long as possible. This is confirmed by various substantial quota increases made since the outbreak of war. On September 1st the International Tin Committee announced an increase in the quota for the second half of this year to 60 per cent., and on September 12th the tin export quota for the third quarter was raised further to 80 per cent. In rubber the quota for the last quarter of 1939 was raised from 60 per cent. to 70 per cent. late last week. Both in tin and rubber the increases were announced by the chairmen of the respective committees after correspondence with the delegations and not by special committee meetings. This practice of rapid quota decisions should prove effective for the time being and as the quotas can be raised within the framework of the control schemes to levels which allow virtually free production, a discontinuation of restriction schemes may well be allowed.

**Coal Mining Profits.**—The output of coal in this country declined from 61.4 million tons in the first quarter to 56.9 million tons in the second quarter of this year. This decline is due to the seasonal shrinkage in the demand for coal for heating purposes. Compared with the second quarter of 1938, however, the output in April-June this year shows an increase of 2.8 million tons. The increase is due mainly to the revival of the export trade; shipments of coal, coke and patent fuel (including bunkers) rose by 2.1 million tons to 13.8 million tons, while home con-

sumption, at 42.4 million tons, was only 0.7 million tons higher than a year ago. Prices showed a slight reduction between the first and second quarters in both the inland and the foreign trades; the Board of Trade price index for coal fell by 3.1 per cent. during this period, while the average f.o.b. value for coal cargoes declined from 20s. 6d. per ton to 20s. per ton. On the other hand, costs of production per ton showed an increase between the first and second quarters, partly because of dearer materials but partly also because of the time-lag in the effect of wage changes under the monthly or quarterly ascertainments, and also, in a measure, owing to the drop in production. While the audits for a few of the smaller coalfields are not yet available, those for the principal districts of the country show that for the industry as a whole the credit balance in the second quarter was approximately £2.3 millions, compared with nearly £5.6 millions in the first three months and £1.6 millions a year ago. For the principal coalfields the profits were as follows, with those for the corresponding period last year in brackets:—Scotland, £297,718 (£361,882); Northumberland, £170,881 (£166,344); Durham, £450,800 (£258,374); Yorkshire, £648,885 (£198,737); Lancashire, Cheshire and North Staffordshire, £169,672 (£302,626); South Wales, £198,313 (£108,275). There was a credit balance of £128,025 in Derbyshire, of £90,373 in Warwick, of £25,727 in Forest of Dean and of £10,509 in Leicestershire. The only important coalfield to show a loss was Nottinghamshire, where the debit balance amounted to £17,334. Yorkshire and Durham were relatively the most profitable trading districts in the quarter, and probably the chief reason for this was the substantially increased demand from Germany and some of the Scandinavian countries, and from Italy for north-country coking coals.

**Control of Wool Textiles.**—The control of the wool textile industry which has been in operation since September 4th is following a logical sequence so far as circumstances permit. The first step was a standstill order until such time as fixed maximum prices could be published. Meanwhile a census was immediately organised, the return being asked for within five days' time. In spite of the publication of the fixed maximum price schedule on September 7th, difficulties of procedure still exist and hamper trade. In the first place, the scale of prices does not apparently allow for the compulsory war risk premium which falls on stocks in process of manufacture. This particular matter is being dealt with, but no ruling can be expected for some time. It is realised, of course, that a reserve fund of some magnitude is necessary for the proper functioning of such an insurance scheme, but the premiums should be considered in relation to the prices fixed. Further, tops which do not conform exactly to the standard grades have to be appraised and a price established in relation to the few qualities already covered. This appraisal of "off-standard" tops is to start immediately, but as this implies a considered judgment on virtually every top which is produced in the trade, some time is likely to elapse before a free market re-appears. Negotiations for the purchase of the entire Australian and New Zealand clips for the duration of the war will begin shortly, and the relationship between the fixed maximum prices for tops and the price which the Dominion interests may have in mind for their product is giving rise to much speculation. The fact that the top prices now announced are much lower than those which were operative from 1916 onwards is really irrelevant, and will have little or no bearing on present negotiations except perhaps as a precedent in the matter of margin above production cost. The maximum price now fixed for 64's warp oil-combed tops—26½d. per lb.—is just about on a par with the rates ruling at the last Brisbane sales of the 1938-39 season. Whether such a basis will satisfy Australian wool-growing interests remains to be seen.

**World Wheat Stocks.**—The bumper harvest in most wheat-producing countries in 1938 has led in the past twelve months to very low wheat prices. With the outbreak of war, the existence of large wheat stocks becomes an asset rather than a liability, and their position is of considerable importance. The following table is taken from the estimate of the end of season stocks compiled by the *Corn Trade News*:—

| Million quarters | August 1, 1938, net carry over | August 1, 1939 |                                   |                | Probable exportable surplus, 1939-40 |
|------------------|--------------------------------|----------------|-----------------------------------|----------------|--------------------------------------|
|                  |                                | Visible Stocks | Requirements of holding countries | Net carry over |                                      |
| U.S.A.....       | ...                            | 31.5           | 25.0                              | 6.5            | 10.5                                 |
| Canada.....      | ...                            | 12.5           | 5.0                               | 7.5            | 44.0                                 |
| Argentina.....   | 4.4                            | 22.5           | 5.5                               | 17.0           | 36.0                                 |
| Australia.....   | 5.0                            | 6.5            | 2.5                               | 4.0            | 16.0                                 |
| Europe*.....     | 4.0                            | 30.0           | 25.0†                             | 5.0            | 12.5‡                                |
| Total.....       | 13.4                           | 103.0          | 63.0                              | 40.0           | 123.0                                |

\* Including quantities on passage. † Including about 20 million qrs. of war stocks. ‡ Danube and Russia.

The stocks held by the main exporting countries at the end of the season, together with the very large war reserves in Europe are together nearly equal to a normal year's imports of wheat. The greater part of the surplus is at present held in the Argentine and in North America, where it will presumably be available for the Allied Powers; the Russian harvest is believed to have been poor in 1939. According to these estimates of Broomhall, therefore, the Allied Powers are assured of an adequate supply of wheat for the next year, providing it can be shipped as required.

## Consolidated Main Reef Mines & Estate, Limited

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the Year ended 30th June, 1939

Capital, £1,247,602 in 1,247,602 Shares of £1 each (all issued)

### DIRECTORATE

DR. H. PIROW (Chairman). SIR ABE BAILEY, Bart., K.C.M.G.  
R. S. G. STOKES. G. CARLETON JONES. MAJOR C. S. GOLDMAN.  
W. A. MACKENZIE. A. A. AURET. W. H. A. LAWRENCE.

Tonnage Milled, 2,108,000

|                                |                 |            |                        |
|--------------------------------|-----------------|------------|------------------------|
| Total Working Revenue.....     | £2,645,131      | 9 9        | Per ton milled, £1 5 2 |
| Total Working Expenditure..... | 1,982,553       | 3 0        | 0 18 10                |
| <b>Working Profit.....</b>     | <b>£662,578</b> | <b>6 9</b> | <b>£0 6 4</b>          |

|                                                |                 |            |
|------------------------------------------------|-----------------|------------|
| <b>Total Profit for the year.....</b>          | <b>£671,276</b> | <b>6 1</b> |
| Balance unappropriated at 30th June, 1938..... | 205,129         | 4 8        |
| <b>Forfeited Dividends Account.....</b>        | <b>36 4 9</b>   |            |

This amount has been dealt with as follows:—

|                                                                                           |                |              |
|-------------------------------------------------------------------------------------------|----------------|--------------|
| <b>Net Expenditure on Capital.....</b>                                                    | <b>£38,993</b> | <b>1 2</b>   |
| Account for the year.....                                                                 |                |              |
| Miners' Pensions—Provision on account of Outstanding Liability as at 31st July, 1938..... | 3,299          | 3 4          |
| Provision for Taxation.....                                                               | 225,257        | 13 4         |
|                                                                                           | <b>267,549</b> | <b>17 10</b> |

|                                                        |                 |             |
|--------------------------------------------------------|-----------------|-------------|
| <b>Dividends declared during the year:—</b>            | <b>£608,891</b> | <b>17 8</b> |
| No. 58 of 12½ per cent., and No. 59 of 15 per cent.... | 343,080         | 11 0        |

Leaving a balance unappropriated of.....

£265,801 6 8

The available ore reserve has been re-estimated, and is as follows:—

|                       | Tons              | Value, Dwt. | Stoping Width, Inches. |
|-----------------------|-------------------|-------------|------------------------|
| Main reef.....        | 849,800           | 3.7         | 66.3                   |
| Main Reef Leader..... | 3,938,800         | 4.4         | 51.7                   |
| South Reef.....       | 3,009,800         | 4.2         | 49.1                   |
| Bird Reef.....        | 3,448,000         | 3.2         | 74.2                   |
| <b>Total.....</b>     | <b>11,246,200</b> | <b>3.9</b>  | <b>57.2</b>            |

In addition there are 1,398,100 tons of payable ore, valued at 4.1 dwt. per ton, contained in shaft and safety pillars not at present available for stoping.

Compared with the previous year, the available reserve shows an increase of 61,800 tons, the estimated stoping width is less by 0.8 of an inch, and the average value is 0.2 dwt. lower.

The capital expenditure on equipment amounted to £52,637. It is anticipated that the capital expenditure for the coming year will be on about the same level.

The Full Report and Accounts (with Plans of Workings) may be obtained from the London Secretaries, A. MOIR & CO., No. 4 London Wall Buildings, London, E.C.2.

**AVAILABLE TO MANUFACTURERS—**  
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## INDUSTRIAL REPORTS

SOME dislocation in industry has been caused by the beginning of Government control, but towards the end of this week more normal conditions were beginning to prevail. Statistics of production are no longer available and most prices are being fixed.

An explanation of the arrangements concerning priority of work was issued during the week. Priority is not to be exercised over the whole field of industry and there will be no general issue of priority certificates in connection with Government work. Such certificates will only be issued where there are difficulties arising from an immediate shortage or non-availability of production capacity, labour, raw materials, transport or any other cause. If necessity is proved, the appropriate Department will receive authority from the Ministry of Supply to issue priority certificates.

The raw materials which are controlled by the Ministry of Supply are: Aluminium, hemp and flax, iron and steel, jute, leather, molasses and industrial alcohol, non-ferrous metals (lead, zinc, tin and copper), paper, silk and rayon, sulphuric acid, sulphate of ammonia, other fertilisers, timber and wool.

## Coal

**Sheffield.**—The market is quietly adapting itself to the new conditions. Stocks carried by industrial concerns are very substantial, and good consignments are coming forward from collieries. The inland market is strong. Household demands are considerable, and utility concerns are still accumulating such stocks as are available. Coking smalls are in demand. Export business is in a state of suspense, shipments being confined to neutral countries. Prices are steady.

**Glasgow.**—New export business is still waiting for the revised price lists. It is expected, however, that this side of the trade will be encouraged on as wide a basis as possible. Meantime, the granting of the necessary shipping licences is proceeding. There is strong pressure for supplies in the home market. Industrial consumption remains at a high level, while the public utility undertakings are increasing their stocks. The priority regulations are now in operation, but all consumers are securing adequate supplies.

**Cardiff.**—The shipment of coal in the export trade is now under strict regulation, and in the inland trade distribution is governed by a system of priority. The three principal executive functions are discharged by the Control Board, a Coal Supplies Officer, and the local Fuel Overseer, and the trade is rapidly adjusting itself to the emergency conditions, which in the home trade affect transport arrangements as well as coal production and distribution, and in the export trade the employment both of allied and neutral tonnage. In the allocation of supplies for export, preference is naturally being given to France, whose requirements

from this country have been greatly increased by the cessation of imports from Germany, which last year supplied France with coal, coke and patent fuel totalling, in terms of coal, over 7 million tons. Shipments to neutral countries are being regulated primarily by economic considerations affecting immediately the conduct of the war, and both British and neutral shipowners are only permitted sufficient bunkers to take their vessels to their destinations unless owners guarantee to bring homeward cargoes to the United Kingdom or allied ports.

## Iron and Steel

**Sheffield.**—Business is now dominated by Government control, and freedom of dealing is virtually suspended. There appears to be no difficulty in regard to pig iron supplies, and there has so far been little interruption in deliveries under existing contracts. Consumption of foundry and hematite is on a very heavy scale. Basic pig requirements are increasing, and although prices of this material are not so far controlled, they are not running up unduly. Finished iron is taken up more readily, with the exception of crown bars.

Steel materials of every description are in great request, billets, small bars and strip being especially active. Ordinary business naturally ranks after Government orders, and deliveries are subject to considerable delay. Production of steel in this area is at a record level, but efforts are being made still further to increase output. The heavy sections are working at high pressure, and the lighter trades are fully employed.

**Glasgow.**—In all branches of the trade in this district workshops are extraordinarily busy and output is being maintained at very high levels. The bulk of the steel production is passing into the hands of manufacturers for Government departments. In Glasgow and district there are many manufacturers who at the moment are almost entirely occupied with such work. They expect, however, to make adjustments shortly which will enable them to undertake at least a limited amount of their ordinary commercial business. Meantime, it seems to be generally accepted that arrangements will be made to ensure satisfactory deliveries of all essential materials.

**Cardiff.**—The heavier branches of the iron and steel industry are employed up to their maximum capacity. As the needs of the re-armament firms have increased, the manufacture of tinplates and of some other re-rolled products is limited to the quantity of steel bars currently available, the distribution of steel being determined by the order of priority which became operative last week. Iron and steel scrap is in great demand at controlled prices. Sheet works are particularly active in meeting the demand for A.R.P. supplies. Shipments of tinplates are permitted only with licensed authority.

**News from Abroad.**—Although it is not yet possible to obtain a reliable survey of the changes and probable developments on international steel markets under war conditions, it can be said that, for the time being, export trade in Europe has come to an almost complete standstill. This is only natural if it is remembered that transport costs and facilities are not even approximately determinable and that, moreover, no European country has at present steel material available for export. The belligerent countries require their whole output for domestic consumption and the steel industries of neutral countries, particularly of Belgium and Luxembourg, are largely disorganised at the moment. Prices are firm, but producers generally decline to quote for export, and even f.o.b. offers are scarcely obtainable.

On the other hand, the demand from a number of neutral European countries, especially Scandinavia, and from overseas is keen, both for prompt delivery and for later shipment. Consumers are anxious to ensure as far as possible their future steel supplies and are prepared to pay comparatively high prices. As was to be expected, the United States has taken advantage of this state of affairs. She has already secured substantial orders which would normally have been placed with European producers, and are extremely active in offering steel material to all parts of the world, including the neutral European countries. American export prices have been substantially increased, but are accepted by buyers without much difficulty. As long as the new freight and insurance rates are not definitely fixed, sales are being made on a f.a.s. American port basis. The restrictions of American exports under the arrangement with the European Steel Cartel have, of course, been abolished, and the Cartel, whose activity is now restricted to the Western European countries, is even endeavouring to assist in the maintenance of American supplies to steel-importing countries.

## Textiles

**Cotton (Manchester).**—During the past week Sir Percy Ashley, of the Ministry of Supply, has met representatives of the several sections of the cotton industry to discuss working conditions. In regard to the raw cotton supplies in this country, it is recognised that some Government action to ration users and give priority to spinners and manufacturers engaged on Government work will be necessary. It is understood that small sectional committees are being set up from which representatives will form a Control Board.

Raw cotton business has been hampered by the control of operations in futures in Liverpool, but this market is now working more normally. Prices have advanced in spite of the increase, due to the higher yield per acre, in the United States Department of Agriculture's estimate of the cotton crop at 12,380,000 bales, against 11,412,000 bales a month earlier, which caused a sharp decline in New York.

The yarn market has been irregular and many spinners have refused to quote, but during the last few days there has been more business at prices much higher than a fortnight ago. Cloth prices have advanced by about 30 per cent. since the end of August, calico printing prices by 12½ per cent. and dyeing prices by 20 per cent.

## RAW COTTON delivered to Spinners ('000 bales)

| Variety             | Week ended    |               | Total Deliveries |              |
|---------------------|---------------|---------------|------------------|--------------|
|                     | Sept. 1, 1939 | Sept. 8, 1939 | Aug. 1, 1939     | Aug. 8, 1939 |
| American .....      | 12.9          | 16.7          | 104              | 78           |
| Brazilian .....     | 10.5          | 13.5          | 19               | 49           |
| Peruvian, etc. .... | 4.5           | 4.3           | 9                | 23           |
| Egyptian .....      | 6.1           | 6.7           | 28               | 30           |
| Sudan Sakel ...     | 4.7           | 3.4           | 21               | 23           |
| East Indian .....   | 4.9           | 11.2          | 70               | 36           |
| Other countries ..  | 3.9           | 4.8           | 12               | 24           |
| Total .....         | 47.5          | 60.6          | 263              | 263          |

\*

**Jute (Dundee).**—There has been little business, since stocks of cloth and bags have been practically cleared out. No dealings are permitted in raw jute. Spinners will not sell to buyers at the maximum prices fixed by the Minister of Supply under the Control of Jute Order, 1939, dated September 1st. These are 2s. 8d. for common 8-lb. cops and 2s. 9d. for 8-lb. spools, but buyers can only buy if the yarn is to be used for Government work. Other yarn prices fixed are 4½d. for 8-lb. sacking chains and 3½d. for 24-lb. sacking weft, with 3-ply 8-lb. twist at 4½d., 14-lb. carpet warp a 4½d., 48-lb. Rove at £22 10s. and 200-lb. Rove at £18 10s. These rates are all cheaper than those ruling prior to the outbreak of war, since when raw jute prices have risen in Calcutta, the equivalent rate for Daisee-2/3 at that centre being now £31, c.i.f. Dundee. The controlled maximum price for Daisee-2/3 in the Order is £24 10s., with Tossa-2/3 at £25 5s. The Association of Spinners and Manufacturers has instructed its members that from Monday, September 18th, 5 per cent. must be added to all invoices, including those for existing contracts. Considerable opposition to this order is expected from merchants.

## THE COMMODITY MARKETS

CONTROL over the most important commodity markets has been extended. Maximum prices, both wholesale and retail, have been fixed for most provisions, but have not yet been determined for other commodities, such as cereals and oilseeds. Trading in these commodities is therefore still suspended. The rapid rise early in the week in many American prices, coupled with the depreciation of sterling and the fear of rising costs of transport and insurance, has led to higher prices on the markets, such as rubber and cotton, which are not controlled. The extent of the rise in American prices is illustrated by the course of Moody's index which rose from 140.3 (December 31, 1931 = 100) on August 30th to 168.8

on September 6th; during the past week the spurt was checked by profit-taking and on September 13th the index stood at 167.9.

## Metals

TRADING in copper, lead and spelter on the London Metal Exchange remained suspended throughout the period under review, as the negotiations between the market and the Government have not come to an end yet. Maximum prices for licensed sales to consumers, however, were published on Tuesday. They are £46 per ton for rough copper, £49 10s. for refined copper, and £51 for electrolytic copper, £16 12s. 6d. per ton for foreign lead and £15 per ton for foreign spelter. These prices are, of course, based on quotations immediately before the discontinuance of trading at the end of August, but not on the present artificial state of supply and demand. A settlement was held on the London Metal Exchange on Monday which covered open contracts up to September 1st.

\*

**Tin.**—The market, which reopened on Wednesday, September 6th, was very active up to and including Tuesday last. The turnover of this period reached 4,200 tons, while the settlement price for both cash and three months' forward was stabilised at £230 per ton by the pool. On Tuesday the International Tin Committee announced an increase in the quota for the third quarter of this year from 60 per cent. to 80 per cent. of the standard tonnage, which will raise supplies during the quarter by slightly over 10,000 tons. The decision was unexpected and had its basis probably in the heavy re-stocking movement in the United States and the large demand on the London market. The heavy demand on the United States market has led to a serious disparity of quotations. While the London price has not changed since August 31st, the New York quotation for Straits tin (September) has advanced from 48.85 cents per lb. on August 31st to 70 cents on Wednesday of this week. It was probably due to this movement that the London Metal Exchange announced on Wednesday of this week that London tin dealings would be interrupted on the request of the Government until Monday next.

## Grains

ALTHOUGH the Baltic Exchange and Mark Lane opened on Monday for private dealings in spot grains, trading was very limited, as the Port Grain Committee has not yet published the list of fixed prices. In Liverpool, a fair trade was transacted at the end of last week in spot wheat and maize, subject to the prices to be fixed by the Grain Committee. The Canadian Government has published a forecast of 449 million bushels for the present wheat harvest, the fourth largest on record. Wheat deliveries in the United Kingdom are small, as traders and farmers are waiting for the publication of the fixed prices.

## WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

| From                  | Week ended    |               | From Aug. 1 to |               |
|-----------------------|---------------|---------------|----------------|---------------|
|                       | Sept. 2, 1939 | Sept. 9, 1939 | Sept. 10, 1938 | Sept. 9, 1939 |
| N. America .....      | 327           | 600           | 3,015          | 3,233         |
| Argentina .....       | 348           | 584           | 816            | 2,644         |
| Uruguay .....         | 36            | ...           | 1,626          | 612           |
| Australia .....       | 24            | ...           | 2,350          | 56            |
| Russia .....          | 87            | 88            | 409            | 511           |
| Danube and dist. .... | ...           | ...           | 391            | ...           |
| India .....           | 41            | 11            | ...            | 268           |
| Other countries ..    | ...           | ...           | ...            | ...           |
| Total .....           | 863           | 1,283         | 8,607          | 7,324         |

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

| From                  | Week ended    |               | From Apr. 1 to |               |
|-----------------------|---------------|---------------|----------------|---------------|
|                       | Sept. 1, 1939 | Sept. 8, 1939 | Sept. 10, 1938 | Sept. 9, 1939 |
| Argentina .....       | 209           | 211           | 5,335          | 9,136         |
| Atlantic America ..   | 7             | 7             | 20             | 10,277        |
| Danube Region .....   | 7             | 10            | 2,104          | 1,071         |
| S. & E. Africa .....  | 149           | 273           | 508            | 1,800         |
| Indo-China, etc. .... | 34            | 11            | 858            | 747           |
| Total .....           | 406           | 525           | 19,082         | 13,256        |

## Other Foods

**Provisions.**—There has been a steady trade in flour for immediate delivery at the fixed prices of 22s. per 280 lb. for National straightrun, delivered; the quota payment has been reduced by 1s. per sack to 4s. 6d. per sack. Official prices for bacon, hams, lard and cheese, announced on Monday, were unchanged from the "standstill" prices in force last week. Prices of colonial butters were also unchanged, but those of Continental and Baltic countries were raised by 4s. per cwt. Maximum egg prices were fixed by the Committee of the London Egg Exchange. These prices are given in the usual table of wholesale prices. Retail prices for butter have now been fixed by the Ministry of Food at 1s. 5d. to 1s. 7d. per lb.

\*

**Colonial Produce.**—The market in cocoa remains nominal, but such trading as occurs is at considerably higher prices. The tea auctions remain suspended and, owing to the removal of tea from the London warehouses to safer storage, merchants have difficulty in securing regular supplies. Trading in sugar continues at the prices fixed by the Ministry of Food.

## Miscellaneous Commodities

**Oils and Oilseeds.**—Trade at the controlled prices, of £29 12s. 6d. per ton for linseed oil ex London and £19 10s. per ton for cotton-seed oil ex Hull, is very limited. No oilseed prices have yet been fixed.

\*

**Rubber.**—Trade in London reopened on September 7th with prices about 1½d. to 2d. per lb. higher and this level was maintained fairly steadily during the past week. The International Rubber Regulation Committee has raised the export quota for the last quarter of the year to 70 per cent. of the basic tonnages. Prices in New York, after a sharp rise early in the week, closed at a slightly lower level.

## COMPANY MEETINGS

## RICHARD THOMAS AND COMPANY, LIMITED

## IMPROVED FINANCIAL POSITION

## EFFICIENCY OF NEW PLANT

## LOWER PRODUCTION COSTS

## SIR WILLIAM FIRTH'S ADDRESS

The ninetieth ordinary general meeting of the shareholders of Richard Thomas and Company, Limited, was held, on the 8th instant, at Southern House, Cannon Street, London, E.C.

Sir William Firth (the chairman) presided.

Mr T. Griffiths (joint secretary) read the notice convening the meeting, and Sir Harold G. Howitt (of Messrs Peat, Marwick, Mitchell and Company, the auditors) read the report of his firm.

The Chairman said:—Ladies and gentlemen,—It was decided to postpone the annual general meeting until after the August holidays, when it was found impossible to hold it at the usual time, owing to various changes then pending in the composition of the board.

These changes have since been announced in the Press, and I should like to make a few observations in regard to them. The responsibility for the appointment of the board rests, as you know, for the time being with the committee of control, of which I am happy to be a member. The committee has also considered it to be its duty to give close attention to the question of the higher personnel of the company, realising that management is more than ever of importance since the erection of the new plant at Ebbw Vale.

## THE MANAGING DIRECTORSHIP

So great and varied are the problems before us that it is essential if matters of policy are to receive due deliberation that I should be afforded some relief in the task of conducting the company's affairs. It has therefore been decided that a full-time chairman as well as a managing director should be appointed. I have, as you already know, relinquished the managing directorship, and for the present Mr James, your deputy chairman, in whom I have found a valued and experienced colleague, has agreed to take over that position—for this step he has received the kind permission of his colleagues on the board of the Lancashire Steel Corporation.

It had been intended to announce the change in the managing directorship at the general meeting, but when unfortunately it became necessary to accept the resignation of Sir Charles Wright and Mr Beale it was decided, with Mr James's permission, to make and to announce the new appointment at once. During the association of Sir Charles Wright and Mr Beale with the company we have obtained the agreement of the tinplate industry to satisfactory quota arrangements for the manufacture of tinplates at Ebbw Vale.

## POLICY OF CO-OPERATION

In dealing with the many problems which still are before us, and in the other trades with which we are associated, it is as necessary and desirable as before to develop a policy of co-operation with the rest of the industry, and the wide experience and counsel of the new directors will be of great value in all these matters. On your behalf I extend a warm welcome to the Earl of Dudley—who unfortunately is unable to be present to-day—to Sir James Lithgow and to Mr A. C. Macdiarmid, all of them persons eminent in the steel trade. At a later date the company will announce the appointment of a whole-time finance director to take the place of Mr John Adamson, whose resignation from the board was recently announced.

With your permission I propose to take the directors' report as read and to confine my comments to such items as seem to me to be of major importance. I shall deal as usual with the group figures and not the separate figures of the parent company.

## PROBLEMS CONFRONTING THE BOARD

The year under review has been a disappointing one to our shareholders, as indeed it has been an anxious one for your directors, who were confronted with three problems:—

(a) The liquidation of surplus stocks accumulated as an insurance against the risk of war.

(b) A demand for both sheets and tinplates much below the average of recent years.

(c) Supervision of the completion of the development work at Irthlingborough ore fields, the completion of the Ebbw Vale plant, the training of the workpeople, and the running in of the plant there.

Liquidation of our stock of ingots and pig iron increased our percentage of idleness and decreased our gross earnings, which after taking care of Ebbw Vale losses and running in expenses and transferring an amount from the special reserve for contingencies, sufficient to meet losses on stocks and forward contracts, etc., fell to £888,380, representing a reduction as compared with the previous year of £1,251,137.

## A PERIOD OF LOWER PROFIT MARGINS

The comparison, however, is a little misleading, because neither year was normal. The previous year was a period of exceptionally good demand, while the year under review was a period of sub-normal demand, lower prices and lower profit margins.

Sight should not be lost of the fact that operations only approximated 25 per cent. of the total plant we now own, and only 50 per cent. of our original plant. The gross profits, disappointing as they are, were earned by assets representing not more than 50 per cent. of the total capital in the business, and the balance of the capital not only contributed nothing to the profit picture, but incurred heavy starting-up and running-in losses.

Despite the disappointing result, it is not without interest to note that the profits for the three years ending March last, after taking care of these heavy starting-up expenses and losses on stocks and extraordinary and capital expenditure written off, and excluding credits extraneous to the period, totalled £4,469,197, out of which £1,200,000 has been set aside for depreciation. These figures compare with the prospectus profit estimate for the three years of £4,750,000 and a depreciation allocation of £1,050,000.

If it is realised that the prospectus estimate of profits did not take into account the nine to twelve months' delay in the delivery of machinery by contractors, but did take into account a contribution from the new plant which did not mature, it will be recognised that the actual profits earned during the three years falling short of prospectus estimate by only £281,000 was not altogether an unsatisfactory performance. In making this three years' comparison, I am, of course, not overlooking the fact that the prospectus trend was upwards over the period, a result which has been spoiled by delays and circumstances beyond our control.

## ADVANTAGES OF THE NEW PLANT

It may be thought that in view of the poor demand experienced during the year under review, even if the new plant had been ready at contracted dates, the total profits for the three years would still have fallen short of the estimate; this, however, would be incorrect, because since the close of the year under review it has been proved

that the new works are capable of producing at a cost substantially lower than it is possible to attain in old-type plant, and the product produced is vastly superior. (Applause.)

The profits of the previous year would have carried the cost of training the men and starting up, but the profits of the year under review would have benefited through the lower Ebbw Vale production cost and the greater volume of business resulting from our ability to supply superior qualities, which would have increased the demand for our products, and I have no hesitation in claiming that our gross profits would then have exceeded the prospectus estimate.

## THE BALANCE SHEET

Referring to the balance sheet—if you will turn to page 6, under the heading of "Current Liabilities," and page 7, under the heading of "Contingent Liabilities," you will see that with the exception of £491,502 included in the former item, and £525,833 included in the latter item, a total of £1,017,335—the whole of the development expenditure at Irthlingborough, Ebbw Vale and Redbourn—had been taken care of as at April 1st last; and if you will refer to page 10, under the heading "Debentures," you will find that we still had undrawn £1,910,590 of the £5,500,000 prior lien stock made available to us.

If from this you deduct the £1,017,335 already referred to, due to be paid to complete the capital expenditure programme, you will see as at April 1st last we still had available £893,255, plus accruing profits, to take care of A.R.P. defence, normal recurring capital expenditure, additional working capital and other requirements.

## PRIOR LIEN DEBENTURES

Since April 1st we have taken up £781,000 further prior lien debentures, and as at yesterday the total issued was £4,370,410, of which we have redeemed £222,475, so that to-day we have outstanding £4,147,935, which, added to the £500,000 subscribed in ordinary shares at par by the Bank of England, means we have in the business £4,647,935 of the £6,000,000 made available to us by the banks.

As at September 1st last we had standing to the credit of our special capital expenditure banking account £108,000, after having liquidated since April 1st £397,000 of the £1,017,335 that then remained to be paid, leaving still to pay, say, £620,000 to complete the programme.

Since April 1st we have substantially increased our stocks, and at date still have undrawn £1,129,000 prior lien debentures.

You will observe that this year we have debited to general reserve £200,000 of the interest charges on the new capital expenditure.

The whole of the balance has been taken care of out of the profits of the three years, although a large portion of these interest charges could, with some justification, have been capitalised, inasmuch as interest on capital expenditure on so large a scale definitely forms part of the total cost.

From the point of view of the company's balance sheet, our position is sounder than at the time the new capital was issued, because the new works are now operating at a profit, and since April, 1936, we have retained in the business £1,200,000 via depreciation reserves and the £1,250,000 premium, less redemption and issue expenses, and we have charged to profit and loss account a substantial amount represented by interest on the new and (up to March 31st) unremunerative capital, while our old-type plant is to-day every bit as efficient as it was at prospectus date.

## PLANT POSITION

This comparison of our old-type plant is made *qua* that of similar plant in the industry. The efficiency of the new plant does, however, indicate that in the not very distant future much of this old-type plant will have to be replaced by modern plant. This being so, it will be of interest to you to know that we own 265 old-type sheet and tinplate mills, which stand in our books at a net figure of approximately £1,600,000, which is, of course, considerably less than their original erection cost. Inasmuch as it is unlikely that similar type plant will ever again be built, we must face the fact that over the next few years much of this plant will have to be written off.

Prior to the outbreak of war the tinplate industry was considering the best means of taking care of this problem of old-type plant

and was engaged framing a trade redundancy scheme. In recent months 75 per cent. of this old-type plant has been operating and earning modest profits.

## GENERAL RESERVE ACCOUNT

Referring again to the balance sheet, it could perhaps be said the gross profits of the year under review should have been debited with the £384,870 charged to general reserve account (see page 11), and that no amount should have been transferred from the contingencies reserve to take care of the £107,492 losses on stocks and forward contracts, etc. (see page 8). If this had been done, instead of showing a net profit for the year of £42,061, a loss of £450,301 would have been recorded.

Your directors thought in view of all the circumstances and the very large percentage of total capital represented by new plant that it would be unfair to shareholders to create a record that so misrepresented the true earning power of the company, although had profits been available the items to which I have referred would doubtless have been charged against them.

When the prior lien debentures were issued a condition was imposed that if any portion of the general reserve was applied in writing off losses or otherwise a sum equal to the amount so applied should be transferred to general reserve out of the balance of profits of future financial years.

This means that out of the current year's net profit the £267,429 (see page 11) that has been debited to general reserve will have to be restored, so that including the agreed £100,000 that has to be placed to reserve out of each year's profits a total of £367,429 will have to be transferred from the current year's or future earnings before any profits will be available for distribution.

## THE CURRENT YEAR

It would be unwise in this period of uncertainty to attempt to forecast what the current year's net profits will be. Our existing profit margins on tinplates produced in our old-type mills are greatly reduced, owing to the substantial advance in the price of tin from £170 per ton in April, 1938, to £230 to-day—the whole of which we have taken care of in our cost; but on the assumption that our total profits are maintained at the rate of recent months I am entitled to say that there is no ground for supposing the net profits of the current year will not substantially exceed the £367,429 earmarked for transfer to general reserve account, and this, after providing an additional £210,000 for depreciation, bringing depreciation allocation up to £650,000 for the year.

Before leaving this item I think it right to inform you that we have instructed our auditors to examine the whole assets of the company and report what, in their judgment, would be a reasonable allocation for depreciation. It may be that they will report that £650,000 per annum is insufficient, but it will be comforting to shareholders to know that some of our assets are undervalued, and I do not anticipate a too serious increase.

## GOODWILL ITEM

The item of £448,050 described in the balance sheet as goodwill, etc., is represented in the main by—as I think I have explained on previous occasions—the excess of the price paid for the Grovesend shares, over their par value, inasmuch as the net profits of the Grovesend group last year after providing for the dividend on the preference shares approximates 46 per cent. on the par value of the ordinary capital. I do not think for the present we need exercise our minds about this goodwill item.

There is another item on the balance sheet under "intangible assets"—see page 7—representing balance of excess war-time expenditure on our Redbourn plant. I think it will be found that this, viewed in the light of to-day's conditions, is conservative. The auditors will, of course, take this item into account when reporting on depreciation allocations as a whole. The item, as you know, was reduced by the allocation of £803,965 ex the premium on the ordinary shares issued.

As you are aware, when we raised the new money we held the sole rights to roll wide continuous strip in this country, but during the erection of our plant another manufacturer embarked upon the erection of a somewhat similar plant, without previously obtaining from us a sub-licence. We have now granted to this competitor a sub-licence on terms favourable to them, but under conditions that nevertheless substantially reduce the royalty and service charges to



us. Our annual payments under this heading will be debited to production cost and represent an annual charge of comparative unimportance.

The £84,000 prepaid royalties and service charges which appeared in previous years' balance sheets have this year been charged against the general reserve account.

#### RELATIONSHIP WITH CONTROL COMMITTEE

You would perhaps wish me to comment on our relationship with the control committee. It is wrong to suppose that the committee attempt to interfere with the day-to-day management of our business or have the slightest desire to suppress our progress. Personally, in the widest sense, I welcome the influence they in conjunction with the federation have over the destiny of our company, because under normal conditions I look to that influence to prevent the building of modern plant by others in excess of the requirements of the country's normal demand.

To build surplus modern plant would be worse—from a shareholder's point of view—than having no modern plant, because modern plant to justify its huge capital cost must be operated approximately to capacity, which would be impossible if capacity materially exceeded demand.

It is therefore in the interests of our shareholders and the public that in this country we avoid the mistake that has been made in America, where excess modern plant built competitively without any sort of control has resulted in efficient but very expensive plant becoming unremunerative.

I should this year like to pay a special tribute to the officers and staff of this company and colleagues who have shared with me the anxiety inseparable from the building of our huge new plant, the extra work it has entailed, and the temporary disappointments it has brought.

#### OUTPUT CAPACITY

Your company now possesses one of the finest plants in the world, and our steel capacity is equal to 10 per cent. of the total ingot capacity of the country, and, what is more interesting, some 50 per cent. of this ingot capacity has a book value approximating 25s. 3d. per ingot-ton, which is a very low figure.

Further, in normal times, i.e. in times of cheap scrap, this low-capital-cost plant is capable of producing ingots on an f.o.b. basis that compares favourably with any integrated modern plant in this country. The elasticity of this 50 per cent. low-capital-cost steel plant is not generally recognised. It consists of six completely independent units, each with an average output of 120,000 tons of ingots per annum. In times of fluctuating demand we are in a position to light up or close down at comparatively small cost these separate units, and thus make possible in times of poor demand to work our Ebbw Vale and Redbourn integrated plants fully.

Let any of my remarks made in an attempt to give you a true picture of your property should be interpreted by you as optimistic I would remind you that in times of poor demand our profits must shrink and that we have no control over world conditions or world demand.

#### EMPLOYMENT TO OVER 31,000 MEN

In conclusion, it will be gratifying to you to know that your company is giving direct employment to over 31,000 men, as against 13,650 men seven years ago. (Applause.)

Before I put the resolution to the meeting I feel I ought to refer to the conditions under which we meet. We meet to-day in a state of war, and I think you will agree it is fitting that we should place at the disposal of the Government the whole of the resources of your great company. (Hear, hear.)

I now move:—"That the directors' report and accounts for the year ended March 31, 1939, as submitted, be approved and adopted."

Mr John E. James (deputy chairman and managing director) seconded the resolution, which, after the Chairman had replied to questions, was carried unanimously.

The auditors, Messrs Peat, Marwick, Mitchell and Company, were re-appointed.

On the proposition of Mr Barnabas Russell a vote of thanks to, and confidence in, the chairman and board of directors was passed by acclamation, and the proceedings terminated.

## SECOND ALLIANCE TRUST COMPANY, LIMITED

### SUCCESSFUL RESULTS

#### MR JAMES PRAIN'S SPEECH

The annual general meeting of the Second Alliance Trust Company, Limited, was held, on the 8th instant, in the company's office, Meadow House, 64 Reform Street, Dundee.

The chair was taken by Mr James Prain, and after formal evidence of the proper calling of the meeting had been submitted, the Secretary read the auditors' report to the shareholders.

The Chairman, in moving the adoption of the annual report, said: I have now to submit for your approval the directors' report and accounts for the year to July 31st last.

We meet in the immediate shadow of the outbreak of war, and it will accord with your wishes, no doubt, if I deal very briefly on this occasion with the business of the meeting.

#### SATISFACTORY REVENUE FIGURES

The revenue figures are satisfactory and call for little comment. For the purposes of record, however, I should mention that the annual report of a year ago covered a period of expansion, issues of preference and ordinary capital, debentures and debenture stock having taken place in that year. The investments purchased with the proceeds of these issues have now contributed nearly a full year's revenue, and as a result gross income, amounting to £230,000, shows an increase of some £14,000.

On the debit side of the account, income tax, interest on borrowed money, interim dividends on the preference and ordinary stocks and the proposed final dividends, all call for payments which in the aggregate show an approximately similar increase. After giving effect to the board's recommendations there is a surplus out of the year's revenue of £28,475, as compared with £27,670 a year ago.

#### SAME PAYMENT ON BIGGER CAPITAL

The result, therefore, is that revenue has been maintained at a level which permits us to repeat last year's distribution of 21 per cent. on the increased ordinary capital, and provides us with a substantial surplus to carry to contingent fund.

In the balance sheet there is one small matter to which I should refer. A sum of £10,000 was set aside in 1937 as a special reserve for taxation to provide for additional liabilities arising in connection with past years. These matters have now been settled, and the account has been closed by transferring the small balance remaining to contingent fund.

#### REVENUE OUTLOOK

At the moment there is little I can usefully say regarding the prospects of the current year. Markets and prices in this country are for the present mainly nominal, while in America there are at present restrictions on our usual activities. I have no doubt matters will gradually adjust themselves and a certain volume of business will become possible. We can only await events and be prepared to adapt ourselves to changing conditions. The outlook for revenue is naturally somewhat uncertain, and I think we must expect some falling off in receipts, if only for the reason that in times of crisis and difficulty there is a tendency to postpone dividends in order to conserve cash resources. In this company we have, of course, no commitments comparable with those of commercial or manufacturing undertakings, and we have a freer hand to deal with the immediate interests of our stockholders when it comes to declaring dividends. Our main object will be to avoid, so far as is in our power, any sharp fluctuations, and with our large margin of earnings I have every reason to hope that we shall succeed.

I have to acknowledge the valuable services of our staff during the year, and I now beg to move that the directors' report and accounts for the year ended July 31, 1939, be adopted and approved, and that the final dividends be declared at the rates therein recommended—on £800,000 preference stock at the preferential rate of 4½ per cent. per annum and on £400,000 ordinary stock at the rate of 12 per cent. actual, making 21 per cent. for the year, both subject to income tax.

The report and accounts were unanimously adopted.

## BAJOE KIDOEL RUBBER & PRODUCE COMPANY, LIMITED

### BOARD'S DIVIDEND POLICY

The twenty-eighth ordinary general meeting of this company was held, on the 12th instant, in London.

Mr H. Eric Miller (the Chairman), in the course of his speech, said:—When the board met to decide upon their recommendations they came to the conclusion that, in view of the financial strength of the company, it would be in the national interest, as well as in the interest of shareholders, to distribute rather more by way of dividend than the amount of the credit balance for the year of £5,907 14s. 2d. Having been most conservative in our financial policy in years of prosperity, shareholders reap the benefit of this in the solid front presented by our balance sheet.

We accounted for much smaller crops of both rubber and coffee; consequently the unit cost of production was increased, but on the other hand the average net selling price for our rubber was somewhat higher.

Coffee results were particularly disappointing, but this would come as no surprise to those of you who have read my speeches in recent years. The lower price, coupled with a certain amount of active propaganda on the part of Brazilian producers, raised the consumption of coffee in the U.S.A. by nearly 1½ million bags, and as there was no aggregate falling off elsewhere, world offtake was correspondingly increased. The production capacity is, however, still far in excess of any likely consumption.

It is early days yet to attempt to foreshadow the effect of the war on the consumption of rubber, but the International Rubber Regulation Committee should be able to keep this industry on a fairly even keel.

Our estates are in good order, under capable management, and will be kept going efficiently at a minimum of expenditure. We have done a considerable amount of rejuvenation and replanting in recent years, the reports on which are encouraging, and we feel that the Bajoe Kidoel Company will weather comfortably such difficulties as may have to be faced as a result of the state of war now existing.

The report and accounts were unanimously adopted.

## 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 |
|-------------------------|----------------|-------|----------|------------|
| <b>BANKS</b>            | %              | %     |          | %          |
| Chartered Bk. of India  | 5*             | ...   | Oct. 4   | 5*         |
| Guaranty Trust (N.Y.)   | 3*             | ...   | Oct. 2   | 3*         |
| Imperial of India       | 12 p.a.        | ...   | ...      | 12 p.a.    |
| <b>INSURANCE</b>        |                |       |          |            |
| Britannic Assurance     | £25*           | ...   | ...      | £25*       |
| Eagle Star Insurance    | 7½*            | ...   | Oct. 2   | 7½*        |
| General Accident        | 30*            | ...   | Nov. 1   | 30*        |
| Provincial Insurance    | 25*            | ...   | ...      | 25*        |
| Union (Canton)          | 12/6ps*        | ...   | ...      | 15/-ps*    |
| <b>MINING</b>           |                |       |          |            |
| Cent. Prov. Mag. Ore    | £7½*           | ...   | Oct. 31  | £7½*       |
| Minerals Separation     | 20*            | ...   | Oct. 10  | 20*        |
| Nigerian Cons. Tin      | 5†             | 10    | Oct. 2   | 20         |
| Victoria Gold Dredg.    | 4/- p.s.       | ...   | Sept. 30 | ...        |
| <b>INDUSTRIALS</b>      |                |       |          |            |
| Aire Navigation         | 2*             | ...   | Sept. 30 | 2*         |
| Alliance Trust          | 11*            | ...   | ...      | 11*        |
| Allsopp Bwy. Invests.   | 30†            | 45    | ...      | 45         |
| Associated Fire Alarms  | 6*             | ...   | ...      | 6          |
| Automatic Telephone     | 3*             | ...   | Oct. 2   | 3*         |
| Beechams Pills          | (b) 6*         | ...   | Sept. 30 | £17½*      |
| Birmingham Invest.      | 3*             | ...   | ...      | 3*         |
| Bombay Gas              | 3½*            | ...   | Nov. 1   | 3½*        |
| Briggs Manufacturing    | 50cts.*        | ...   | Sept. 30 | 25cts.*    |
| Brit. Insulated Cables  | 5*             | ...   | ...      | 5*         |
| British Sugar           | 4              | ...   | ...      | 4½         |
| Brown Brothers          | 2½*            | ...   | ...      | 2½*        |
| Calthrop's              | ...            | 8     | Sept. 29 | 10         |
| Canadian Celanese       | 25cts.*        | ...   | Sept. 30 | Nil*       |
| Cannock Collieries      | 6†             | 9     | ...      | 9          |
| Cohen Weenen            | 5*             | ...   | ...      | 5*         |
| Colombo Gas             | ...            | ...   | ...      | 2½*        |
| Currys, Ltd.            | Nil*           | ...   | Oct. 1   | 4*         |
| General Investors, etc. | 25†            | 40    | ...      | 40         |
| Gesteira (D.)           | 9½             | 12½   | ...      | 9          |
| Hawthorn Leslie & Co.   | 6†             | 10    | ...      | 10         |
| Hilton Main Colls.      | 3½*            | ...   | Oct. 2   | 5*         |
| Hoover, Ltd.            | 4½†            | 6     | Oct. 2   | 4½         |
| Imperial Smltg. (Pref.) | Nil*           | ...   | ...      | 3½*        |
| Independent Newsprs.    | Nil*           | ...   | ...      | 4*         |
| Jones and Higgins       | 2½*            | ...   | ...      | 15         |
| King Line               | 10†            | 20    | ...      | 11½*       |
| London Express          | 1½*            | ...   | Sept. 30 | 3*         |
| Lon. Scot. Investment   | 3*             | ...   | ...      | 5*         |
| Natal Land, etc.        | 5*             | ...   | ...      | 2½*        |
| Norton Collieries       | 1½*            | 30    | Sept. 29 | 30         |
| Nunnery Cement          | Nil*           | ...   | ...      | 3½*        |
| Radiation, Ltd.         | 5*             | ...   | Oct. 2   | 5*         |
| Reckitt and Sons        | 3†             | 5     | ...      | 5          |
| Reynolds (A.)           | 2½*            | ...   | Oct. 2   | 2½*        |
| Scottish Assets         | 2*             | ...   | ...      | 2*         |
| Scottish Power          | Nil*           | ...   | ...      | 50cts.*    |
| S. Western Gas          | 2½*            | ...   | ...      | 5*         |
| 20th Cent. Fox Film     | 12½†           | 22½   | ...      | 20         |
| Upsons                  | 4*             | ...   | Oct. 26  | 10         |
| Vaughan Brothers        | ...            | 7½    | ...      | 2½*        |
| Vickers                 | ...            | ...   | ...      | 5*         |
| Villiers Engineering    | ...            | ...   | ...      | 5*         |
| West London Electric    | 4*             | ...   | ...      | 5*         |
| Woodhouse Brewery       | ...            | ...   | ...      | ...        |
| <b>UNIT TRUSTS</b>      | Pence          |       |          | Pence      |
| Brit. & Amer. Secrts.   | £3.4           | ...   | ...      | £5.20      |
| For. Govt. Bond Tst.    | £4.80          | ...   | Oct. 1   | ...        |
| Investors Income        | (d) 50         | ...   | Sept. 11 | ...        |
| and Reserve             | (e) 30         | ...   | Sept. 11 | ...        |
| Trust of Bank Shares    | £3.263/2       | ...   | ...      | £3.331     |

(b) Absorbs £90,744 gross. (c) Absorbs £52,500 gross. † Free of income tax. ‡ Per 10 income sub-units. (e) Per 10 reserve sub-units.

## SHORTER COMMENTS

**Company Results of the Week.**—As a result of the war, some companies are adopting a more cautious dividend policy than is required by actual earnings. Thus, MAYNARDS, LTD., are again recommending an 8 per cent. dividend, but to conserve cash resources, half is payable "as and when the directors may decide." The full reports of CALICO PRINTERS' ASSOCIATION and of EASTWOODS, LTD., offer no comments to modify the disappointing impression left by the preliminary announcements. LONDON EXPRESS NEWSPAPER report a satisfactory increase in net profits, as sales increased and advertising revenue was maintained. A small setback in profits is recorded by NORTH CENTRAL WAGON COMPANY, but the 15 per cent. dividend is repeated. The engineering trades continue to show good progress. VAUGHAN BROTHERS (DROPPING FORGINGS) trading profits after depreciation are £50,406, against £42,622, and the dividend is increased from 20 to 22½ per cent.

## MISCELLANEOUS

**Imperial Bank of India.**—Report for half-year ended June 30, 1939, shows deposits Rs. 83,92,76,215 against Rs. 81,18,01,467 a year earlier. Advances Rs. 36,17,63,918 (Rs. 34,65,27,049). Investments Rs. 42,80,59,096 (Rs. 39,75,31,194). Cash, Rs. 14,59,53,973 (Rs. 16,28,00,518). Net profit, Rs. 39,78,410 (Rs. 39,52,341). Ordinary dividend, 6 per cent., tax free.

**Blakey's Boot Protectors.**—Trading profit year to June 30, 1939, £37,627, against £40,726. Net profit, £20,751 (£24,007). To: Income tax, £11,300 (£11,000); N.D.C., £1,675 (£1,715); depreciation, £3,635 (£3,763). Ordinary dividend maintained at 15 per cent. Carry-forward, £23,212 (£15,989).

**London Express Newspaper.**—Profit for year to June 30, 1939, £187,381 (£166,549). Ordinary dividend, 20 against 15 per cent. Carry-forward, £96,245 (£95,464).

**Lloyds.**—It is announced that Lloyds, the marine insurance companies, and also the Government War Risks office, will be closed on Saturdays until further notice.

**British Oxygen.**—All the share capitals of Coxeter and Son and of the Condensed Gas Company have been acquired by this company in exchange for shares in British Oxygen. The companies acquired manufacture medical gases and anaesthesia equipment.

**Cannock Associated Collieries, Ltd.**—Net profit year to June 30, 1939, £207,008, against £169,018. Ordinary dividend, 9 against 10 per cent. was paid.

## Capital Issues

### CAPITAL ISSUE TOTALS

| Week ending                          | Nominal Capital       | Conversions           | New Money |
|--------------------------------------|-----------------------|-----------------------|-----------|
| September 16, 1939                   | Nil                   | ...                   | Nil       |
| To the Public                        | Nil                   | ...                   | Nil       |
| To Shareholders                      | Nil                   | ...                   | Nil       |
| By S.B. Introduction                 | Nil                   | ...                   | Nil       |
| By Permission to Deal                | Nil                   | ...                   | Nil       |
| Saving Certs., week to Sept. 9, 1939 | Nil                   | ...                   | Nil       |
| Year to date                         | Including Conversions | Excluding Conversions |           |
| 1939 (New Basis)                     | 188,021,846           | 85,495,904            |           |
| 1938 (New Basis)                     | 236,604,620           | 216,713,657           |           |
| 1939 (Old Basis)                     | 71,923,052            | 50,492,973            |           |
| 1938 (Old Basis)                     | 173,589,796           | 154,678,928           |           |

### Destination (Excluding Conversions)

| Year to date     | U.K.        | Brit. Emp. ex U.K. | Foreign Countries |
|------------------|-------------|--------------------|-------------------|
| 1939 (New Basis) | 58,250,752  | 25,064,148         | 2,181,004         |
| 1938 (New Basis) | 166,647,724 | 47,215,756         | 2,850,177         |
| 1939 (Old Basis) | 34,332,882  | 15,840,091         | 320,000           |
| 1938 (Old Basis) | 131,069,625 | 20,729,231         | 2,820,072         |

### Nature of New Borrowing (Excluding Conversions)

| Year to date     | Deb.        | Pref.      | Ord.       |
|------------------|-------------|------------|------------|
| 1939 (New Basis) | 45,020,545  | 8,119,649  | 22,355,710 |
| 1938 (New Basis) | 137,314,362 | 15,376,482 | 24,022,803 |
| 1939 (Old Basis) | 37,708,921  | 2,688,459  | 10,919,413 |
| 1938 (Old Basis) | 126,491,813 | 9,252,053  | 18,935,062 |

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.

## CURRENT STATISTICS

## Finance

## GOVERNMENT RETURNS

For the week ended September 9, 1939, total ordinary revenue was £12,567,000, against ordinary expenditure of £24,587,000, and issues to Sinking Funds of £245,000. Thus, including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1st last is £191,450,000, against £149,292,000 a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                       | Receipts into the Exchequer (£ thousands) |                                  |                                 |                           |                          |
|-------------------------------|-------------------------------------------|----------------------------------|---------------------------------|---------------------------|--------------------------|
|                               | Estimate, 1939-40                         | April 1, 1938, to Sept. 10, 1938 | April 1, 1939, to Sept. 9, 1939 | Week ended Sept. 10, 1938 | Week ended Sept. 9, 1939 |
| ORDINARY REVENUE              |                                           |                                  |                                 |                           |                          |
| Income Tax                    | 327,000                                   | 51,017                           | 49,873                          | 1,573                     | 1,277                    |
| Sur-tax                       | 70,000                                    | 7,880                            | 8,620                           | 110                       | 70                       |
| Estate, etc.                  |                                           |                                  |                                 |                           |                          |
| Duties                        | 80,000                                    | 34,110                           | 37,230                          | 1,010                     | 1,200                    |
| Stamps                        | 21,000                                    | 8,290                            | 7,750                           | ...                       | ...                      |
| N.D.C.                        | 25,000                                    | 5,770                            | 10,970                          | 320                       | 400                      |
| Other Int. Revenue            |                                           |                                  |                                 |                           |                          |
| Duties                        | 1,250                                     | 480                              | 360                             | ...                       | ...                      |
| Total Int. Rev.               | 524,250                                   | 107,547                          | 114,803                         | 3,013                     | 2,947                    |
| Customs                       | 232,300                                   | 98,806                           | 113,437                         | 4,817                     | 6,613                    |
| Excise                        | 116,430                                   | 46,900                           | 49,412                          | 985                       | 1,642                    |
| Total Cust. and Excise        | 348,730                                   | 145,706                          | 162,849                         | 5,802                     | 8,255                    |
| Motor duties                  | 43,450                                    | 8,360                            | 8,511                           | 141                       | 132                      |
| P.O. (Net Receipt)            | 7,200                                     | 6,290                            | 5,254                           | 450                       | 550                      |
| P.O. Fund                     | 1,600                                     | ...                              | ...                             | ...                       | ...                      |
| Crown Lands                   | 1,330                                     | 620                              | 620                             | ...                       | ...                      |
| Rec. from Sun. Loans          | 5,000                                     | 3,925                            | 3,350                           | ...                       | 79                       |
| Misc. Rec.                    | 10,750                                    | 2,884                            | 3,410                           | 46                        | 604                      |
| Total Ord. Rev.               | 942,310                                   | 275,332                          | 298,797                         | 9,452                     | 12,567                   |
| SELF-BAL. P.O. and B'dcasting | 83,449                                    | 31,460                           | 32,496                          | 850                       | 950                      |
| Total                         | 1,025,759                                 | 306,792                          | 331,293                         | 10,302                    | 13,517                   |

| Expenditure                     | Issues out of the Exchequer to meet payments (£ thousands) |                                  |                                 |                           |                          |
|---------------------------------|------------------------------------------------------------|----------------------------------|---------------------------------|---------------------------|--------------------------|
|                                 | Estimate, 1939-40                                          | April 1, 1938, to Sept. 10, 1938 | April 1, 1939, to Sept. 9, 1939 | Week ended Sept. 10, 1938 | Week ended Sept. 9, 1939 |
| ORDINARY EXPEND.                |                                                            |                                  |                                 |                           |                          |
| Int. & Man. of Nt. Dt.          | 230,000                                                    | 105,453                          | 108,252                         | 327                       | 4,223                    |
| Pays. to N. Ireland             | 10,000                                                     | 3,298                            | 3,275                           | 277                       | 298                      |
| Other Cons. Fund Ser.           | 7,200                                                      | 1,276                            | 3,328                           | ...                       | ...                      |
| Total                           | 247,200                                                    | 110,027                          | 114,855                         | 604                       | 4,521                    |
| Sup. Serv. b. Ditta, plus loans | 120,371                                                    | 309,826                          | 370,452                         | 11,747                    | 20,066                   |
| Total                           | 170,641                                                    | 309,826                          | 428,452                         | 11,747                    | 20,066                   |
| Total Ord. Expend.              | 140,911                                                    | 419,853                          | 485,307                         | 12,352                    | 24,587                   |
| Issues from Def. Lns.           | 502,430                                                    | ...                              | 59,000                          | ...                       | ...                      |
| SELF-BAL. P.O. and B'dcasting   | 83,449                                                     | 31,460                           | 32,496                          | 850                       | 950                      |
| Total                           | 1,534,360                                                  | 451,313                          | 517,803                         | 13,202                    | 25,537                   |

\* Supply Services, after addition of issues under Defence Loan Acts: (a) after reductions of £290,000 in Finance Act; (b) excluding £502,430,000 to be met from borrowing (£342,500,000 in original estimates plus £159,930,000 from supplementaries); includes £500 millions Vote of Credit; (c) that is, Budget provision (including margin for supplementaries) of £342,444,000 from revenue, plus supplementaries from revenue of £34,631,000, less £25,000,000 margin for supplementaries and £1,164,000 Ordnance Vote now included with Ministry of Supply. Includes £500 millions Vote of Credit for war purposes.

After raising Exchequer balances by £240,685 to £2,693,261, the other operations for the week (as shown below) raised the gross National Debt by £12,506,000 to about £8,534 millions.

## WEEK'S CHANGES IN DEBT

| NET INCREASES (£ thousands) |        | NET REPAYMENTS, ETC. (£ thousands) |       |
|-----------------------------|--------|------------------------------------|-------|
| Treasury bills              | 9,964  | Pub. Dept. Adv.                    | 1,270 |
| B. of Eng. Adv.             | 4,750  | P.O. and Tel. adv.                 | 750   |
| Land Sett.                  | 22     | N. At. Shipping                    | 30    |
|                             |        | Overseas Trade                     | 146   |
|                             |        | Guarantees                         | 34    |
|                             |        | Bullion Adv.                       | ...   |
|                             | 14,736 |                                    | 2,230 |

## AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to September 9, 1939, are shown below:—

| Ordinary Exp. (£ thousands) |         | Ord. Rev. (£ thousands) |         |
|-----------------------------|---------|-------------------------|---------|
| Issues under Def. Loan Acts | 485,307 | Gross borr. 250,645     | 298,797 |
| Less: Sinking fde.          | 59,000  | Net borrowing           | 245,704 |
| Inc. in bices               | 194     |                         | ...     |
|                             | 544,501 |                         | 544,501 |

## FLOATING DEBT (£ millions)

| Date           | Treasury Bills | Ways and Means Advances | Public Dept. Advances | Bank of England | Total Floating Debt |
|----------------|----------------|-------------------------|-----------------------|-----------------|---------------------|
| Sept. 10, 1939 | 545.0          | 324.1                   | 46.0                  | ...             | 915.1               |
| Sept. 10, 1938 | 459.0          | 535.3                   | 41.1                  | ...             | 1,035.4             |
| June 3         | 464.0          | 539.3                   | 43.1                  | ...             | 1,046.4             |
| " 10           | 469.0          | 541.9                   | 43.9                  | 0.5             | 1,055.3             |
| " 17           | 479.0          | 540.4                   | 45.7                  | ...             | 1,065.1             |
| " 24           | 489.0          | 563.0                   | 45.3                  | ...             | 1,097.3             |
| " 30           | 494.0          | 562.8                   | 43.1                  | ...             | 1,099.8             |
| July 6         | 499.0          | 558.1                   | 43.1                  | ...             | 1,100.2             |
| " 12           | 504.0          | 564.9                   | 46.3                  | ...             | 1,115.2             |
| " 19           | 510.0          | 568.5                   | 46.9                  | ...             | 1,125.4             |
| " 26           | 510.0          | 570.7                   | 45.5                  | ...             | 1,126.2             |
| " 30           | 510.0          | 570.1                   | 47.5                  | ...             | 1,127.6             |
| Aug. 6         | 510.0          | 583.1                   | 45.3                  | ...             | 1,138.4             |
| " 13           | 500.0          | 618.3                   | 49.2                  | ...             | 1,167.5             |
| Sept. 2        | 495.0          | 635.3                   | 47.9                  | 4.7             | 1,180.9             |

## TREASURY BILLS (£ millions)

| Date of Tender | Offered | Applied for | Allotted | Average Rate % | Per Cent. Allotted at minimum Rate |
|----------------|---------|-------------|----------|----------------|------------------------------------|
| 1938           |         |             |          |                |                                    |
| Sept. 9        | 45.0    | 63.1        | 42.0     | 11 11-02       | 60                                 |
| June 9         | 45.0    | 64.0        | 45.0     | 13 1-65        | 73                                 |
| " 16           | 45.0    | 66.8        | 45.0     | 14 5-23        | 68                                 |
| " 23           | 50.0    | 70.1        | 50.0     | 16 7-81        | 60                                 |
| " 30           | 50.0    | 66.6        | 47.0     | 17 0-00        | 58                                 |
| July 7         | 40.0    | 63.3        | 37.0     | 16 8-32        | 44                                 |
| " 14           | 35.0    | 64.5        | 35.0     | 15 8-99        | 51                                 |
| " 21           | 35.0    | 68.6        | 35.0     | 14 8-61        | 39                                 |
| " 28           | 40.0    | 73.8        | 36.0     | 14 4-08        | 27                                 |
| Aug. 4         | 35.0    | 67.9        | 30.0     | 13 7-9         | 21                                 |
| " 11           | 30.0    | 58.6        | 30.0     | 14 0-7         | 39                                 |
| " 18           | 30.0    | 63.1        | 30.0     | 15 7-39        | 28                                 |
| " 25           | 30.0    | 50.4        | 30.0     | 74 5-44        | 4                                  |
| Sept. 1        | 40.0    | 56.3        | 40.0     | 74 3-48        | 59                                 |
| " 8            | 50.0    | 60.2        | 50.0     | 72 0-98        | 94                                 |

On September 8th applications at £99 2s. 0d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 94 per cent. of the amount applied for and applications at higher prices in full. £55.0 millions of Treasury bills are being offered on September 15th.

## NATIONAL SAVINGS CERTIFICATES

| Sales in               | Number     | Purchase Price |
|------------------------|------------|----------------|
| Thirty-four weeks to:— |            |                |
| Aug. 27, 1938          | 21,612,367 | 16,209,275     |
| Aug. 26, 1939          | 20,269,604 | 15,202,167     |
| Week to:—              |            |                |
| Aug. 27, 1938          | 507,180    | 380,385        |
| Aug. 19, 1939          | 462,925    | 347,194        |
| Aug. 26, 1939          | 408,898    | 306,673        |

## BANK OF ENGLAND RETURNS

SEPTEMBER 13th, 1939

## ISSUE DEPARTMENT

| Notes Issued: £      |             | Govt. Debt: £                                   |             |
|----------------------|-------------|-------------------------------------------------|-------------|
| In Circulation       | 553,474,931 | Govt. Debt                                      | 11,015,100  |
| In Bankg. Department | 26,651,702  | Securities                                      | 567,016,562 |
|                      |             | Other Secs.                                     | 1,459,303   |
|                      |             | Silver Coin                                     | 509,035     |
|                      |             | Amt. of Fid. Issue                              | 580,000,000 |
|                      |             | Gold Coin & Bullion (at 168s. 0d. per oz. fine) | 126,633     |
|                      | 580,126,633 |                                                 | 580,126,633 |

## BANKING DEPARTMENT

| Props. capital: £ |             | Govt. Secs.: £     |             |
|-------------------|-------------|--------------------|-------------|
| Rest              | 14,553,000  | Govt. Secs.        | 123,671,164 |
| Public Deps.*     | 3,676,458   | Discs., etc.       | 3,858,425   |
| Other Deps.       | 12,001,209  | Securities         | 25,938,016  |
| Bankers           | 109,808,747 | Notes              | 28,796,441  |
| Other             | 40,814,748  | Gold & Silver Coin | 26,651,702  |
|                   | 150,423,495 |                    | 534,622,624 |
|                   | 180,654,162 |                    | 180,654,162 |

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

## THE WEEK'S CHANGES (£ thousands)

| Both Departments                             |         | Compared with  |           |
|----------------------------------------------|---------|----------------|-----------|
|                                              |         | Sept. 13, 1939 | Last Week |
| COMBINED LIABILITIES                         |         |                |           |
| Note circulation                             | 553,475 | + 3,589        | + 72,882  |
| Deposits: Public                             | 12,001  | - 3,028        | - 9,569   |
| Bankers                                      | 109,609 | + 1,658        | + 10,016  |
| Others                                       | 40,815  | + 421          | + 4,438   |
| Total outside liabilities                    | 715,900 | + 1,518        | + 79,768  |
| Capital and rest                             | 18,229  | - 9            | - 4       |
| COMBINED ASSETS                              |         |                |           |
| Govt. debt and securities                    | 701,703 | + 2,145        | + 40,371  |
| Discounts and advances                       | 3,858   | + 2,158        | + 2,021   |
| Other securities                             | 27,397  | + 1,267        | + 5,328   |
| Silver coin in issue dept.                   | 539     | + 203          | + 501     |
| Gold coin and bullion                        | 662     | - 26           | - 327,224 |
| RESERVES                                     |         |                |           |
| Res. of notes & coin in banking department   | 27,187  | - 3,615        | - 22,106  |
| Proportion of reserve to outside liabilities | 16.7%   | - 1.6%         | - 15.5%   |

## COMPARATIVE ANALYSIS\* (£ millions)

|                               | 1938     |         | 1939    |          |
|-------------------------------|----------|---------|---------|----------|
|                               | Sept. 14 | Aug. 23 | Aug. 30 | Sept. 13 |
| Issue Dept.:                  |          |         |         |          |
| Notes in circ.                | 478.6    | 508.1   | 529.5   | 549.9    |
| Notes in bankg. dept.         | 47.8     | 38.4    | 33.5    | 30.2     |
| Govt. debt and securities     | 199.4    | 295.2   | 295.8   | 574.8    |
| Other sec.                    | 0.5      | 4.1     | 3.5     | 3.5      |
| Silver coin                   | 0.0      | 0.7     | 0.7     | 0.5      |
| Gold, valued at s. per f. oz. | 326.4    | 246.4   | 263.0   | 0.1      |
| Deposits:                     |          |         |         |          |
| Public                        | 21.5     | 22.4    | 31.1    | 15.0     |
| Bankers                       | 99.6     | 92.1    | 90.1    | 111.3    |
| Others                        | 36.4     | 36.2    | 39.0    | 41.2     |
| Total                         | 157.5    | 150.7   | 160.2   | 167.5    |
| Bkg. Dept. Secs.              |          |         |         |          |
| Government                    | 9.8      | 99.7    | 113.1   | 123.7    |
| Discounts, etc.               | 5.9      | 5.7     | 6.4     | 6.0      |
| Other                         | 22.1     | 24.3    | 24.6    | 25.2     |
| Total                         | 126.5    | 129.7   | 144.1   | 154.9    |
| Banking dept. reserve         | 49.3     | 38.4    | 34.2    | 30.8     |
| " Proportion "                | 31.2     | 26.0    | 23.3    | 18.3     |
| Reserve ratio                 | 51.5     | 37.5    | 38.2    | ...      |

\* Government debt is £11,015,100; capital £14,553,000. † Gold stock in both departments to deposits and notes in circulation. ‡ £280,000,000 of gold transferred to the Exchange Equalisation Account on September 6, 1939.

## OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Banque Mellié Iran appeared in The Economist of August 19th; the central banks of Danzig and Egypt, of August 26th; Bohemia & Moravia, Canada, Japan, Latvia, Lithuania and Poland, of September 2nd; Argentina, Greece, Java, Reichsbank, South Africa, Sweden, Switzerland and Turkey, of September 9th.

## BANK FOR INTERNATIONAL SETTLEMENTS.—(Million Swiss gold francs of 0.29 grammes)

| ASSETS                  |       | Aug. 31, 1938 | June 30, 1939 | July 31, 1939 | Aug. 31, 1939 |
|-------------------------|-------|---------------|---------------|---------------|---------------|
| Gold in bars            | 15.7  | 15.7          | 22.4          | 17.6          | 13.0          |
| Cash                    | 15.7  | 15.7          | 22.4          | 17.6          | 13.0          |
| Sight funds             | 15.7  | 15.7          | 22.4          | 17.6          | 13.0          |
| Bills and acceptances:  |       |               |               |               |               |
| (a) Commercial bills    | 152.7 | 144.5         | 143.8         | 135.1         |               |
| (b) Treasury bills      | 70.7  | 80.9          | 84.3          | 42.1          |               |
| Time funds at interest  | 53.9  | 33.0          | 35.3          | 35.6          |               |
| Sundry bills & invests. | 252.9 | 221.1         | 220.8         | 229.6         |               |
| Other assets            | 1.6   | 1.6           | 1.3           | 1.6           |               |
| LIABILITIES             |       |               |               |               |               |
| Cap. and reserves       | 149.3 | 150.1         | 150.1         | 150.1         |               |
| Long-term commitments:  |       |               |               |               |               |
| (1) Annuity trust       | 152.9 | 153.1         | 153.1         | 153.1         |               |
| (2) Govt. deposits      | 102.6 | 102.0         | 102.0         | 100.4         |               |
| Short and sight depts.: |       |               |               |               |               |
| (a) Central banks:      |       |               |               |               |               |
| Own account             | 166.1 | 122.1         | 114.7         | 53.8          |               |
| For acct. others        | 2.4   | 1.7           | 2.0           | 1.7           |               |
| (b) Other deposits      | 6.1   | 2.8           | 1.5           | 0.7           |               |
| Sight deposits—gold     | 9.1   | 13.3          | 14.4          | 14.1          |               |
| Profits (dist. Jul. 1)  | 7.8   | 7.8           | 7.8           | 7.8           |               |
| Miscellaneous items     | 38.0  | 36.5          | 38.3          | 38.2          |               |

## U.S. FEDERAL RESERVE BANKS

| Million \$'s                                         |                      |                     |                      |                      |
|------------------------------------------------------|----------------------|---------------------|----------------------|----------------------|
| 12 U.S.F.R. BANKS<br>RESOURCES                       | Sept.<br>15,<br>1938 | Aug.<br>17,<br>1939 | Sept.<br>7*,<br>1939 | Sept.<br>14,<br>1939 |
| Gold certifs. on hand<br>and due from Treas.         | 1938                 | 1939                | 1939                 | 1939                 |
| 10,630                                               | 13,968               | 14,452              | 14,577               |                      |
| Total reserves.....                                  | 11,019               | 14,319              | 14,768               | 14,909               |
| Total cash reserves.....                             | 379                  | 342                 | 308                  | 324                  |
| Total bills discounted.....                          | 7                    | 5                   | 6                    | 7                    |
| Bills bt. in open mkt. ....                          | 1                    | 1                   | 1                    | 1                    |
| Total bills on hand.....                             | 7                    | 5                   | 7                    | 8                    |
| Industrial advances ....                             | 16                   | 12                  | 12                   | 12                   |
| Total U.S. Govt. secs.                               | 2,564                | 2,423               | 2,504                | 2,824                |
| Total bills and secs.                                | 2,587                | 2,439               | 2,613                | 2,843                |
| Total resources                                      | 14,475               | 17,596              | 18,095               | 18,633               |
| LIABILITIES                                          |                      |                     |                      |                      |
| F.R. notes in circn. ....                            | 4,201                | 4,564               | 4,684                | 4,679                |
| Aggregate of excess mrr.<br>bank res. over reqts.    | 3,130                | 4,590               | 4,970                | 5,270                |
| Deposits — Member-<br>bank reserve account           | 8,425                | 10,633              | 11,141               | 11,526               |
| Govt. deposits .....                                 | 346                  | 776                 | 678                  | 615                  |
| Total deposits.....                                  | 9,188                | 11,974              | 12,509               | 12,896               |
| Cap. paid in and surplus                             | 302                  | 312                 | 312                  | 312                  |
| Total liabilities.....                               | 14,475               | 17,596              | 18,095               | 18,633               |
| Reserve to depts. and<br>F.R. notes .....            | 82.3%                | 86.6%               | 85.9%                | 84.8%                |
| U.S.F.R. BANKS AND<br>TREASURY COMBINED<br>RESOURCES |                      |                     |                      |                      |
| Monetary gold stock .....                            | 13,421               | 16,335              | 16,726               | 16,808               |
| Treasury and Nat. Bk.<br>currency .....              | 2,733                | 2,901               | 2,908                | 2,911                |
| Total liabilities.....                               | 6,550                | 7,909               | 7,261                | 7,235                |
| Money in circulation.....                            |                      |                     |                      |                      |
| Treasury cash and de-<br>posits with F.R. Bks.       | 3,105                | 3,142               | 2,940                | 2,842                |



## BANK CLEARINGS

Publication of the weekly returns of Town Clearing, Metropolitan Clearing, Country Cheque Clearing is suspended until further notice.

PROVINCIAL  
(£ thousands)

|                       | Five weeks ended |               |        | Week ended     |               | Aggregate from |               |
|-----------------------|------------------|---------------|--------|----------------|---------------|----------------|---------------|
|                       | Sept. 3, 1938    | Sept. 2, 1939 | Change | Sept. 10, 1938 | Sept. 9, 1939 | Sept. 10, 1938 | Sept. 9, 1939 |
| No. of working days:— | 29               | 29            | %      | 6              | 5             | 214            | 212           |
| BIRMINGHAM            | 9,935            | 10,995        | +10.7  | 1,514          | 1,655         | 85,399         | 84,912        |
| BRADFORD              | 3,486            | 4,427         | +27.3  | 544            | 746           | 28,408         | 30,484        |
| BRISTOL               | 5,838            | 6,304         | +8.1   | 1,175          | 1,213         | 44,322         | 46,005        |
| HULL                  | 3,962            | 3,803         | -3.9   | 771            | 609           | 30,335         | 28,578        |
| LEEDS                 | 3,845            | 3,988         | +3.7   | 590            | 596           | 34,613         | 35,060        |
| LEICESTER             | 2,878            | 3,106         | +8.0   | 508            | 596           | 25,136         | 25,060        |
| LIVERPOOL             | 22,264           | 22,802        | +2.4   | 4,148          | 4,538         | 187,631        | 176,898       |
| MANCHESTER            | 41,767           | 45,730        | +9.3   | 6,940          | 7,575         | 333,701        | 337,758       |
| NEWCASTLE             | 6,852            | 7,452         | +8.7   | 1,022          | 1,099         | 54,441         | 54,234        |
| NOTTINGHAM            | 2,177            | 2,238         | +2.8   | 398            | 400           | 18,017         | 17,451        |
| SHEFFIELD             | 4,839            | 5,463         | +13.0  | 778            | 619           | 39,371         | 38,015        |
| Total: 11 Towns*      | 107,843          | 116,308       | +7.9   | 18,388         | 20,499        | 882,638        | 882,638       |
| DUBLIN                | 25,737           | 26,069        | +1.4   | 4,726          | 5,499         | 220,626        | 217,437       |

\* For week ending September 2, 1939, clearings at Hull totalled £874,000; from January 1st to that date £27,969,000. Total clearing for 11 towns in week ending September 2, 1939, was £26,877,000; from January 1st to that date £853,608,000.  
† Not available.  
‡ 36 weeks.

MONEY RATES  
LONDON

|                                             | Sept. 7, 1939 | Sept. 8, 1939 | Sept. 9, 1939 | Sept. 11, 1939 | Sept. 12, 1939 | Sept. 13, 1939 | Sept. 14, 1939 |
|---------------------------------------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|
| Bank rate (changed from 2% August 24, 1939) | %             | %             | %             | %              | %              | %              | %              |
| Market rates of discount                    | 4             | 4             | 4             | 4              | 4              | 4              | 4              |
| 60 days' bank's drafts                      | 3 3/4         | 3 3/8         | 3 3/8         | 3 1/2          | 3 1/2          | 3 3/8-3 1/2    | 3 1/4-3 3/8    |
| 3 months' do.                               | 3 1/2         | 3 3/8         | 3 3/8         | 3 1/2          | 3 1/2          | 3 3/8-3 1/2    | 3 1/4-3 3/8    |
| 4 months' do.                               | 5             | 4 1/2         | 4 1/2         | 4 1/2          | 4 1/2          | 4 1/2          | 4 1/2          |
| 6 months' do.                               | 5             | 4 1/2         | 4 1/2         | 4 1/2          | 4 1/2          | 4 1/2          | 4 1/2          |
| Discount Treasury Bills                     |               |               |               |                |                |                |                |
| 2 months' .....                             | 3 3/8         | 3 1/2         | 3 1/2         | 3 3/8          | 3 3/8          | 3 1/4          | 3 1/4          |
| 3 months' .....                             | 3 3/8         | 3 1/2         | 3 1/2         | 3 3/8          | 3 3/8          | 3 3/8          | 3 3/8          |
| Loans—Day-to-day—                           | 2 3/4-3 1/4   | 2 1/2-3 1/4   | 2 1/2-3 1/4   | 2 1/2-3 1/4    | 2 1/2-3 1/4    | 2 1/2-3 1/4    | 2 1/2-3 1/4    |
| Short .....                                 | 3-3 1/4       | 2 3/4-3 1/4   | 2 3/4-3 1/4   | 2 1/2-3 1/4    | 2 1/2-3 1/4    | 2 1/2-3 1/4    | 2 1/2-3 1/4    |
| Deposit advances: Bk.                       | 2             | 2             | 2             | 2              | 2              | 2              | 2              |
| Discount houses at call                     | 2             | 2             | 2             | 2              | 2              | 2              | 2              |
| At notice .....                             | 2 1/4         | 2 1/4         | 2 1/4         | 2 1/4          | 2 1/4          | 2 1/4          | 2 1/4          |

## MONTHLY STATEMENT OF LONDON CLEARING BANKS (000's omitted)

| Average Weekly Balance<br>AUGUST, 1939                                                                      | Barclays<br>Bank<br>Limited | Coutts<br>and Co. | District<br>Bank<br>Limited | Glyn,<br>Mills<br>and Co. | Lloyds<br>Bank<br>Limited | Martins<br>Bank<br>Limited | Midland<br>Bank<br>Limited | National<br>Bank<br>Limited | National<br>Provincial<br>Bank<br>Limited | West-<br>minster<br>Bank<br>Limited | Williams<br>Deacon's<br>Bank<br>Limited | Aggre-<br>gate |
|-------------------------------------------------------------------------------------------------------------|-----------------------------|-------------------|-----------------------------|---------------------------|---------------------------|----------------------------|----------------------------|-----------------------------|-------------------------------------------|-------------------------------------|-----------------------------------------|----------------|
| ASSETS                                                                                                      |                             |                   |                             |                           |                           |                            |                            |                             |                                           |                                     |                                         |                |
| Coin, bank notes and<br>balances with the Bank<br>of England .....                                          | £<br>44,662                 | £<br>1,794        | £<br>8,661                  | £<br>3,314                | £<br>40,967               | £<br>10,123                | £<br>48,767                | £<br>3,098                  | £<br>32,828                               | £<br>34,749                         | £<br>3,902                              | £<br>232,865   |
| Balances with and cheques<br>in course of collection<br>on other Banks in Great<br>Britain and Ireland..... | 9,953                       | 640               | 2,285                       | 4,222                     | 11,273                    | 3,162                      | 13,257                     | 288                         | 7,747                                     | 13,776                              | 1,745                                   | 68,348         |
| Money at call and short<br>notice.....                                                                      | 22,025                      | 3,252             | 9,637                       | 8,932                     | 29,330                    | 4,942                      | 23,895                     | 2,732                       | 15,609                                    | 25,379                              | 6,086                                   | 151,819        |
| Bills discounted .....                                                                                      | 65,959                      | 1,228             | 6,854                       | 739                       | 51,312                    | 5,016                      | 61,099                     | 1,431                       | 36,881                                    | 48,056                              | 496                                     | 279,070        |
| Investments .....                                                                                           | 96,748                      | 6,835             | 28,936                      | 9,382                     | 107,785                   | 31,761                     | 112,919                    | 14,430                      | 74,261                                    | 104,819                             | 11,479                                  | 599,356        |
| Advances to customers and<br>other accounts .....                                                           | 200,961                     | 10,442            | 31,188                      | 6,109                     | 163,896                   | 48,010                     | 216,841                    | 16,686                      | 141,018                                   | 135,063                             | 15,083                                  | 985,299        |
| Liabilities of customers for<br>acceptances, engage-<br>ments, etc. ....                                    | 15,766                      | 782               | 9,262                       | 3,804                     | 35,804                    | 7,152                      | 18,776                     | 648                         | 9,107                                     | 29,407                              | 1,930                                   | 132,436        |
| Bank premises account.....                                                                                  | 7,498                       | 412               | 1,621                       | 435                       | 7,496                     | 2,843                      | 9,698                      | 580                         | 7,423                                     | 5,349                               | 1,051                                   | 44,407         |
| Investments in affiliated<br>banks and subsidiary<br>companies .....                                        | 7,013                       | ...               | ...                         | ...                       | 3,624                     | ...                        | 8,016                      | ...                         | 2,514                                     | 2,992                               | ...                                     | 24,159         |
|                                                                                                             | ...                         | ...               | ...                         | ...                       | ...                       | ...                        | ...                        | ...                         | ...                                       | ...                                 | ...                                     | 2,517,759      |
| Ratio of cash to current,<br>deposit and other ac-<br>counts .....                                          | 10.4                        | 7.9               | 10.4                        | 10.5                      | 10.5                      | 10.3                       | 10.4                       | 8.5                         | 10.9                                      | 9.9                                 | 10.5                                    | 10.4           |
| LIABILITIES                                                                                                 |                             |                   |                             |                           |                           |                            |                            |                             |                                           |                                     |                                         |                |
| Capital paid up.....                                                                                        | 15,858                      | 1,000             | 2,976                       | 1,060                     | 15,810                    | 4,160                      | 15,158                     | 1,500                       | 9,479                                     | 9,320                               | 1,875                                   | 78,198         |
| Reserve fund.....                                                                                           | 10,750                      | 1,000             | 2,976                       | 530                       | 9,500                     | 3,550                      | 12,410                     | 1,160                       | 8,500                                     | 9,320                               | 900                                     | 60,597         |
| Current, deposit and other<br>accounts.....                                                                 | 428,210                     | 22,605            | 83,229                      | 31,543                    | 390,367                   | 98,128                     | 466,923                    | 35,222                      | 300,301                                   | 351,532                             | 37,068                                  | 2,245,128      |
| Acceptances, endorsements,<br>etc. ....                                                                     | 15,765                      | 782               | 9,262                       | 3,804                     | 35,803                    | 7,152                      | 18,776                     | 648                         | 9,107                                     | 29,407                              | 1,930                                   | 132,436        |
| Notes in circulation .....                                                                                  | ...                         | ...               | ...                         | ...                       | ...                       | ...                        | ...                        | ...                         | ...                                       | ...                                 | ...                                     | 1,400          |
|                                                                                                             | ...                         | ...               | ...                         | ...                       | ...                       | ...                        | ...                        | ...                         | ...                                       | ...                                 | ...                                     | 2,517,759      |

## Comparison with previous weeks

|               | Short Loans | Bank Bills  |          |          | Trade Bills |             |             |
|---------------|-------------|-------------|----------|----------|-------------|-------------|-------------|
|               |             | 3 Months    | 4 Months | 6 Months | 3 Months    | 4 Months    | 6 Months    |
| Aug. 1939     | %           | %           | %        | %        | %           | %           | %           |
| " 24 .....    | 1 1/2       | 2 3/8       | 3 1/4    | 1-1 1/8  | 3-3 1/2     | 3 1/4-3 1/2 | 3 1/4-3 1/2 |
| " 31 .....    | 3-3 1/4     | 3 3/8-3 1/2 | 4-4 1/4  | 5        | 4 1/2-5     | 4 1/2-5     | 5-5 1/2     |
| Sept. 7 ..... | 3-3 1/4     | 3 3/8-3 1/2 | 4-4 1/4  | 5        | 4 1/2-5     | 4 1/2-5     | 5-5 1/2     |
| " 14 .....    | 3-3 1/4     | 3 3/8-3 1/2 | 4-4 1/4  | 5        | 4 1/2-5     | 4 1/2-5     | 5-5 1/2     |

## NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

|                                   | Sept. 14, 1938 | Aug. 16, 1939 | Aug. 23, 1939 | Aug. 30, 1939 | Sept. 6, 1939 | Sept. 13, 1939 |
|-----------------------------------|----------------|---------------|---------------|---------------|---------------|----------------|
| Call money                        | 1 1/2          | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2          |
| Time money (90 days' mixed coll.) | 1 1/4          | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2          |
| Bank acceptances:—                |                |               |               |               |               |                |
| Members—eligible, 90 days         | 1 1/2          | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2          |
| Non-mem.—eligible, 90 days        | 1 1/2          | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2         | 1 1/2          |
| Commercial accept., 90 days       | 1              | 1             | 1             | 1             | 1             | 1              |

| New York on      | Sept. 6 | Sept. 13 | New York on       | Sept. 6 | Sept. 13 |
|------------------|---------|----------|-------------------|---------|----------|
| London:—         |         |          | Berlin, Mark      |         |          |
| 60 days          | 397.75  | 397.75   | Amsterdam, gld.   | 53.10   | 53.09    |
| Cables           | 406     | 401      | Copenhagen, Kr.   | 19.40   | 19.40    |
| Demand           | 405 1/2 | 400.75   | Oslo, Kr.         | 22.75   | 22.70    |
| Paris, Fr.       | 2.32    | 2.29     | Stockholm, Kr.    | 23.90   | 23.78    |
| Brussels, Bel.   | 17.15   | 17.10    | Athens, Dr.       | 0.80    | 0.80     |
| Switzerland, Fr. | 22.50   | 22.59    | Montreal, Can. \$ | 92.750  | 90.000   |
| Italy, Lire      | 5.21    | 5.21     | Yokohama, Yen     | 23.75   | 23.45    |

## EXCHANGE RATES

## (a) Rates fixed by Bank of England

| London on       | Par of Exchange per £ | Sept. 8, 1939 | Sept. 9, 1939 | Sept. 11, 1939 | Sept. 12, 1939 | Sept. 13, 1939 | Sept. 14, 1939 |
|-----------------|-----------------------|---------------|---------------|----------------|----------------|----------------|----------------|
| New York, \$    | 4.8625                | 4.02-06       | 4.02-06       | 4.02-06        | 4.02-06        | 4.02-06        | 4.02-04        |
| Montreal, \$    | 4.8625                | 4.32-36       | 4.32-36       | 4.32-36        | 4.40-46        | 4.38-44        | 4.38-42        |
| Paris, Fr.      | 124.20                | 176-177       | 176-177       | 176-177        | 176-177        | 176-177        | 176-177        |
| Brussels, Bel.  | 35.00(a)              | 23.50-80      | 23.50-80      | 23.50-80       | 23.50-80       | 23.30-60       | 23.30-60       |
| Amst'd'm, Fl.   | 12.107                | 7.57-64       | 7.57-64       | 7.57-64        | 7.57-64        | 7.57-64        | 7.55-62        |
| Switzerl'd, Fr. | 25.22(2)              | 17.86-18.04   | 17.86-18.04   | 17.86-18.04    | 17.75-84       | 17.65-85       | 17.65-85       |
| Stockh'm, Kr.   | 18.159                | 16.89-17.06   | 16.89-17.06   | 16.89-17.06    | 16.79-96       | 16.70-90       | 16.70-90       |
| Oslo, Kr.       | 18.159                | 17.79-96      | 17.79-96      | 17.79-96       | 17.75-94       | 17.65-84       | 17.55-75       |
| B. Aires        | 11.45                 | 16.90-17.10   | 16.90-17.10   | 16.75-16.75    | 16.75-16.75    | 16.75-16.75    | 16.75-16.75    |
| P. Pesos        |                       | 17.10         | 17.10         | 17.10          | 17.10          | 17.10          | 17.10          |

## (b) Market Rates

| London on        | Par of Exchange per £ | Sept. 8, 1939 | Sept. 9, 1939 | Sept. 11, 1939 | Sept. 12, 1939 | Sept. 13, 1939 | Sept. 14, 1939 |
|------------------|-----------------------|---------------|---------------|----------------|----------------|----------------|----------------|
| Milan, Lr.       | 92.46                 | Unq't'd       | Unq't'd       | 77.78(2)       | 77.78(2)       | 77.78(2)       | 76.54-78(4)    |
| Belgrade, Din    | 276.32                | Unq't'd       | Unq't'd       | Unq't'd        | Unq't'd        | 205            | 205*           |
| Helsingfors, Mk  | 193.23                | Unq't'd       | Unq't'd       | Unq't'd        | Unq't'd        | 200*           | 200*           |
| Alexandria, Pst. | 97 1/2                | Unq't'd       | 97 1/2        | 97 1/2         | 97 1/2         | 97 1/2         | 97 1/2         |
| Madrid, Pt.      | 25.22(2)              | 42.45 (b)     | 42.45 (b)     | 42.45 (b)      | 42.45 (b)      | 42.45 (b)      | 42.45 (b)      |
| Lisbon, Esc.     | 110                   | 109           | 109           | 109-111        | 109-111        | 109 1/2        | 109 1/2        |
| Istanbul, LT     | 110                   | 520*          | 520*          | 520*           | 520*           | 520*           | 510*           |
| Athens, Dr.      | 375                   | 535*          | 535*          | 535*           | 535*           | 535*           | 535*           |
| Bucharest, Lei   | 813.8                 | 650*          | 650*          | 650*           | 650*           | 650*           | 650*           |
| India, Rup.      | 18d.                  | 17 1/8-18     | 17 1/8-18     | 17 1/8-18      | 17 1/8-18      | 17 1/8-18      | 17 1/8-18      |
| Kobe, Yen        | 24.58d.               | 13 1/8        | 13 1/8        | 13 1/8         | 13 1/8         | 13 1/8         | 14 1/2         |
| Hongkong, \$     | 14 1/2                | 14 1/2        | 14 1/2        | 14 1/2         | 14 1/2         | 14 1/2         | 14 1/2         |
| Rio, Mil.        | 5.899d.               | Unq't'd       | Unq't'd       | Unq't'd        | Unq't'd        | 3 1/2          | 3 1/2          |
| Montevideo, \$   | 51d.                  | 28 1/2        | 28 1/2        | 28 1/2         | 28 1/2         | 28 1/2         | 28 1/2         |
| Singapore, \$    | 28d.                  | 28 1/2        | 28 1/2        | 28 1/2         | 28 1/2         | 28 1/2         | 28 1/2         |
| Shanghai, \$     | 110 1/2               | 110 1/2       | 110 1/2       | 110 1/2        | 110 1/2        | 110 1/2        | 110 1/2        |

\* Sellers. † Pence per unit of local currency. ‡ Par 8.2333¢ since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (b) Rate for payment at the Bank of England for Clearing Offices. (c) Nominal. (d) Official.

Forward Exchange dealings are now suspended.

## Investment

## TRANSPORT RECEIPTS

British Railways and London Transport Board.  
Publication of Weekly Traffic Returns is now Suspended.

## IRISH RAILWAY TRAFFICS

| Company             | Gross Receipts, week ended Sept. 8, 1939 (£'000) |       |       | Aggregate Gross Receipts 36 weeks (£'000) |         |         |
|---------------------|--------------------------------------------------|-------|-------|-------------------------------------------|---------|---------|
|                     | Pass.                                            | Goods | Total | Pass.                                     | Goods   | Total   |
| Belfast & Co. Down— |                                                  |       |       |                                           |         |         |
| 1938                | 2.8                                              | 0.4   | 3.2   | 95.7                                      | 15.5    | 111.2   |
| 1939                | 2.7                                              | 0.4   | 3.1   | 98.6                                      | 15.8    | 114.4   |
| Great Northern—     |                                                  |       |       |                                           |         |         |
| 1938                | 14.6                                             | 9.2   | 23.8  | 410.4                                     | 319.9   | 730.3   |
| 1939                | 14.3                                             | 10.0  | 24.3  | 421.3                                     | 363.1   | 784.4   |
| Great Southern—     |                                                  |       |       |                                           |         |         |
| 1938                | 50.3                                             | 41.6  | 91.9  | 1,359.4                                   | 1,400.1 | 2,759.5 |
| 1939                | 56.5                                             | 50.6  | 107.1 | 1,366.9                                   | 1,451.8 | 2,818.7 |

## THE WEEK'S COMPANY RESULTS

| Company                      | Year Ending | Balance from Last Account | Net Profit After Payment of Debenture Interest | Amount Available for Distribution | Appropriation  |                      |                                        | Corresponding Period Last Year |               |
|------------------------------|-------------|---------------------------|------------------------------------------------|-----------------------------------|----------------|----------------------|----------------------------------------|--------------------------------|---------------|
|                              |             |                           |                                                |                                   | Dividend       |                      | Carried to Reserve, Depreciation, etc. | Balance Forward                | Net Profit    |
|                              |             |                           |                                                |                                   | Prefce. Amount | Ordinary Amount Rate |                                        |                                |               |
| Financial, Land, etc.        |             | £ 2,371                   | £ 9,900                                        | £ 9,271                           | £ 3,025        | £ 1,950 6 1/2        | £ 1,942                                | £ 2,354                        | £ 6,615 6 1/2 |
| Bilton (Percy) Investment... | June 30     | 6,546                     | 3,146                                          | 9,692                             | ...            | 3,461 3 1/2          | ...                                    | 6,231                          | 4,141 4       |
| European and General Corp.   | June 30     | 2,300                     | 93,435                                         | 95,735                            | ...            | 75,000 15            | ...                                    | 20,735                         | (a)           |
| Marsman Investments          | June 30     | 6,874                     | 25,648                                         | 32,522                            | 7,500          | 8,125 6 1/2          | 9,385                                  | 7,512                          | 22,341 5      |

## LONDON ACTIVE SECURITY PRICES AND YIELDS

NOTE: Yields on British Funds, Dominion and Colonial Government, Home Corporation, and Public Board Stocks are based on minimum prices shown without allowance for accrued interest. Approximate dealing prices on September 7th and 13th are given in left-hand columns. 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.

| Approximate Dealing Prices 1939 |          | Year 1939 Jan. 1 to Sept. 13, inclusive |         | Price, Sept. 13, 1939 |         | Yield, Sept. 13, 1939 |     | Prices, Jan. 1 to Sept. 13, inclusive |        | Last two Dividends |     | Name of Security |                           | Price, Sept. 13, 1939 |        | Yield, Sept. 13, 1939 |        |
|---------------------------------|----------|-----------------------------------------|---------|-----------------------|---------|-----------------------|-----|---------------------------------------|--------|--------------------|-----|------------------|---------------------------|-----------------------|--------|-----------------------|--------|
| Sept. 7                         | Sept. 13 | High                                    | Low     | High                  | Low     | (a)                   | (b) | (c)                                   | High   | Low                | (a) | (b)              | (c)                       | High                  | Low    | (a)                   | (b)    |
| British Funds                   |          |                                         |         |                       |         |                       |     |                                       |        |                    |     |                  |                           |                       |        |                       |        |
| 62 1/2                          | 62 1/2   | 71 1/2                                  | 61      | 62 1/2                | 61      | 4                     | 0   | 32 1/2                                | 7 1/2  | 6                  | 0   | Nil              | Brit. Overseas A £5       | 7 1/2                 | 6 1/2  | 7 1/2                 | 6 1/2  |
| 93 1/2                          | 93 1/2   | 107 1/2                                 | 98      | 93 1/2                | 98      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Chd. of India £5          | 10 1/2                | 10 1/2 | 10 1/2                | 10 1/2 |
| 94 1/2                          | 94 1/2   | 106 1/2                                 | 99 1/2  | 94 1/2                | 99 1/2  | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Dist. Bk. of Aust. 10/-   | 10 1/2                | 10 1/2 | 10 1/2                | 10 1/2 |
| 95 1/2                          | 95 1/2   | 107 1/2                                 | 100 1/2 | 95 1/2                | 100 1/2 | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | En. S. & Aust. £5 1/2 p.  | 10 1/2                | 10 1/2 | 10 1/2                | 10 1/2 |
| 100 1/2                         | 100 1/2  | 112 1/2                                 | 103 1/2 | 100 1/2               | 103 1/2 | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Hambros £10, £2 1/2 p.    | 10 1/2                | 10 1/2 | 10 1/2                | 10 1/2 |
| 106 1/2                         | 106 1/2  | 122 1/2                                 | 112 1/2 | 106 1/2               | 112 1/2 | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Hong, & S. £12 1/2 p.     | 10 1/2                | 10 1/2 | 10 1/2                | 10 1/2 |
| 111 1/2                         | 111 1/2  | 127 1/2                                 | 117 1/2 | 111 1/2               | 117 1/2 | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Lloyds £5, £1 p.          | 10 1/2                | 10 1/2 | 10 1/2                | 10 1/2 |
| 88 1/2                          | 88 1/2   | 102 1/2                                 | 92 1/2  | 88 1/2                | 92 1/2  | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Martins £20, £2 1/2 p.    | 10 1/2                | 10 1/2 | 10 1/2                | 10 1/2 |
| 89 1/2                          | 89 1/2   | 103 1/2                                 | 93 1/2  | 89 1/2                | 93 1/2  | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Midland £1, 1/2 p.        | 10 1/2                | 10 1/2 | 10 1/2                | 10 1/2 |
| 103 1/2                         | 103 1/2  | 115 1/2                                 | 104 1/2 | 103 1/2               | 104 1/2 | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Nat. Dis. £2 1/2 p.       | 10 1/2                | 10 1/2 | 10 1/2                | 10 1/2 |
| 94 1/2                          | 94 1/2   | 107 1/2                                 | 97 1/2  | 94 1/2                | 97 1/2  | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Nat. of Egypt £10         | 10 1/2                | 10 1/2 | 10 1/2                | 10 1/2 |
| 92 1/2                          | 92 1/2   | 105 1/2                                 | 95 1/2  | 92 1/2                | 95 1/2  | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | N. of Ind. £2 1/2 p.      | 10 1/2                | 10 1/2 | 10 1/2                | 10 1/2 |
| 102 1/2                         | 102 1/2  | 114 1/2                                 | 101 1/2 | 102 1/2               | 101 1/2 | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | N. Prov. £5, £1 p.        | 10 1/2                | 10 1/2 | 10 1/2                | 10 1/2 |
| 88 1/2                          | 88 1/2   | 103 1/2                                 | 93 1/2  | 88 1/2                | 93 1/2  | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Roy. Bk. of Scotland      | 10 1/2                | 10 1/2 | 10 1/2                | 10 1/2 |
| 74 1/2                          | 74 1/2   | 83 1/2                                  | 73 1/2  | 74 1/2                | 73 1/2  | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | S. of S. £20, £5 p.       | 10 1/2                | 10 1/2 | 10 1/2                | 10 1/2 |
| 91 1/2                          | 91 1/2   | 100 1/2                                 | 91 1/2  | 91 1/2                | 91 1/2  | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Union Dis. £1             | 10 1/2                | 10 1/2 | 10 1/2                | 10 1/2 |
| 55 1/2                          | 55 1/2   | 64 1/2                                  | 55 1/2  | 55 1/2                | 55 1/2  | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | West. £4, £1 p.           | 10 1/2                | 10 1/2 | 10 1/2                | 10 1/2 |
| 66 1/2                          | 66 1/2   | 76 1/2                                  | 66 1/2  | 66 1/2                | 66 1/2  | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              |                           |                       |        |                       |        |
| 79 1/2                          | 79 1/2   | 90 1/2                                  | 79 1/2  | 79 1/2                | 79 1/2  | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              |                           |                       |        |                       |        |
| 105 1/2                         | 105 1/2  | 115 1/2                                 | 105 1/2 | 105 1/2               | 105 1/2 | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              |                           |                       |        |                       |        |
| Dom. & Col. Govts.              |          |                                         |         |                       |         |                       |     |                                       |        |                    |     |                  |                           |                       |        |                       |        |
| 96 1/2                          | 96 1/2   | 106 1/2                                 | 95      | 96 1/2                | 95      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Alliance £1, fully pd.    | 20                    | 2      | 4                     | 10     |
| 98 1/2                          | 98 1/2   | 108 1/2                                 | 98      | 98 1/2                | 98      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Atlas £5, £1 1/4 p.       | 11 1/2                | 1      | 3                     | 9      |
| 103 1/2                         | 103 1/2  | 112 1/2                                 | 103     | 103 1/2               | 103     | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Com. Un. £1, 1/2 p.       | 7 1/2                 | 5      | 3                     | 3      |
| 92 1/2                          | 92 1/2   | 102 1/2                                 | 92      | 92 1/2                | 92      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Gen. Acc. £1, 1/2 p.      | 80/-                  | 5      | 4                     | 8      |
| 94 1/2                          | 94 1/2   | 104 1/2                                 | 94 1/2  | 94 1/2                | 94 1/2  | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Lon. & Lanc. £5, £2 p.    | 23                    | 1      | 4                     | 7      |
| 102 1/2                         | 102 1/2  | 110 1/2                                 | 102     | 102 1/2               | 102     | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | N. Brit. & Mer. £1 1/4 p. | 8                     | 1      | 4                     | 3      |
| 101 1/2                         | 101 1/2  | 111 1/2                                 | 104     | 101 1/2               | 104     | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Pearl (£1), 1/2 p.        | 113 1/2               | 2      | 5                     | 2      |
| 102 1/2                         | 102 1/2  | 112 1/2                                 | 102     | 102 1/2               | 102     | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Phoenix £1, 1/2 p.        | 27                    | 4      | 3                     | 1      |
| 101 1/2                         | 101 1/2  | 111 1/2                                 | 104     | 101 1/2               | 104     | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Rudenda £1 A              | 70/-                  | 8      | 9                     | 2      |
| 102 1/2                         | 102 1/2  | 112 1/2                                 | 102     | 102 1/2               | 102     | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Royal Exchange £1         | 7 1/2                 | 1      | 6                     | 4      |
| 78 1/2                          | 78 1/2   | 81 1/2                                  | 78      | 78 1/2                | 78      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Royal £1, 1/2 p.          | 6 1/2                 | 1      | 5                     | 0      |
| 88 1/2                          | 88 1/2   | 93 1/2                                  | 88      | 88 1/2                | 88      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | S.U. & N.I. £20, £1 p.    | 12                    | 1      | 5                     | 8      |
| 93 1/2                          | 93 1/2   | 102 1/2                                 | 95      | 93 1/2                | 95      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Sun. In. £1 wth 1/2 p.    | 70/-                  | 3      | 9                     | 4      |
| Foreign Governments             |          |                                         |         |                       |         |                       |     |                                       |        |                    |     |                  |                           |                       |        |                       |        |
| 96 1/2                          | 96 1/2   | 106 1/2                                 | 95      | 96 1/2                | 95      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Anglo-American Deb.       | 211                   | 2      | 5                     | 13     |
| 102 1/2                         | 102 1/2  | 112 1/2                                 | 102     | 102 1/2               | 102     | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Anglo-Celtic Ord.         | 37 1/2                | 1      | 6                     | 6      |
| 99 1/2                          | 99 1/2   | 109 1/2                                 | 99      | 99 1/2                | 99      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Brit. Assets Trust 5/-    | 8 1/2                 | 6      | 3                     | 6      |
| 36 1/2                          | 36 1/2   | 41 1/2                                  | 36      | 36 1/2                | 36      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Charterhouse Inv. £1      | 89/-                  | 6      | 17                    | 2      |
| 37 1/2                          | 37 1/2   | 42 1/2                                  | 37      | 37 1/2                | 37      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Cherubine Corp. Sck.      | 174 1/2               | 10     | 5                     | 14     |
| 19 1/2                          | 19 1/2   | 21 1/2                                  | 19      | 19 1/2                | 19      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | For. Amer. & Co. Def.     | 97 1/2                | 7      | 9                     | 9      |
| 60 1/2                          | 60 1/2   | 66 1/2                                  | 60      | 60 1/2                | 60      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Ind. and Gen. Ord.        | 200                   | 10     | 7                     | 0      |
| 73 1/2                          | 73 1/2   | 80 1/2                                  | 73      | 73 1/2                | 73      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Invest. Trust Def.        | 200                   | 5      | 6                     | 10     |
| 105 1/2                         | 105 1/2  | 115 1/2                                 | 105     | 105 1/2               | 105     | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Lake View Inv. 10/-       | 12 1/2                | 1      | 7                     | 4      |
| 99 1/2                          | 99 1/2   | 109 1/2                                 | 99      | 99 1/2                | 99      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Mercantile Inv.           | 208                   | 5      | 15                    | 8      |
| 104 1/2                         | 104 1/2  | 114 1/2                                 | 104     | 104 1/2               | 104     | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Merchants Trust Ord.      | 86                    | 8      | 14                    | 6      |
| 13 1/2                          | 13 1/2   | 14 1/2                                  | 13      | 13 1/2                | 13      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Metropolitan Trust        | 184 1/2               | 6      | 10                    | 8      |
| 60 1/2                          | 60 1/2   | 66 1/2                                  | 60      | 60 1/2                | 60      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Scottish Inv. 5/-         | 142 1/2               | 6      | 13                    | 0      |
| 46 1/2                          | 46 1/2   | 51 1/2                                  | 46      | 46 1/2                | 46      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Scottish Mort. & Co.      | 177 1/2               | 7      | 6                     | 12     |
| 34 1/2                          | 34 1/2   | 39 1/2                                  | 34      | 34 1/2                | 34      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Trustees Corp. Ord.       | 161 1/2               | 5      | 19                    | 6      |
| 58 1/2                          | 58 1/2   | 63 1/2                                  | 58      | 58 1/2                | 58      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | United States Deb.        | 171 1/2               | 5      | 19                    | 6      |
| 60 1/2                          | 60 1/2   | 65 1/2                                  | 60      | 60 1/2                | 60      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              |                           |                       |        |                       |        |
| 64 1/2                          | 64 1/2   | 69 1/2                                  | 64      | 64 1/2                | 64      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              |                           |                       |        |                       |        |
| 50 1/2                          | 50 1/2   | 55 1/2                                  | 50      | 50 1/2                | 50      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              |                           |                       |        |                       |        |
| 73 1/2                          | 73 1/2   | 78 1/2                                  | 73      | 73 1/2                | 73      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              |                           |                       |        |                       |        |
| 92 1/2                          | 92 1/2   | 97 1/2                                  | 92      | 92 1/2                | 92      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              |                           |                       |        |                       |        |
| Financial Trusts, &c.           |          |                                         |         |                       |         |                       |     |                                       |        |                    |     |                  |                           |                       |        |                       |        |
| 112                             | 112      | 122                                     | 112     | 112                   | 112     | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Brit. S. Afr. 15/- f.p.   | 20 1/2                | 6      | 1                     | 6      |
| 113                             | 113      | 123                                     | 113     | 113                   | 113     | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | C. of Lond. R. Pty £1     | 8 1/2                 | 1      | 3                     | 0      |
| 114                             | 114      | 124                                     | 114     | 114                   | 114     | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Daily Mail & Gen. £1      | 15 1/2                | 1      | 6                     | 0      |
| 38                              | 38       | 43                                      | 38      | 38                    | 38      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Daily Mail £20 £5 p.      | 14 1/2                | 5      | 18                    | 6      |
| 39                              | 39       | 44                                      | 39      | 39                    | 39      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Forestal Land £1          | 16 1/2                | 3      | 12                    | 0      |
| 46                              | 46       | 51                                      | 46      | 46                    | 46      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Hudson's Bay Co. £1       | 20 1/2                | 2      | 6                     | 0      |
| 63 1/2                          | 63 1/2   | 68 1/2                                  | 63      | 63 1/2                | 63      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Java Invest. £1           | 16 1/2                | 1      | 6                     | 0      |
| 16 1/2                          | 16 1/2   | 17 1/2                                  | 16      | 16 1/2                | 16      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Peru Corp. Pref.          | 1 1/2                 | 1      | 0                     | 0      |
| 69 1/2                          | 69 1/2   | 74 1/2                                  | 69      | 69 1/2                | 69      | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Primitiva Hold. £1        | 7 1/2                 | 10     | 0                     | 0      |
| 178                             | 178      | 183                                     | 178     | 178                   | 178     | 4                     | 0   | 12 1/2                                | 12 1/2 | 10                 | 0   | Nil              | Sudan Plant. £1           | 30/-                  | 6      | 13                    | 4</    |



## BRITISH WHOLESALE PRICES

Many prices are not available this week and have therefore been omitted

| CEREALS AND MEAT                 |  |  |  | LARD (per cwt.)—                 |  |  |  | NON-FERROUS METALS (per ton)—                     |  |  |  |
|----------------------------------|--|--|--|----------------------------------|--|--|--|---------------------------------------------------|--|--|--|
| Sept. 6, Sept. 13, 1939          |  |  |  | Sept. 6, Sept. 13, 1939          |  |  |  | Sept. 6, Sept. 13, 1939                           |  |  |  |
| s. d.                            |  |  |  | s. d.                            |  |  |  | s. d.                                             |  |  |  |
| GRAIN, etc.—                     |  |  |  | Irish, finest bladders           |  |  |  | Copper—                                           |  |  |  |
| Wheat—                           |  |  |  | U.S.                             |  |  |  | Standard cash                                     |  |  |  |
| No. 2, N. Man. 496 lb.           |  |  |  | PEPPER (per lb.)—                |  |  |  | Three months                                      |  |  |  |
| Eng. Gaz. av., per cwt.          |  |  |  | Black Lampong (in Bond)          |  |  |  | Tin—                                              |  |  |  |
| Liv., Oct., per cental           |  |  |  | White Muntok (f.a.q.) (in Bond)  |  |  |  | Standard cash                                     |  |  |  |
| Flour, per 280 lb.—              |  |  |  | " (Duty paid)                    |  |  |  | Three months                                      |  |  |  |
| Straights, d/d London            |  |  |  | POTATOES (per cwt.)—             |  |  |  | Lead, soft foreign—                               |  |  |  |
| Manitoba, ex store               |  |  |  | English, King Edward, Siltland   |  |  |  | Cash                                              |  |  |  |
| Barley, Eng. Gaz., av. per cwt.  |  |  |  | English, King Edward (per ton)   |  |  |  | English, pig                                      |  |  |  |
| Oats                             |  |  |  | Wisbech, King Edward (per ton)   |  |  |  | Spot                                              |  |  |  |
| Maize, La Plata, landed, 480 lb. |  |  |  | SUGAR (per cwt.)—                |  |  |  | Aluminium, ingots and bars                        |  |  |  |
| Rice, No. 2 Burma, per cwt.      |  |  |  | Centrifugals, 96%, prpt. shipm.  |  |  |  | " rolling billets                                 |  |  |  |
| MEAT—                            |  |  |  | c.i.f. U.K./Cont.                |  |  |  | Nickel, home and export                           |  |  |  |
| Beef, per 8 lb.—                 |  |  |  | TOBACCO (per lb.)—               |  |  |  | Antimony, Chinese                                 |  |  |  |
| English long sides               |  |  |  | Virginia, stemmed and un-        |  |  |  | Wolfram, Chinese                                  |  |  |  |
| Argentine chilled hinds          |  |  |  | stemmed, common to fine          |  |  |  | Platinum, refined                                 |  |  |  |
| Mutton, per 8 lb.—               |  |  |  | Rhodesian, stemmed and un-       |  |  |  | Quicksilver                                       |  |  |  |
| English wethers                  |  |  |  | stemmed                          |  |  |  | GOLD, per fine ounce                              |  |  |  |
| N.Z. frozen wethers              |  |  |  | Nyassaland, stemmed and un-      |  |  |  | SILVER, (per ounce)—                              |  |  |  |
| Lamb, per 8 lb.—                 |  |  |  | stemmed                          |  |  |  | Cash                                              |  |  |  |
| N.Z. frozen                      |  |  |  | East Indian                      |  |  |  | CEMENT, best Eng. Portland, d/d site, London area |  |  |  |
| Pork, English, per 8 lb.         |  |  |  | Stemmed                          |  |  |  | in paper bags 20 to ton (free, non-returnable)—   |  |  |  |
| BACON (per cwt.)—                |  |  |  | Unstemmed                        |  |  |  | 4-ton loads and upwards per ton                   |  |  |  |
| English                          |  |  |  | TEXTILES                         |  |  |  | CHEMICALS—                                        |  |  |  |
| Danish                           |  |  |  | COTTON (per lb.)                 |  |  |  | Acid, citric, per lb., less 5%                    |  |  |  |
| Dutch                            |  |  |  | Raw, Mid-American                |  |  |  | Nitric                                            |  |  |  |
| Irish                            |  |  |  | Giza, F.G.P.                     |  |  |  | Oxalic, net                                       |  |  |  |
| HAMS (per cwt.)—                 |  |  |  | Yarns, 32's Twist                |  |  |  | Tartaric, English, less 5%                        |  |  |  |
| Canadian                         |  |  |  | 60's Twist (Egyptian)            |  |  |  | Alcohol, Plain Ethyl, per proof gal.              |  |  |  |
| United States                    |  |  |  | Cloth, 32 in. Printers, 116 yds. |  |  |  | Ammonia, carb.                                    |  |  |  |
| OTHER FOODS                      |  |  |  | 16 x 16, 32's & 50's             |  |  |  | Sulphate                                          |  |  |  |
| BUTTER (per cwt.)—               |  |  |  | 36 in. Shirtings, 75 yds.        |  |  |  | Borax, gran.                                      |  |  |  |
| Australian                       |  |  |  | 19 x 19, 32's & 40's             |  |  |  | Nitrate of soda                                   |  |  |  |
| New Zealand                      |  |  |  | 38 in. ditto, 38 yds.            |  |  |  | Potash, Chlorate, net                             |  |  |  |
| Danish                           |  |  |  | 18 x 16, 10 lb.                  |  |  |  | Sulphate                                          |  |  |  |
| Irish                            |  |  |  | 39 in. ditto, 37½ yds.           |  |  |  | Soda Bicarb.                                      |  |  |  |
| CHEESE (per cwt.)—               |  |  |  | 16 x 15, 8¼ lb.                  |  |  |  | Crystals                                          |  |  |  |
| Canadian (new)                   |  |  |  | FLAX (per ton)—                  |  |  |  | Sulphate of copper                                |  |  |  |
| New Zealand                      |  |  |  | Livonian ZK                      |  |  |  | COPRA (per ton)—                                  |  |  |  |
| English Cheddars                 |  |  |  | Pernau HD                        |  |  |  | S.D. Straits, c.i.f.                              |  |  |  |
| Dutch                            |  |  |  | Slanetz Medium, 1st sort         |  |  |  | HIDES (per lb.)—                                  |  |  |  |
| COCOA (per cwt.)—                |  |  |  | HEMP (per ton)—                  |  |  |  | Wet salted Austra-                                |  |  |  |
| Accra, g.f.                      |  |  |  | Italian PC                       |  |  |  | lian, Queensland                                  |  |  |  |
| Trinidad                         |  |  |  | Manilla, spot "J2"               |  |  |  | Wet salted, Austra-                               |  |  |  |
| Grenada                          |  |  |  | JUTE (per ton)—                  |  |  |  | lian, N.S.W.                                      |  |  |  |
| COFFEE (per cwt.)—               |  |  |  | Native 1st mks., c.i.f. H.A.R.B. |  |  |  | West Indian                                       |  |  |  |
| Santos supr. c. & f.             |  |  |  | Aug.-Sept.                       |  |  |  | Cape, Jo'burg Ord.                                |  |  |  |
| Costa Rica, medium to good       |  |  |  | Daisee 2/3, c.i.f. Dundee,       |  |  |  | Dry Capes                                         |  |  |  |
| Kenya, medium                    |  |  |  | Oct.-Nov.                        |  |  |  | Drysalted Capes                                   |  |  |  |
| EGGS (per 120)—                  |  |  |  | Sisal (per ton)—                 |  |  |  | Market Hides, Manchester—                         |  |  |  |
| English (15-15½ lb.)             |  |  |  | African, spot—                   |  |  |  | Best heavy ox and heifer                          |  |  |  |
| Danish (15½ lb.)                 |  |  |  | No. 1                            |  |  |  | Best cow                                          |  |  |  |
| FRUIT—                           |  |  |  | No. 2                            |  |  |  | Best calf                                         |  |  |  |
| Oranges, Brazilian (Peras) boxes |  |  |  | No. 3                            |  |  |  | RUBBER (per lb.)—                                 |  |  |  |
| " S. African (Navels) boxes      |  |  |  | SILK (per lb.)—(a)               |  |  |  | St. ribbed smoked sheet                           |  |  |  |
| Lemons, Californian boxes        |  |  |  | Canton                           |  |  |  | Fine hard Para                                    |  |  |  |
| " Murcia, ½ c/s 300/504          |  |  |  | Japan                            |  |  |  | SHELLAC (per cwt.)—                               |  |  |  |
| Apples, Californian              |  |  |  | Italian, raw, fr. Milan          |  |  |  | TN Orange                                         |  |  |  |
| Grapefruit, S. African (M.S.)    |  |  |  | MINERALS                         |  |  |  | COTTON (per lb.)—cont.                            |  |  |  |
| Pears (Californian) Bartlett's   |  |  |  | COAL (per ton)—                  |  |  |  | Tin, N.Y. Straits, spot                           |  |  |  |
| " " B. Hardy                     |  |  |  | Welsh, best Admiralty            |  |  |  | Lead, N.Y., spot                                  |  |  |  |
| METALS (per lb.)—                |  |  |  | Durham, best gas, l.o.b. Tyne    |  |  |  | Spelter, East St. Louis, spot                     |  |  |  |
| Copper, Connecticut              |  |  |  | Sheffield, best house, at pits   |  |  |  | IRON AND STEEL (per ton)—                         |  |  |  |
| Export c.i.f.                    |  |  |  | Fig. Cleveland No. 3, d/d        |  |  |  | Coccos, N.Y., Accra, Sept.                        |  |  |  |
|                                  |  |  |  | Bars, Middlesbrough              |  |  |  | Coffee, N.Y., cash—                               |  |  |  |
|                                  |  |  |  | Steel rails, heavy               |  |  |  | Rio, No. 7                                        |  |  |  |
|                                  |  |  |  | Tinplates, per box               |  |  |  | Santos, No. 4                                     |  |  |  |
|                                  |  |  |  | (a) Exclusive of duty.           |  |  |  | Cotton N.Y., Am. mid., spot                       |  |  |  |
|                                  |  |  |  |                                  |  |  |  |                                                   |  |  |  |

## AMERICAN WHOLESALE PRICES

| Sept. 6, Sept. 13, 1939 |  |  |  | Sept. 6, Sept. 13, 1939       |  |  |  | Sept. 6, Sept. 13, 1939        |  |  |  |
|-------------------------|--|--|--|-------------------------------|--|--|--|--------------------------------|--|--|--|
| Cents                   |  |  |  | Cents                         |  |  |  | Cents                          |  |  |  |
| GRAINS (per bushel)—    |  |  |  | METALS (per lb.)—cont.        |  |  |  | MISCELLANEOUS (per lb.)—cont.  |  |  |  |
| Wheat, Chicago, Sept.   |  |  |  | Tin, N.Y. Straits, spot       |  |  |  | Cotton, Am. Mid. Sept.         |  |  |  |
| Wheat, Winnipeg, Oct.   |  |  |  | Lead, N.Y., spot              |  |  |  | Lard, Chicago, Sept.           |  |  |  |
| Maize, Chicago, Sept.   |  |  |  | Spelter, East St. Louis, spot |  |  |  | Petroleum, Mid.-cont. crude    |  |  |  |
| Oats, Chicago, Sept.    |  |  |  | Coccos, N.Y., Accra, Sept.    |  |  |  | 33 deg. to 33-90, at well,     |  |  |  |
| Rye, Chicago, Sept.     |  |  |  | Coffee, N.Y., cash—           |  |  |  | per barrel                     |  |  |  |
| Barley, Winnipeg, Oct.  |  |  |  | Rio, No. 7                    |  |  |  | Rubber, N.Y., smkd. sheet spot |  |  |  |
| METALS (per lb.)—       |  |  |  | Santos, No. 4                 |  |  |  | Do. do. Oct. to Dec.           |  |  |  |
| Copper, Connecticut     |  |  |  | Cotton N.Y., Am. mid., spot   |  |  |  | Sugar, N.Y., Cuban Cent.       |  |  |  |
| Export c.i.f.           |  |  |  |                               |  |  |  | 96 deg., spot                  |  |  |  |
|                         |  |  |  |                               |  |  |  |                                |  |  |  |

## THE ECONOMIST

aggressor's heel. Russia is apparently to annex not only that part of the former Czarist Empire that lies east of a line drawn through Brest-Litovsk, but also Lemberg and the eastern half of the former Austrian province of Galicia. This will cut Germany off from direct contact with Roumania and bring Russia to the border of Hungary. Thus, for the first time, the Soviets advance beyond the 1914 frontiers of the Czar. Russia is advancing again, and Hitler may well find it necessary to keep many more troops on his Eastern front to watch the four million Russians than would ever be needed to keep the defeated and disarmed Poles down.

The events of the past week suggest two main conclusions for our own use. The first of these relates to the nature of the world we hope to create after the war has been won. More than ever, the Russian treachery to Poland shows that democracy must be the key-note of the new world. We should fight, not so much to make the world safe for democracy as to make it safe for decent living by democracy. And if men ask for a definition of democracy, it might serve to say that it is the opposite of all that has been exemplified by the actions in the past month of the brown Bolsheviks of Berlin and the red Nazis of Moscow. All the carefully elaborated distinctions that have been drawn between Hitler's system and Stalin's have now been blown to the winds. There is no difference between them, save in the precise content of the doctrinal nonsense with which they bemuse their followers. Their objective is the same—to keep in their seats of absolutism a set of power-drunk "leaders." And if their methods differ, it is only in the greater frankness with which the Nazis pursue their aims of aggressive plunder. The world will not be safe for decent men to devote their efforts to cleanly ends so long as any form of totalitarian dictatorship, armed against criticism and opposition, exists in any one of the Great Powers.

The second conclusion relates to the future course of the war. The strange mixture of boastful threats and cajolery with which Hitler addressed the world from Danzig on Tuesday has, of course, evoked no response in London or Paris; the real war is only beginning, and the overrunning of Poland is merely its opening incident, just as the over-running of Belgium was in 1914. But it is now apparent to everyone that the war will be won or lost on the Western Front. If the disappearance of an Eastern front serves to remove the last traces of illusion on that point, some good may come out of it. And it is reassuring, after a disappointing week, to reflect that no very signifi-

cant successes have yet been won in the West by the German aggressors.

The struggle in the air has hardly begun, but first blood went to Britain in the raid on the German coast, and the Allied air forces appear to have established an ascendancy on the Saar front. At sea, the sinkings of British merchant ships have been serious. But the submarine, waiting fully provisioned at its station at the outbreak of war, is obviously at a greater advantage, and the unconvoyed merchant ship at a greater disadvantage, in the first weeks of war than will be the case very soon. And, while the rate of sinkings of merchant shipping has not been as great as in the worst period of the last war, the rate of extermination of the submarines themselves, even if only proved cases are taken into account, has been double that of the last war's periods of greatest success.

On land, the cautious advance of the French shows with what respect they regard the Siegfried line. Their slow progress should be an encouragement to the far-sighted. For, during a great part of the war, it is the Germans who will be in greater strength on the Western front, and too easy a breach in the Siegfried line might merely augur a similarly easy breach, when the time comes, in the Maginot line which, for Britain as for France, is the vital bulwark. We can afford to take no chances on land. If we are to make sure that our defences hold, while the slow weapon of the blockade produces its effect, we must be ready to recruit a British Army of the same size as the French. The first task must obviously be to provide full equipment for the million men we already have in uniform. But beyond that is the barely less urgent task of raising and equipping a second, and even a third million. The public would like to have more convincing indications that these tasks are being pressed forward with all possible speed and energy. In the last war, two years elapsed before the new British Army went into action on the Somme. Those two years were the contribution to the Allied cause of Imperial Russia. The very different rôle played this week by Red Russia should stand as a military warning. We cannot take refuge in any belief that our economic and industrial contribution absolves us from the maximum military effort. Britain showed twenty-five years ago that she could be predominant at sea and in the air, and still raise a gigantic army. We can legitimately hope that a million lives will not be thrown away this time in fruitless offensives. But we can hardly hope that we shall achieve victory without an equal mobilisation of man-power to stand in the path of aggressive militarism.

## After Evacuation

WAR is a swift solvent of fallacies. In less than a month of hostilities we have come to know the complete falsity of the maxim *inter arma silent leges*. There is no question now of the activities of Government in the civil sphere being suspended, or even abated, while the war is on. On the contrary, Parliament and the Departments of State will need to work steadily at full pressure to make and maintain the complete transformation of civilian life which modern war requires.

Week by week since the war began, a summary record has been set down in these pages of a flood-tide of new laws and regulations; and the spate of statutes and orders is still far from ended. It is too early yet to weigh their consequences, for much of the new civil structure is still only on paper. But some part at least of the change-over is already represented by actual physical facts. Outstanding among these has been the movement of millions of people to new homes. Children, mothers, disabled persons and some officials have been moved by the Government from crowded and vulnerable places; very many families and firms have moved themselves. Not all the 3 million school-children, mothers and infants, expectant mothers, adult blind and cripples in the 11 million inhabitants of the evacuation areas have actually moved. It is doubtful whether the total number of evacuees, public and private

and including the staffs of transferred firms, exceeds 2 millions by any large margin; and some of those who have moved without official aid have gone into neutral and not reception areas. Even so, for the population of the reception areas, totalling some 16 millions, to be raised by, say, 2 millions in a few days is an event of tremendous magnitude. Between 1921 and the end of 1937, the total population of the London Transport area was raised by just under 17 per cent.; and, of the increase of 1½ millions, less than half were immigrants. In less than a week at the outbreak of war migration increased the population of the reception areas by 12 per cent.; migration increased the population of the London Transport area by only 8 per cent. in sixteen years.

The population has been redistributed with abrupt speed; and, for the moment, it is the difficulties of the process that are most noticeable. The impact of the official evacuees upon their new homes has not always been fortunate, and too many of them are coming back to danger. In reception areas, the problem of providing supplies, schooling, services, occupations, amusements and even accommodation for the visitors is sometimes acute. In evacuated districts, traders have been thrown into idleness because their customers have gone away; hotels and boarding houses have suffered severely. There is some dislocation and loss on all sides.

This is not surprising. Large-scale movements of population have always given rise to serious problems of adjustment; and this particular movement is less amenable than most to quick adjustment, because its causes were strategic rather than economic. The need now is to work out the special features and requirements of evacuation. In a sense it is simply the latest of an age-long and unceasing series of population movements whereby the stages of the country's shifting economy have been successively blocked out. But the resemblance of evacuation to its forerunners is only partial. The so-called drift to the South, for instance, which has inflated Greater London since the last war and created serious problems of urban congestion, was directly due to changes in the pattern of British industry; men and women moved to secure work in the new light trades and service occupations, which arose around the great town markets. Now, it is safety rather than work which the new migrants are seeking, and the bulk of them are children and mothers. Finally, and in the long run most significantly, it is *from* the large cities, and not *to* them, that they are moving. The trend of migration has been reversed.

The argument that this exodus lacks the economic origins of earlier movements can be carried too far. The business concerns that have moved (chiefly to the so-called neutral areas)—banks and insurance companies, timber and shipping firms, dealers and miscellaneous offices—will carry on. Their transfer is part of the necessary task of conducting the nation's business under conditions of war. The evacuated women and children, too, have wants and needs and purchasing power. Sooner or later, in some small degree at least, they will also represent labour bidding for hire.

It is important to remember that evacuation, though strategic in origin, is necessarily economic at bottom, because, so far, the movement has all the appearance of being costly and uneconomic. There is not only the out-of-pocket expense, to the Exchequer and to private individuals, of the actual process of transfer and settlement. There is also the cost in human terms represented by the unhappiness of evacuees and the resentment of some of their hosts. In addition, there is the immediate sharp loss to trade and commerce in London and the other large towns that have been depleted. This is, so to speak, the initial charge of a new colonisation. Much, probably the greater part, of this economic *malaise* need only be short-lived. The migrants are all consumers. Many of them are potential producers, too. They not only need lodging to replace the dwellings they have left behind. They need shops and supplies as well, to take the place of those that served them at home.

Even so, adjustment is not easy. The purchasing power of the refugees is scarcely so big as it was when they lived at home *en famille*. The allowances made to billeting for their guests are small; and the miracle of working-class domestic economy, which is to make the collective family income go unbelievably far, cannot be worked when the family is split up and scattered. Moreover, even though it is likely that much of what is now being lost on the swings in the cities will be regained on the roundabouts in the country, the gainers (except perhaps in the case of chain stores and multiple shops) will not be the same persons as the losers. And it is easier to empty houses, flats, lodging houses and shops in cities than it is to build new ones to replace them in the country.

One thing is certain. Adjustment will not come, except partially and slow-footedly, of its own accord. Evacuation was a sudden and forced movement; it meant that artificial break-up of family and trade ties. It is still regarded as essentially temporary and irksome. It is looked upon as a necessary evil.

It would be a pity if this view, very natural though it is, were to prevail unmodified. There are two reasons for saying this. In the first place, there is no room for waste in war. The less the out-of-pocket cost of this redistribution of the population, and the greater the productive and distributive efficiency of the swollen reception areas, the less will be the weakening of vital war effort. There is no place for passengers; that is why the new communities, visitors and hosts alike, must be placed on an economic footing at once. This may mean increased allowances for

billeted refugees. It may mean officially furnished canteens, markets and stores. It may mean the requisitioning of public buildings to ease the strain on overcrowded private houses and congested schools. It emphatically means that the fifty National Camps to replace the billets should be pressed on with and multiplied manifold. The ordinary household and town cannot easily bear the strain. The setting up of centres for part- and whole-time war work in the reception areas must be considered. The swift and comprehensive overhaul of water supplies, drainage systems and medical services, too, is imperative. Billeting is already compulsory; and it should be made an offence for evacuated children to be taken home into danger. But neither step is entirely fair until the process of adjustment and adaptation is set more firmly on foot than it is yet.

In the second place, is it so certain that evacuation, admittedly necessary, is altogether an evil? It has long been argued that the process of urbanisation has been allowed to go much too far; that towns like London and Birmingham are unduly costly to maintain and unhealthy and nerve-racking to live in; that contact between town and country has been largely lost; and that the city-dweller merely works at one end of a tunnel and lives at the other. The planners who have drawn up this indictment have based their own suggestions for amendment upon two principles; first, the dispersal of the population into smaller communities; secondly, the organisation of those communities in such a way that industry and agriculture can be carried on efficiently and pleasantly. These principles coincide very aptly with the policy of dispersal forced upon us now by the danger of air raids. It is needful to move and scatter the population of the most vulnerable places; but it is all the time vital that the nation's work should be carried on without interruption.

In brief, it would not be hard to draft a case in favour of the view that ARP has made some at least of the planners' dreams, our present peremptory needs. Nor is it simply evacuation which comes into this account. The towns that the refugees have left are dangerous and inefficient for war precisely because they were ill-planned in peace. The houses are too close upon one another. The roads are crooked and crowded. Homes and workplaces are too far apart. All this has been the planners' burden for a long while now.

We cannot escape the long-term view of evacuation. It has got to be made to work now forthwith, because the immediate needs of war command it. But, in so far as the movement has been away from choked cities, and (in part at least) towards the more rational spreading of the people over the countryside, longer-sighted and more enduring considerations must necessarily count in any assessment of it. The majority of the evacuees will come home, it is true. Children will rejoin their parents and women their husbands; they will go where their breadwinners' work is in peace-time. But not all the families and firms and individuals will go back to the cities. Some will have found the greater attraction of a new kind of community. Others, if the process of settlement and assimilation, which is essential for the duration of the war, is promptly and properly ordered, will have found a new and happier niche. And the children who do go back to, say, the East End of London will know the countryside and the sea that they are missing. The springboards of a healthy and natural decentralisation may even now be being placed in position.

Let there be no mistake. The one over-riding aim at present is to win the war. The refashioning of England can at the best be only very incidental. But there is good ground for the belief that, to a point, refashioning is vital for the war-effort itself. Unless evacuation is to create a dangerous drag upon the nation at war the new communities of the reception areas must be made active and, to some extent, self-supporting. The task of civil defence is to enable the nation's business to be carried on, undeterred and undiminished; and evacuation must be fitted firmly into this plan. If this is successfully done, then there may be the beginnings here of a new model England when peace comes again; and here at least there may well be some sweet fruits to be plucked from the brutal business of war.



## Local Autarky in America

THE American Constitution provides that none of the separate States that make up the Union "shall, without the consent of the Congress, lay any impost or duties on imports or exports, except what may be absolutely necessary for executing its inspection laws." Not only is this the law, it was an essential part of the economic and political structure that was built by the Founding Fathers. Nothing had more clearly demonstrated the need for a strong Federal Union among the colonies who had won the Revolutionary War against Great Britain than the epidemic of trade wars between the States that filled the years between the end of the war and the drawing up of the Constitution. Moreover, it has become an article of faith that the high living standards of the United States can largely be ascribed to the fact that it is one of the largest free-trade areas in the world.

This argument, however, has never been accepted by the legislatures of the States as being true without exception. Ever since the inception of the Union, America has been highly protectionist so far as foreign goods are concerned, and it has always been difficult for, say, the Massachusetts manufacturer to accept that, while it is a good thing for him to be protected against the products of cheap labour abroad, it is a bad thing for him to be protected against the products of cheap labour in the Southern States. The existence of very wide differences in climate and labour conditions between different parts of the country has acted as a spur to State legislatures.

As a result, a number of ingenious legal devices have been discovered from time to time which permit the States to circumvent the clear intention of the Constitution. A general preference for local products has frequently grown into definite discrimination against goods coming from other States, and there have been a number of overt commercial wars between specific States.

One remarkable characteristic of these quarrels has been that the warring States have not usually been immediate neighbours—an indication that the real lines of cleavage in America are those of regions rather than of States. The most famous quarrel of all was—and is—between States at opposite ends of the country—namely, California and Florida. This quarrel arises in part from the fiercest of all antipathies, that between rival health resorts. But the incident that raised jealousy to the level of a commercial war was California's decision to inspect all fruit coming into the State from Florida on account of the risk of infection with the Mediterranean fruit fly. This protection has been maintained, even though the original reason for it has largely disappeared, and California still imposes on her State lines an inspection service fully as rigorous as many national Customs barriers. The mutual dislike of California and Florida has also extended to the avoidance by Californian newspapers of photographs of Florida's far-famed bathing beauties and to sporadic attempts in Florida to boycott Hollywood films.

"Inspection" is one of the powers specifically left to the States by the Constitution and California's fear of the fruit fly is not the only emotion that leads States to impose inspection laws which in fact penalise producers in other States. It is only reasonable that States, or individual cities, should be allowed to inspect the conditions under which their milk is produced and to prohibit the sale of any un-inspected milk. This has led in some cases, notably that of New York City, to the exclusion of some supplies of milk on the ground that they come from outside the "milk-shed"—that is, the area within which New York will inspect.

Inspection, however, has proved a less potent weapon in the hands of State particularism than the taxing power. It would, of course, be illegal to place a tax on imports from other States, but there are less crude ways of achieving the same object. A State can, for example, insist that every motor lorry crossing its borders shall pay the full annual tax (with the result that any long-distance lorry bears a

collection of different licence plates as numerous as the hotel labels of the assiduous European traveller). The States can—and do—levy fiercely discriminatory taxes on chain stores with the object of protecting the local shop-keeper. A prime example of the extent to which taxes can be used for commercial protection can be taken from the story of margarine. Margarine is, of course, anathema to the dairy industry because of its fatal defect of being cheap. Because of the equally fatal defect that, until recently, it was manufactured from materials imported into the United States from abroad, it has been fiscally harried, not only by different State Governments, but by the Federal Congress itself. It is, for example, illegal to refer to the substance except as "oleomargarine," and this pejorative name, together with special licence fees imposed on dealers who are bold enough to sell the stuff, have contrived to create a general public impression that margarine's inferiority to butter as a foodstuff is far greater than is really the case. The attacks on margarine have naturally reached their maximum in Wisconsin, the great dairy State, which imposes licence fees ranging from \$1,000 a year on manufacturers of margarine down to \$1 on every consumer, as well as an excise duty of 15 cents a pound. The efficacy of these duties may be measured from the fact that their total yield in a recent year was exactly \$14.42.

Margarine, however, has recently acquired a champion. It has been discovered that margarine can be made from cottonseed oil, with the result that several of the cotton States have taken issue with the dairy States. Wisconsin is not only a great producer of butter; its biggest city, Milwaukee, is also one of the beer capitals of America. A natural repercussion of Wisconsin's anti-margarine taxes is a movement in the cotton States to boycott Milwaukee beer. Indeed, this intensification of the war may prove to be an advantage, since there are signs that the dairy States are being persuaded to see reason.

Duties on alcohol, in fact, are a favourite form of retaliation, since they, like inspection laws, are specifically exempted in the Constitution. The Twenty-first Amendment, which repealed Prohibition, specified that there should be no importation into any State "of intoxicating liquors in violation of the laws thereof." Originally intended to protect States that wished to remain dry, this clause has in fact been taken as licence to impose all sorts of restrictions on the entry of other States' brews. As a result, a number of liquor wars have broken out, especially in the industrial States of the Middle West, which have only been composed with some difficulty.

One further manifestation of this strange growth of local autarky deserves mention. During the depression, many States raised money for unemployment relief by means of a sales tax—that is, a general excise tax on all sales, usually with the exception of foodstuffs. But when such a tax is imposed, it is obviously necessary to protect local traders against the competition of neighbouring States where there is no sales tax. For this purpose the "use tax" has been invented. This is not a tax on imports from other States, for that would be unconstitutional; it is a tax on the privilege of using within the State goods that have been imported from other States. Lest that reasoning be thought too casuistical, it should be recorded that it has received the approval of the Supreme Court.

It would be a wild exaggeration to say that these local barriers to trade are a serious handicap to American business. But they have passed beyond the stage of mere curiosa and become real nuisances. In the last year or two an increasing amount of attention has been directed to them and the Council of State Governments recently convened a conference on the subject at Chicago, whose recommendations may have the effect of stemming the movement. But if not, it may not be very long before the Balkanisation of America—a phrase coined by the Governor of Missouri—ceases to be a picturesque metaphor and becomes a hard fact.

## Defence Measures

THE first stage in the construction of a legal and administrative framework for the life of Great Britain in war time is nearing completion. Since the commencement of the crisis which culminated in the outbreak of war, forty-seven Acts of Parliament have been passed, numerous Orders-in-Council have been issued and the machinery of civil defence has been prepared for action through the medium of departmental instructions. The diminution in the number of new defence measures now appearing indicates that the phase of bringing into effect specific types of organisation, fully planned in anticipation of the necessities of war time, is ending.

It now remains for the machinery which has been prepared to be put to the test of action. As that phase is reached—and there are signs that it is already beginning—there arises a need for new measures to facilitate working and remedy such deficiencies of the existing organisation as are revealed by the actual stresses of war. Those problems of an evacuated population which emerge after the initial task of transportation has been completed, are taking shape and calling for remedy; there have been modifications in the A.R.P. organisation and there are more to come; and the existing measures of price control and rationing have already required the commencement of the process of patching and modification which is continuously necessary to keep the machinery in working order.

The record of defence measures which has appeared in the last four issues of *The Economist*, and is continued below, has so far reflected the construction of a new administrative framework from carefully prepared material. It now includes an increasing number of measures introduced to meet the new day-to-day difficulties which are the product of the shifts and changes of developing war.

### DEFENCE LEGISLATION

On Thursday, September 14th, three Acts were passed. *Patents, Designs, Copyright and Trade Marks (Emergency) Act*

The first object of this Act is to make provision for patented inventions, registered designs, copyright work and registered trade marks belonging to an enemy to be used or produced by non-enemies in this country under licence. Secondly it extends the limits of time within which renewal fees may be paid and other acts done where the doing of an act is prevented by the state of war, or would injure the person concerned or the public interest.

#### *Administration of Justice (Emergency Provisions) (Northern Ireland) Act*

The administration of justice in Northern Ireland on lines similar to those laid down in previous Acts for England and Wales and Scotland (*The Economist*, September 16th, page 517) is provided for by this Act.

#### *Universities and Colleges (Emergency Provisions) Act*

This Act, which applies to the Universities of Oxford, Cambridge and Durham and to the colleges of Winchester and Eton, amends the Universities and Colleges Estates Act, 1925, and the Oxford and Cambridge Act, 1923, to enable these institutions to provide for the financial and administrative difficulties of war time.

The only Act passed on Friday, September 15th, was:

#### *Control of Employment Act*

The Minister of Labour and National Service is empowered by this Act to make an Order forbidding employers to advertise for certain classes of workers, specified in the Order, or to engage or re-engage such workers without the consent of the Minister.

On Wednesday, September 20th, was passed the

#### *Possession of Mortgaged Land (Emergency Provisions) Act*

The object of this Act is to close a loophole in the Courts (Emergency Powers) Act by assimilating the relief which that Act affords against the retaking of possession of property for non-payment of rent without the leave of the court, to con-

tracts between mortgagor and mortgagee. The latter type of contract is usual in the case of houses acquired through building societies.

### ORDERS IN COUNCIL

By a Ministry of Food Order which was announced on Friday, September 15th, eggs were added to the list of products whose prices are officially limited. Five categories of eggs are prescribed, and these must be indicated by sellers when invoicing or offering for sale.

A further Order by the Minister of Food requisitioned for storage and Service requirements all imports of bacon and hams arriving in Great Britain after midnight on Saturday, September 16th, except shipments from Northern Ireland and Eire.

On Sunday an important Order fixed Friday, September 29th, as National Registration Day.

The prices for potatoes which had originally been fixed by an Order of September 9th were modified by the Potatoes (Provisional Prices) (No. 2) Order, which was announced on Monday, September 18th. On the same day two Board of Trade Orders under the Trading with the Enemy Act specified 278 persons carrying on business in foreign countries who are deemed to be enemies, and required money normally payable to or for the benefit of an enemy to be paid within 14 days to one of the district Custodians of enemy property.

Condensed milk was added to the list of commodities whose maximum wholesale and retail prices are fixed, by a Ministry of Food Order announced on Tuesday. The Treasury, in an Order under the Defence (Finance) Regulations published on the same day, announced that travellers to foreign countries may take either bank notes or foreign currency up to £10 in total value, except in the case of Eire, where the allowance is £25. Travellers who wish to take out larger amounts must obtain a certificate. The Northern Ireland Ministry of Agriculture, under powers delegated by the Home Secretary, issued an Order requiring Northern Ireland farmers to increase their arable acreage.

The Minister of Agriculture reinforced his appeal for an increase in the number of allotments with an Order announced on Wednesday which gave urban authorities wide powers to take possession of the necessary land.

The Royal Warrant for the retired pay and pensions of members of the Military Forces disabled, and of the widows, children and dependants of such members deceased, in consequence of the war, was published on Tuesday, September 19th.

### DEPARTMENTAL INSTRUCTIONS

Sectional orders and announcements made on Friday, September 15th, included a number which reduced still further the economic inconveniences and social amenities of peace time but at the same time restored a few of the latter. On the one hand it was made known that the September wool sales had been cancelled, that the batch telegram service had been suspended and that certain London bus services would be curtailed on the following day. But it was also announced that cinemas, theatres and other places of public entertainment would be allowed to reopen until 10 p.m., or 6 p.m. in the Central London area. The Ministry of Food notified dealers in butter and cheese that they were required to register to facilitate the working of the control scheme.

The petrol rationing scheme which was to have come into force on Saturday, September 16th, was postponed for a week. Wheat prices were the subject of announcement by the Minister of Agriculture in which growers were informed that wheat marketed in the current cereal year will be eligible for deficiency payments. Maximum prices to be paid by authorised buyers for home-grown wheat were stated by the Food Minister. Egg importers were notified that they should register a once. A number of announcements dealt with various types of payments and allowances arising in war circumstances. The Minister of Pensions' scheme for the provision of grants in respect of physical injury to civilians as the direct result of warlike operations was explained in an official statement; the same Minister took over the responsibility for the award of allowances and pensions for the disablement or death of members of the services; the National Joint Council for the Building Industry issued a statement explaining the appropriate payments to be made to members of rescue

squads and other civil defence workers. The compensation which it had originally been proposed to pay for the 1,000 provincial hotels commandeered by the Government was considered inadequate and will probably become the subject of a protest by the hotel-keepers affected. An appeal by the Commissioner of Police of the Metropolis urged police officers to postpone joining any of the fighting services for the present. Reports received by the Board of Education from its inspectors indicated that it would shortly be possible to commence work on a war basis in most reception areas.

Schools were also the subject of announcement on Monday to the effect that enrolment for the technical and evening institutes in the London County Council area had been postponed; but it was indicated in a letter from the Board of Education to local authorities that such schools might be reopened in evacuation areas, subject to certain restrictions. The question of allowances was covered, in the case of families of men already in the services, by an announcement from the Admiralty, the War Office and the Air Ministry stating the rates to be paid; and the allowances to be made to married officers in a forthcoming Army Order were notified in advance. The appointment of the members of a Board for the cotton trade was announced by the President of the Board of Trade and the Minister of Supply. The Mines Department drew attention to the fact that the supply of motor fuel into other containers than the tanks of vehicles, except in special cases, is illegal. The adjustment of civilian amenities was the subject of two announcements of divergent effect—one that the relaxation of the black-out in country districts could not be permitted, and the other that a number of the normal passenger services of the Southern Railway would be restored.

On Tuesday the L.M.S. and L.N.E.R. also announced forthcoming improvements in passenger services, and the Ministry of Transport indicated that some of the London tube stations which had been closed would shortly be reopened. Adjustments to war-time regulations were the subject of an announcement that some doctors at present employed in whole-time emergency hospital service would be allowed to transfer to part-time, and of a notice by the Ministry of Transport outlining the procedure whereby operators of goods vehicles may obtain supplementary petrol rations. The Postmaster-General supplemented the announcement made on Sunday by the War Office and Air Ministry of the arrangements for correspondence with men serving abroad with an official description of the procedure for sending letters and parcels to members of the Army and the R.A.F.

## NOTES OF THE WEEK

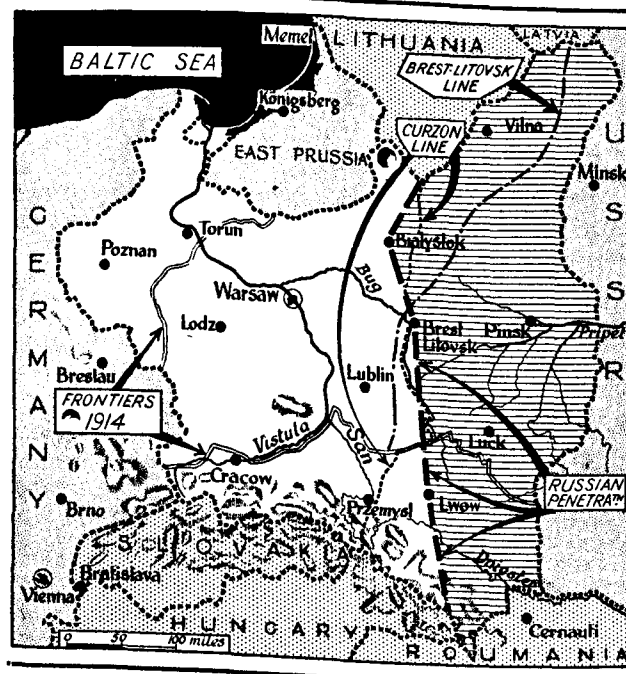
**The Fourth Partition.**—On Sunday the Russian Army invaded Poland. European politics have gone back to Bismarck, for, whether we like it or not, Russia has returned to Central Europe; and although her return means the partition of our ally, Poland, and the risk of unwelcome pressure on Roumania and Turkey, there is already evidence enough to show that the Germans are going to like her return even less than we do. The technique of invasion was simple and, because the Poles were occupied elsewhere, a good deal more successful than on the previous occasion, twenty years ago. For days beforehand it was known that mobilisation had been effected in the whole of European Russia, that a total of nearly four million men were under arms (a direct witness to the distrust which must direct the friendship of Stalin and Hitler), and that invasion of Poland was imminent. In Britain and France there was no surprise, though there was a natural movement of protest, which was only weakly reflected in the British Government's carefully worded statement to the effect that "the invasion could not be justified by the arguments put forward"—those arguments having been a hotchpotch of the propaganda which the Soviets have conducted against the Polish "tyranny" ever since they failed to replace it by their own in 1920. The implications of the invasion are far less simple. With the discounting of Poland as a balancing factor in Northern Europe, the whole play of forces will change, and is already changing. Some measure of how the Baltic States are feeling is given by the silence of the Lithuanian Government, which has raised not so much as a finger for the recapture of coveted Vilna; and this, too, would seem to show that the Germans, fearful

The War Office also announced particulars of the arrangements for the transmission of goods and commodities to foreign countries by post. At an emergency meeting of the Drapers' Chamber of Trade it was decided to recommend members not to increase prices for existing stocks by more than 5 per cent. on the average. The use of the Blue Ensign and of the defaced Red Ensign by merchant and other private vessels was discontinued. An important announcement was made by the Ministry of Information to the effect that a national organisation to deal with civil air transport had been formed with the title of National Air Communication. An increase in home wheat production was strongly urged, and it was announced that there would be no interference with petrol supplies to farmers for at least five weeks.

It was announced on Wednesday that the Home Secretary had appointed an Advisory Committee to examine the cases of interned enemy aliens applying for release. The Civil Service Commissioners notified the suspension until further notice of open competitions for appointments. Wednesday also saw the first major casualty in the civil defence sector, when the Minister of Food announced in the House that the scheme for the distribution of fish had failed and that Billingsgate would reopen on Saturday. The extension of summer time until the night of November 18th-19th was a typical example of the unobtrusive adoption of the kind of measure which in normal times would evoke extensive discussion.

The preparation of plans for the control of supplies of meat to manufacturers of meat products and for increasing the production of seed potatoes was announced on Thursday. Adjustments to rationing schemes were notified by the Ministry of Transport, which clarified the position in the matter of additional petrol rations to goods vehicle operators; and by the Mines Department, which announced that the scheme for rationing gas will not apply to the users of slot meters. Details affecting labour were the extension of the period in which soldiers may be available to assist farmers until September 30th; the issue of a memorandum by the National Joint Industrial Council for Local Authorities Non-trading Services (Manual Workers) concerning rates of wages and overtime conditions of employees of local authorities on civil defence work; the extension of the period after the sounding of an "all-clear" signal during which workmen's railway tickets may be issued from 20 to 30 minutes; and an announcement by the Joint Agency of Women Teachers that a number of women teachers are unemployed as a result of the evacuation of secondary and private schools.

of Russia's enmity, have not encouraged the Lithuanians into an annexation from which the Germans themselves could later profit at Russia's expense. As must have been



implicitly recognised in the German-Soviet non-aggression pact, which undoubtedly paved the way for this partition

of Poland, Lithuania now falls to Germany and Estonia and Latvia to Russia in a way which leaves the Governments of those three small States with no option but to comply exactly with the orders they receive from their respective "protectors." It may be that we shall now witness what M. Karl Selters, the Estonian Foreign Minister, has called "preventive aggression"—invasion by one "protector" in order to discourage the offices of the other.

The line of Russian penetration is shown approximately on our map, for the exact frontier is not yet defined. It will be seen that the Russians have obtained the whole of the Polish-Roumanian frontier, the great city of Lwow, and most of the Ukrainian minority area. Germany is thus severed from direct contact with Roumania, and loses thereby what was presumably one of her major objectives. Roumania is by the same move very much in Russia's grip, and reports from Bucharest show that there is a lively appreciation of the dangers, not least among them the threat to Bessarabia, which that may mean. Here, again, there are countervailing advantages, for the German threat to Roumania becomes a much less immediate affair and must operate, if at all, through Hungary, which should give the Roumanians and the Allies by whom they are guaranteed plenty of warning. At this moment it may be no bad thing to compare the Russian line (so far as it is known) with the frontier proposed by Lord Curzon in 1919, and marked on the accompanying map. In support of the Curzon Line it was urged that the ethnographic limit of Poland ran much farther to the west than the Poles claimed; and it was also clear that, if the Curzon Line were adopted, Czechoslovakia would have a common frontier with the U.S.S.R. and would be correspondingly stronger. Both the Poles and the Roumanians argued that the line must run far enough east to give a common Polish-Roumanian frontier, and in the end they got their way. It is interesting, and may be profitable, to speculate on what would have happened if they had not.

**The Fighting in Poland.**—By a combination of skill, lucky weather, and great superiority in the air and in mechanised land equipment, the German Army has completed the virtual conquest of Western and Central Poland in three weeks. The success of their decisive thrusts in the north and south seems in any case to have been assured, for they never gave the Polish armies a moment's respite to reform and make a stand, throwing out swift mechanised columns far ahead of their main advance which harassed Polish communications and attacked the Poles in rear; but the final defeat of the Poles, who showed great gallantry, was naturally hastened by the sudden Russian advance along the whole Polish-Russian frontier. From that moment the structure began to crumble; Polish Government officials, including President Moscicki, and, it is reported, Marshal Smygly-Rydz, fled south-eastwards into Roumania, soon to be followed by streams of refugees; scarcely a day later the German and Russian armies had made contact, and their representatives had entered into conference at Brest-Litovsk on the precise line which the new frontier should follow. It seemed that all was over, and that the war in the west must now be waged with nothing but a memory of what had been Poland. Then it was understood that the Germans were still held up round Warsaw. Was this the Polish epic, not unexpected, that would lift their defeat above the bitter level to which it had fallen? During Wednesday and Thursday it was clear that another Battle of the Vistula was being fought; the German High Command issued a *communiqué* which said that "that was one of the greatest battles of extermination of all time"; and although there was practically no news from the Polish side, a piecing-together of the little that did come through showed that a large body of Polish troops, supported by the able-bodied population of Warsaw, and commanded by General Sosnkowski, were still holding out to the west of the Vistula. In a short time, by

sheer weight of numbers, they will be destroyed or, as the Germans would say, exterminated: but before that they will have stamped on the fourth partition a moral protest that the Germans will have cause to remember.

**The Czechs Revolt.**—In Bohemia and Moravia the German authorities are busy with another battle of extermination, though this time on a very different scale from that in Poland. A message issued from the Ministry of Information on Wednesday stated that a revolutionary movement started in the Czech provinces on Sunday, and that in the following three days riots occurred at Pardubice, Plzen, Tabor, Brno, and other places. On Tuesday the movement spread to Western Slovakia, where Slovak garrisons at Ruzomberok, Zhilina, and Trencin have revolted, and about 15,000 troops have been disarmed. The message emphasises the wide area over which the revolt took place, the courage with which it was prosecuted, and the organisation by which it must have been preceded. A great deal of damage to essential services, including the destruction of bridges, rolling stock, machinery, telephone equipment has been done by armed wreckers. The Czechs, like the Poles, are serving notice that they will not lie quiet under German oppression.

**Russia and Turkey.**—A joint statement by Russia and Turkey may be expected this week-end, or on Monday, dealing with their common attitude to the European situation. It will arise from a visit to Moscow of M. Sarajoglu, the Turkish Foreign Minister, to examine "questions of common interest." Before he left, M. Sarajoglu was in conference with the Turkish Ambassador in Roumania, and as this tied in with the report that some sort of a Black Sea pact was to be signed, speculation became general. Russia's primary aim, of course, is to remain the only Great Power neighbouring the Black Sea, and to do this she would doubtless make considerable sacrifices. But a formal Black Sea pact, provocative as it would be to Germany, is probably a good deal in advance of the Soviet Government's intentions. In effect, one already exists; Russia, Turkey and Roumania are each linked together, Russia to Turkey, and Turkey, less closely, to Roumania, while the terms of the Balkan Entente are aimed at possible Bulgarian aggression. As if to clinch the amity of Black Sea relations, the Bulgarian Government has lately shown itself less unyielding in its revisionist claims than for many years past. It is more likely that the Soviet Government wants to discuss the present implications of the Anglo-French-Turkish alliance, and it is for this reason that a certain amount of uneasiness has been caused by the visit. If the Soviets are willing to buy peace at the price of Germany's appearance on the Black Sea,

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this uneasiness is fully justified; fortunately there seems little likelihood that they are. For the Turks, the problem is essentially one of reconciliation; and, in view of the fact that their alliance with ourselves and the French was declared with Russian approval (though, of course, before the announcement of the German-Soviet pact), they are apparently confident of success in this. The Moscow *communiqué* will say at little as usual on such occasions, but it should be possible to read between the lines. Stalin may even use it as a means of showing how far he is willing to go with Hitler.

\* \* \*

**Parliament and the War.**—The heavy war-time work of Parliament now pivots round the Prime Minister's weekly statement about the progress of the war. On Wednesday, Mr Chamberlain was again anxious to lay all the cards possible on the table. The Russian invasion of Poland, he said, had come as no surprise, but it was impossible yet to be sure of its real implications. In the West the keynote of the Allies' strategy was active and intensive preparation. At sea, despite the serious loss of the "Courageous," the war against submarines was gathering gratifying momentum. In general, the Government did not intend to be "rushed into courses of which their military advisers did not approve," though no threats would deter them from any course which seemed likely to succeed. The House, informed in this way that Members must "wait and see" and, by implication, that aerial bombardment of military objectives in support of the foundering Poles would have been impracticable, was very patient. Opposition speakers were naturally unhappy about the Allies' inability to aid Poland before her downfall; and, also with some justification, they were by no means convinced that the mobilisation of man power and the output of munitions were being pressed forward with the vigour and planned foresight which a war to a finish will require. There was wide support for the proposal to hold a secret session of Parliament at which tongues on both sides of the House might be loosened. There is no sign at all of any split in the solidarity of the Commons. Their resolve to resist aggression to a victorious end is united and unshaken. But most Members reflect the wish of the man in the street to get a move on; and, while they remain confident of the Cabinet's ability and determination, they are desperately anxious to contribute to success by free and continuous constructive criticism. It will be needful for the Government, at every stage, to give concrete earnest that substantial progress is being made in all departments of the war effort.

\* \* \*

**National Registration.**—Misgivings akin to those of the primitive Israelites in the matter of the sin of numbering have been expressed at each of the stages preliminary to the passage of the National Registration Act. But the Act itself took its place among the many sweeping measures placed unobtrusively upon the Statute Book in the first days of the war, and was in fact passed almost without opposition. Its direct application to the life of the civil population will, however, be speedily brought home. The work of distributing the necessary forms will be begun on Sunday, September 24th, by the 65,000 enumerators; the registration day has been fixed for Friday, September 29th; collection of the forms and the distribution of identity cards will begin on the following day; and it should be possible to complete the preparation of the summarised transcripts of the returns within a few hours of the completion of their collection. The object of the registration is to supplement and bring up to date part of the material of the 1931 census for the particular war-time purposes of food rationing, identification, the maintenance of contacts between members of dispersed families and recruitment for national service. There can be no reasonable objection to the principle of this enumeration. The methods of its performance have yet to be tested in practice, but they appear on paper

to be a model of expedition. The only misgiving at the moment is on the all-important question of the actual terms of the questionnaire. The schedule of required particulars which accompanied the Bill was scanty in the extreme and gave no indication that the information collected would in fact be sufficient for all the purposes which it is supposed to serve—and in particular for the maintenance of contact between members of dispersed families. This matter will no doubt be given attention before enumeration takes place, but it is hardly a question which is amenable to hasty treatment.

\* \* \*

**Congress on Neutrality.**—The United States Congress assembled in special session on Thursday for the express purpose of reconsidering the present Neutrality Act, which is, in effect, an embargo on exports of munitions to the democracies, who control the seas. The President's position is quite clear: he favours an immediate repeal of the embargo. He has strengthened his case and at the same time disentangled the issue from the bitter faction-fight that dominates American politics by inviting Mr Landon and Mr Knox, the Presidential and Vice-Presidential candidates of the Republican Party at the last election, to attend his eve-of-the-session conference with Congressional leaders and by securing their endorsement of his policy. But the opposition to a repeal of the embargo is vocal and numerous. On the outbreak of war quick repeal seemed certain. Then a reaction of opinion appeared to set in as the isolationists raised their voices. But the Russian attack on Poland has turned the tide again, both because it increases the danger to Britain and France and because it makes still more clear-cut the distinction between those who are fighting for the democratic way of life, in which Americans themselves so fervently believe, and those whose victory would leave America alone in the world. The prospect is still that the embargo will eventually be repealed, but only after a long and wordy struggle.

\* \* \*

**Controlling Prices.**—There has been no generally undue rise in the prices of consumers' goods since the war began. For most raw materials and many foodstuffs maxima have already been fixed; and at the end of this month official rationing will be introduced for several essential articles of consumption. Nevertheless, complaints are already rampant about quite arbitrary advances in a number of retail prices; and some notorious instances are quite scandalous. In general, these increases run quite counter to the Government's policy, which is to meet cases of temporary or local shortages by voluntary or official rationing rather than by rises in price. Every effort should be made, by the Government and by trade associations, to put a stop to this process, limited though it is, except where it can be proved that the increase in price is due to a commensurate increase in costs. Under the Defence Regulations there are drastic powers of fine and imprisonment which could be used against profiteers; and already the National Union of Manufacturers and the National Chamber of Trade have threatened offenders with severe sanctions. It would be foolish to ignore the fact that in some cases costs have appreciably risen; the scheme for insuring commercial stocks, for instance, at the rate of 6 per cent. per annum (30s. per cent. for three months) imposes a drastically heavy burden on undertakings with slow-moving stocks—though even here the Drapers' Chamber of Trade have stated that, on the average in their trade, there is no ground for an increase of price greater than 5 per cent. The justification of advances in price to meet costs swollen in this or other ways is obvious. But the object of price policy at a time like this should be to keep the prices of articles in general demand as steady as possible. If stocks are running out in any shop or district, and it is becoming difficult to maintain supplies to regular customers, then the proper course is for the retailer to ration the goods affected accordingly.

This is the view of the Board of Trade itself (content for the moment to advise rather than to coerce), and this procedure will serve well enough in a period of transition when there are no serious national shortages. But, if and when such shortages do appear, it will still be most inexpedient and inequitable for prices to soar. Rationing will still be the just principle of distribution. But it will then be by an extension of official rationing, rather than by voluntary steps by individual shopkeepers, that the end of serving each citizen according to his needs, and not according to his means, will be best achieved.

\* \* \*

**The Contraband Control.**—The embargo on war materials for Germany is being swiftly and efficiently applied. Already the whole apparatus of contraband control is in operation, and the following figures, giving the quantities of goods destined for Germany unloaded from neutral ships by the British Contraband Control show something of its success. The figures are for the two weeks ending September 16th:—

|                                |                               |
|--------------------------------|-------------------------------|
| 29,600 tons manganese ore      | 3,500 tons soya beans         |
| 41,850 tons iron ore           | 1,500 tons chlorate of potash |
| 48,500 tons petroleum products | 400 tons molybdenite          |
| 15,500 tons aluminium ore      | concentrates                  |
| 16,000 tons phosphates         | 200 tons rubber               |
| 7,900 tons haematite ore       | 160 tons wolfram ore          |
| and a number of mixed cargoes. |                               |

The Germans have replied by calling this control an act of warfare against women and children, though it is difficult to see how women and children are going to suffer from a shortage of manganese ore and petrol. They have also issued a number of magisterial pronouncements to neutrals, stigmatising it as unneutral conduct "if the neutral countries should really submit to formal control or limitations on the part of other States directed against the maintenance of a normal exchange of goods with or the transit of goods to Germany." If the neutral countries are troubled unduly by the British Navy, the Germans say, then they can always refuse to trade with Britain. According to an interview given by Admiral Raeder to the *Amsterdam Handelsblad*, the Germans are not waging unrestricted submarine warfare, but "incidents are likely to occur if British merchantmen are armed so as to enable them to attack submarines. This would provoke German counter-measures." We are invited to assist at the spectacle of British merchant ships leaving their lawful business (upon the conduct of which over a score of them have already been sunk) and going off in search of enemy submarines. It is a pretty compliment. What is more to the point is the fact that a considerable fraction of Germany's total submarine fleet has already been sunk, and that, if ocean-going submarines are taken separately, the proportion is much higher.

\* \* \*

**More and Improved Information?**—It is twenty five years, almost precisely to a day, since the Swedish Government, in answer to the allegation that the Press of Sweden was pro-German, contended that the reason for the apparent bias was the quite insufficient facilities and information given to Swedish journalists in London. The same sort of situation has arisen again. The reluctance of the Ministry of Information to speak, and the frequent maladroitness of its words when it does, have repercussions as unfortunate abroad as at home. Here it is rumour that is given free rein; in other countries it is the news and propaganda of the enemy that is aided. It is accordingly doubly welcome that public pressure, represented by strong and repeated criticisms in both Houses of Parliament, should now seem likely to bring about a change for the better. Hard upon the heels of last week's discussion of the topic in the Commons (recorded in the last issue of *The Economist*) came a debate in the Lords, when Lord Camrose made his indictment constructive and helpful. He expressed the view that, for the most part, the Ministry was blundering in ignorance, largely because it lacked the

services of men skilled and experienced in the very technical business of gathering and putting out news. The result of Lord Camrose's intervention was gratifying. In future it will not be possible to use the plea "they know not what they do" in extenuation of the Ministry's activities, for Lord Camrose himself has been drafted in to give the bureaucrats, academes and amateurs of the Ministry his own expert assistance. It is now evident that the Government is anxious to give the public as much news about the war as is consistent with military exigencies, and there is good ground for hoping that improved organisation and procedure may soon render this aspiration something like an accomplished fact.

\* \* \*

**Control of Employment.**—The ten days which elapsed between the introduction of the Control of Employment Bill and its passing into law on September 15th constituted what may now be regarded as an unusually long interval. It gave an opportunity for discussions between the Minister of Labour and representatives of the employers' associations and the General Council of the Trades Union Congress, which resulted in the introduction of a number of important amendments. The original Bill was intended to confer on the Minister of Labour and National Service the power to make Orders forbidding employers to advertise for certain classes of workmen or to engage or re-engage such men without the consent of the Minister. The importance of these powers is obviously great, and the Minister's announcement on introducing the Bill that they had been accepted in principle by the trade unions was therefore both necessary and acceptable. But it is equally obvious that the details, even more than the principle, of such a measure are proper subject for discussion by the parties affected. An interval for this purpose was therefore allowed. The exchanges which took place in fact led to the introduction of amendments providing that a committee representative of employers and workers must be consulted before Orders are made, and making further provision for appeals against such Orders and for the payment of compensation where appeals are allowed. A new clause was also added with the object of safeguarding the customary right of trade unions and employers to regulate entries into particular occupations. This clause in effect underlined the obvious inference from the original terms of the Bill that it is not a measure introducing dilution of labour. That has yet to come; and it will require considerably greater opportunities for preliminary discussion than were finally afforded in the case of the present measure. There is no doubt that the vast majority of British workers will loyally accept the principle of the regulation of employment. But the translation of the principle into practice involves the setting up of a complicated and delicate organisation, and if the number of

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points of possible friction is to be reduced to a minimum both employers and trade unions must be given the fullest opportunity to co-operate in the preliminary work.

\* \* \*

**The Value of Education.**—Schools in neutral and reception areas are open again. Technical colleges and technical classes are starting work all over the country. The universities, scattered in new homes with depleted staffs, are planning to resume their labours. Now that the initial shock of the redistribution of pupils and teaching establishments to remove them from air-raid dangers has been met, it is wholly good news that the vital industry of education is to be restarted. The idea that education can or should be skimmed or set aside in war-time, an idea too frequently expressed or acted upon in recent weeks, is quite mistaken. It is more than ever necessary when the nation's strength is being tested to the last item that education should be carried on. It is not man power in the raw that the forces and defence industries need nowadays, but skilled, educated and adaptable personnel; and not the least lack which the strain of war will reveal in Germany is the shortage of trained persons due to six years of persecution and the *Gleichschaltung* of the educational system. Already the need to train more doctors for war uses has been realised in this country. It is of paramount importance that this realisation should be extended to cover the whole of education. Undoubtedly there are difficulties in the way. There is a shortage of school buildings and equipment in reception areas. Young men ripe for university or technical training are now liable to be called up for active service. It is not easy to operate evening classes under black-out conditions or in vulnerable districts. Almost inevitably there will be a growing demand for juvenile labour which will compete with the schools and colleges; and already it is rumoured that the raising of the school-leaving age, due to come into force this month, is to be suspended. Yet the aim should be to make the maximum use of the limited resources available. School accommodation in reception areas should be extended by all possible improvisations.

The calling-up of young men between 18 and 22 should be conducted with all practicable deference to their studies or apprenticeships. Above all, technical training of every kind should be encouraged and maintained. It is skill and capacity rather than countable heads that will win this war—as the cry of the Services for technicians already shows.

\* \* \*

**Russian-Japanese Truce.**—Now that the Anti-Comintern Pact is well and truly broken, the Japanese have been brought to an "armistice" in hostilities on the Soviet-Mongol-Manchukuo frontier. From the Japanese Army's point of view, this means little more than insurance against Soviet "diversionist" activities aimed at weakening the Japanese advance in China. From the point of view of the Government at Tokyo, it may mean a good deal more than this. The armistice was negotiated in Moscow, and the Japanese were probably very glad to have it, for it does provide some sort of exchange for the German threat to Russia's rear, just as the Russians, for the same sort of reason, were glad to give it. There was also talk of a Soviet-Japanese non-aggression pact, and although this should not be set entirely aside, for the moment the Japanese have denied that they mean to sign one. The Germans are known to have pressed this suggestion on the Soviet Government, hoping perhaps to mend thus their broken relations with the Japanese, and the Russians would almost certainly be glad to have this too. After all, they have several times offered Tokyo a non-aggression pact, and there is no reason to suppose that they have changed their mind, even if they have changed their price, now that they are arm-in-arm with the Germans. On their side, the Japanese are probably more ready now than they have ever been before to make at least a temporary settlement with the Russians. Their operations in China are nothing like "tied down" yet; they are in the position which has always made them uneasy of having no precise diplomatic support in Europe; and they are faced with a Russia which is no longer "encircled" by a German-Japanese understanding. Their chief care must be to finish the war and relieve the pressure on their own people.

## THE WORLD OVERSEAS

### Japanese Bid for China Shipping

(From our Shanghai Correspondent)

THE first half of this year saw the Rising Sun definitely ahead of the Union Jack in the foreign shipping of the China ports. The total tonnage of vessels entered and cleared in these ports in January-June, 1939, amounted to 15,855,000 tons, of which Japanese shipping accounted for 5,700,000 tons, or 35 per cent. British shipping followed with a total of 4,800,000 tons, a share of 30 per cent. The Japanese flag completely dominated the shipping of the North China ports, and increased its share in Shanghai's maritime traffic to almost 30 per cent.

The Shanghai traffic is more than ever before the backbone of what remains of British shipping in the China ports. The port of Shanghai this year accounts for over 70 per cent. of all the China shipping under the Union Jack, and in Shanghai's shipping with foreign countries the British share still is about 40 per cent. This share is on the decrease, while the Japanese share continues to rise. The extension, early this summer, of the Japanese naval blockade of the Central and South China coasts resulted in a sharp curtailment also of all the Western nations' China coastal shipping from Shanghai and Hongkong. In the month of July, 1939, Shanghai outport shipping fell by 27 per cent., and Shanghai inland shipping by 35 per cent. British shipping accounted for the bulk of this decrease, while Japanese outport and inland shipping maintained its former volume.

The Japanese expect their shipping interests in the China waters to be much further promoted by the new East Asia Shipping Company, inaugurated in Tokyo in August to start operations about the middle of September. This company is a new mammoth concern incorporating the China services of

all the major Japanese shipping companies, including the Nippon Yusen Kaisha, the Osaka Shosen Kaisha, the Nisshin Steamship Company, the Kinkai Yusen Company, the Yamashita Steamship Company, and others. It is capitalised at Yen 73 millions (£4,500,000), enjoys the special protection and encouragement of the Tokyo Government, and will monopolise all Japanese private shipping along the following routes: Japan-Tientsin, Japan-Tsingtao, Japan-Shanghai, Japan-South China, Formosa-Shanghai, Formosa-Tientsin, Formosa-South China, Dairen-North China, Tientsin-Shanghai, Tientsin-South China, and Dairen-South China.

#### Organising Shipping Resources

This huge combine had been planned by the Japanese for a long time, but its establishment was repeatedly delayed by reason of the shortage of Japanese bottom space available for commercial shipping in the China seas. Up to the beginning of this year, no less than 1,600,000 tons of Japanese ships, about 30 per cent. of Japan's total mercantile marine, was engaged in auxiliary military service between Japan and China, as well as on the Yangtse River. During the first half of this year, however, over 600,000 tons of Japanese vessels were released from this service, so that Japanese shipping became able to take full advantage of the new conquests in China and of the many obstacles put into the way of the other nations' shipping there. About 500,000 tons of the ships released were placed into what the Japanese call their "near-sea" services, that is, into the Japan-China and the China coastal shipping, while only 100,000 tons were used to

strengthen the Japanese "deep-sea" services between Japan and other countries.

Nevertheless, the "near-sea" services failed to develop to the full satisfaction of the Tokyo Government. Private shipping preferred the transportation of well-paying high-grade cargo, so that other freight was neglected. There is to-day, in a series of Japan and North China ports, a substantial congestion of bulky goods, such as iron ore, coal, lumber, etc., greatly needed by various Japanese industries, but finding it extremely difficult to secure maritime carriage. To relieve this congestion, the Tokyo Government intend to enforce for the whole Japanese sphere of power, as from September, 1939, a new control of shipping space allotments, giving definite preference to goods the transportation of which is required primarily for the War Plan and the expansion of Japan's war industries. The enforcement of this control is expected to be greatly facilitated by the establishment of the new East Asia Shipping Company.

Shipbuilding in Japan is also to be made subject shortly to a new control system, which is to give preference to the construction of ships desirable as auxiliary craft for the Japanese Navy. Shipbuilding yards in Japan have at present under contract some 1,000,000 tons of new mercantile bottoms, of which less than 400,000 tons is under actual construction. Recent private orders for new ships in Japan differed substantially from last year. The type of new vessel at present preferred by Japanese shipping firms is a small, fast freighter of 4,000 tons with a speed of 20 knots on the average. These small freighters to-day enjoy the best prospects of making money abundantly and quickly, in the opinion of shipowners; while the larger vessels desired by the Tokyo Government, and in particular passenger liners, are considered as losing propositions, unless the subsidy is large. In the light of these Japanese efforts, the counter-action taken by other shipping nations as yet fails to be very impressive.

August 25th.

## War Excitements in the United States

[FROM OUR NEW YORK CORRESPONDENT]

THE second week of the war, in its economic impact upon the United States, was a logical extension of the first. The first week was marked by a strong rise in primary commodity prices, which lifted Moody's index from about 140 to almost 170. In the second week this level was held, but not advanced. But public interest in commodities had been excited. This was conspicuously true of sugar. Remembering the sugar scarcity of the last war, retail customers (at least in the New York region) suddenly centred their buying upon sugar. The rush caught the retailers off guard and local shortage developed, in some cases necessitating the limitation of individual purchases to, say, 2 lbs. per customer. The price, which had been 25 cents for 5 lbs., ran up as high as 38 cents in your Correspondent's suburb.

While housewives were scrambling for sugar, the same sort of emotion was shown by the male public in a Scotch whisky panic. Apprehensions of a shortage caused a run on the purveyors of that staple. Excitement about sugar was promptly allayed by the Presidential lifting of the sugar quotas; and the sterner sex was calmed by the reassurance from importers and distributors that no immediate drought was imminent. These were mere tempests in teapots, but they show the nervousness and instability of a public mind that, less than a year ago, was thrown into physical panic by a radio programme transposing Mr Wells's "War of the Worlds" to a New Jersey locale.

These episodes are illustrative for two reasons. In the past two weeks the public mind has jumped back two decades, and exists, so to speak, in a world of analogies. To the business man "war" connotes "war orders" and bull markets; to the housewife it means scarce and costly sugar. Secondly, a buyers' market for primary commodities had persisted since the spring of 1937. The price of these commodities had fallen very low, and in August was still sagging; stocks had been conditioned by the long duration of this buyers' market. The sudden appearance of demand, partly speculative, converted the buyers' market into a sellers' market overnight, with sharp, if limited, impact on prices.

#### Rising Commodity Prices

The following table, from the *New York Times*, gives the price movement of the commoner raw materials over the past two weeks:—

CASH COMMODITY PRICES (Wholesale)

|                          | Aug. 31 | Sept. 14 |                     | Aug. 31 | Sept. 14 |
|--------------------------|---------|----------|---------------------|---------|----------|
| Wheat .....              | 8638    | 1 0514   | Lead .....          | 0505    | 0512     |
| Maize .....              | 5938    | 76       | Zinc (St. Louis) .. | 0454    | 0614     |
| Coffee (Santos) .....    | 0714    | 0712     | Tin .....           | 495     | 70       |
| Cocoa .....              | 0445    | 0614     | Cotton .....        | 0891    | 0955     |
| Sugar (granulated) ..    | 0435    | 0534     | Wool tops .....     | 8612    | 1 23     |
| Butter .....             | 24      | 28       | Rubber .....        | 1662    | 2234     |
| Eggs .....               | 1634    | 1912     | Hides .....         | 11      | 15       |
| Lard .....               | 062     | 0814     | Gasoline .....      | 08      | 084      |
| Copper (electrolytic) .. | 1012    | 12       |                     |         |          |

Of these common commodities there is not one that has not risen in price. Most have risen by substantial percentages. While some are, more or less distinctly, to be classified as "war" materials, most are not. Some of the sharpest advances (for example, in tin and rubber) are in "sterling" commodities, and it might have been supposed that their dollar prices would give some reflection of the decline in sterling.

Another interesting price group is that of the non-ferrous metals. The British price of copper, lead and zinc is controlled, and the British controlled price is far below that in our market. Economically, these price movements have been among the most interesting phenomena of the past two weeks, especially when related to the movement (or absence of movement) of British primary prices and of the sterling-dollar exchange. But it is probably too early to make, or even attempt, generalisations and inferences.

This week there developed a disconcerting and presumably temporary dual market in sterling—an official market rate of \$4.02-.06, and an unofficial market rate of less than \$3.80. This both puzzled and disturbed Wall Street, which was already having its troubles with uncertainties and ambiguities in the British regulations relating to the purchase and sale of British-owned American securities.

September 15th.

## Canada Goes to War

[FROM OUR OTTAWA CORRESPONDENT]

CANADA formally declared war on Germany on Sunday, September 9th. The delay of a week in making the declaration was due to Premier King's determination to keep his pledge not to commit Canada to participation in another overseas war without the authority of Parliament. It also had the practical advantage of making it possible for certain war equipments and munitions ordered in the United States to be delivered in Canada before the Roosevelt Administration felt it necessary to make the terms of its Neutrality Act operative against the Dominion. When the Federal Parliament met on September 8th, the Government intimated that it would regard the adoption of the Address, which pledged it to "effective co-operation," as a mandate to join in the war. Ministers had the support of the main bulk of their own party, all the Conservatives and Social Crediters and all the C.C.F. Party except its leader, Mr J. S. Woodsworth, who stuck to his pacifist views. The only other dissentients were a group of French-Canadian Liberals, whose spokesman advanced the stock arguments for isolationism, and argued that Canada had no business to be mixed up in a European

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war arising from power politics and involving no direct Canadian interest. The dissentients, who probably numbered less than a dozen in a House of 245, did not press their opposition to a division.

The speeches of Premier King and Mr Lapointe indicated that, while the Government would despatch overseas at once as many trained aviators and planes as it could spare, and would undertake full responsibility for the defence of not only Canada but Newfoundland and Labrador, it proposed to make its initial contribution to the common cause take the form of substantial supplies of manufactured munitions, raw materials and foodstuffs, and did not contemplate the immediate despatch of an expeditionary force, such as was sent in the autumn of 1914. Undoubtedly it will be subjected to strong pressure from the English-speaking provinces to organise an expeditionary force, and Mr Lapointe admitted that its despatch was almost inevitable. Already there has arisen an agitation for national conscription of man-power and wealth, but Mr Lapointe was emphatic that neither he nor any of his three other colleagues from Quebec would remain in or support a Ministry which tried to enforce conscription. The pact between Nazi Germany and Russia, both regarded by French-Canadian Catholics as enemies of religion, has had a great effect upon public sentiment in Quebec; and the King Ministry anticipates no serious trouble with the French-Canadian element.

The war is bound to produce a serious dislocation of Canada's economic life. A certain amount of her export trade will be cut, and some of what survives will be hampered by exchange difficulties; export business in cheese has already been shut down for the time being. The discount on the Canadian dollar in the United States, which is already 9 per cent., will aggravate the debt problem. But, on the other hand, there will be an increased demand from the Allied countries for foodstuffs and raw materials like nickel and copper, lumber, etc. Large armament orders, which will keep many industrial plants busy, are expected to be placed by a British Mission which has reached Canada. Most agricultural products are also likely to rise in price, and there should be a substantial increase of rural purchasing power, which will help general business.

The Government has obtained a Parliamentary vote of 100 million dollars for special war expenditures. It has been given authority to set up a Ministry of Munitions and Supply. The War Measures Act of 1914, never repealed, has been made operative by proclamation; and, under it, the Ministry has created a War-time Prices and Trade Board armed with wide powers of control and regulation.

### Meeting the Cost of War

On September 12th Mr Ilsley, Minister of National Revenue, introduced a supplementary war-time Budget. Canada's economic and financial position he pronounced to be infinitely stronger than in 1914. He predicted an expansion of industrial activity as the result of war orders, and an increase in the national income. Accordingly, he felt justified in forecasting that the Federal revenues, which are now running well behind the estimate of the last Budget, would recover all the lost ground in the last five months of the year and slightly exceed the estimate of \$490 millions. Moreover, he hoped that the probable decrease in unemployment and farm relief costs would keep expenditure below the estimate of \$551 millions. When the special war vote of \$100 millions was taken into account, he expected a deficit of \$156 millions. While some of this would be met by borrowing, the Government had decided to meet part of the war costs by special taxation. He announced a number of increases in taxation to yield \$21 millions during the balance of the fiscal year and \$62 millions in a whole normal year. The income tax on individuals is increased by a War Surtax of 20 per cent. on the total income tax otherwise payable, and the rate of the corporation income tax is raised from 15 per cent. to 18 per cent., and in the case of consolidated returns from 17 per cent. to 20 per cent. The former change is applicable to the income of 1939, but the latter will only affect income earned in 1940. There is also a new Excess Profits Act on the earnings of all businesses, whether incorporated or not, but two alternatives are offered to the taxpayers. The first is a levy on all profits in excess of 5 per cent. on capital on a graduated scale. The second is that the taxpayer should pay at the rate of 50 per cent. on all profits in excess of average profits for the last four years. There are also sharp increases in the duties on practically all kinds of liquor, tea, coffee, tobacco, cigarettes, and a new duty is imposed on materials used in the manufacture of aerated waters.

### Heavy Wheat Harvest

The Bureau of Statistics published on September 8th its first estimate of the yields of the principal grain and fodder crops of Canada for 1939 and the grain estimates (in bushels) were as follows, the comparative figures for 1938 being given in brackets:—wheat, 449,058,000 (350,010,000); oats, 373,132,000 (371,382,000); barley, 99,209,000 (102,242,000); rye 16,549,000 (10,988,000); flax seed, 2,294,000 (1,389,000). The yield of wheat in the three prairie provinces is placed at 422,000,000 bushels, compared with 326,000,000 bushels in 1938, and it is the highest since 1928 and the fourth highest on record. The new crop is moving rapidly to the market, and on September 1st the visible stocks of Canadian wheat in store were placed at 142,999,827 bushels, compared with 66,090,748 bushels for the parallel date in 1938. The outbreak of war in Europe at once generated a sharp rise in grain prices. On successive days the price of wheat in Winnipeg rose the full limit of 5 cents permitted for any single day's trading, climbing to over 80 cents per bushel for No. 1 Northern, which is 10 cents above the basic guaranteed price of 70 cents per bushel.

September 13th.

## French Determination

[FROM OUR PARIS CORRESPONDENT]

THE inevitable comparison between the first days of the present war and August, 1914, has many comforting features for French observers. France must shoulder the burden of this war, but its very inevitability as implied in the policy of the Reich has enabled full preparation to be made. One immediate consequence has been that France at the outset has carried the war into German territory, instead of having to submit to the ruin and demoralisation consequent upon invasion.

This time there is none of the 1914 excitement, no cries of "à Berlin," no spectacular embracings of Communists by Conservatives, no "Marseillaise"—even at the final sitting of the Chamber—but simply the expression of solemn determination in a unanimous vote.

The errors of 1914 are being carefully avoided, but the lesson has been retained. The War Cabinet has been set up and the technical Ministries of Armaments and Blockade have been created at once—not after months of delay. There will be no waste, either of men or materials. In the matter of men, the central point is that the days of full-dress attacks are over. So far as materials are concerned, the probability that the war will be a long one provides a check to any tendency to undue expenditure, even though France now possesses a stock of gold double that of 1914, an industry which is intact and not, as it was twenty-five years ago, partly behind the enemy lines, and an Empire whose economic potential has been vastly increased in a quarter of a century by the wine, corn and iron of North Africa and the coal, rubber and rice of Indo-China.

The transition from a free economy to a war economy is facilitated by the fact that the nation had been prepared for it in the long period during which special measures had to be taken for the finance of re-armament and by the careful avoidance of such unnecessary dislocations as the declaration of a bank moratorium and the closing of the Bourse. Further, the Finance Minister (who has assumed the functions reserved in principle in the past to a Ministry of National Economy) has introduced certain measures, inspired by the practice of totalitarian States, to forestall from the outset all attempts at speculation and the raising of prices. They include the stringent control of wages and profits in war time and an additional tax of 15 per cent. on the incomes of civilians between the ages of eighteen and forty-nine.

Stability of money and prices have the effect of facilitating the working of the closed monetary system and securing a regular supply to the Exchequer of substantial subscriptions to the various National Defence and Treasury Bonds.

The test is only beginning, but it is a heartening thought that the cause of liberty has for its foremost defenders Britain and France—the possessors of the most powerful fleet and the best army in the world, the second and third largest of the national stocks of gold, and the two greatest Empires, with their inexhaustible resources of men and materials.

September 18th.

## Shrinking Vienna Stock Exchange

[FROM AN AUSTRIAN CORRESPONDENT]

WHEN the Vienna Stock Exchange was closed for many months after the annexation of Austria in March, 1938, it was only a shadow of its former self. Prior to the last war it ranked beside London and Paris as a European centre of finance; its significance as a stock and share market probably surpassed that of Berlin. The fall of the Austro-Hungarian Monarchy; the repatriation to the newly created Succession States of many enterprises previously centred in Vienna; and, more recently and mainly, the foreign-exchange and trading restrictions in Central Europe since the beginning of this decade: all these seriously affected Vienna. Yet, until March, 1938, Vienna was still not only Austria's stock market, but also a sort of arbitrage centre and outlet for stock exchange business in the whole of the Danubian basin.

There was still close contact with international markets, too. The most important of these were due to the fact that most Austrian State loans had portions made out in foreign currencies, and these were quoted in the appropriate foreign markets and in Vienna alike; and, in addition to reflecting the state of the country's money and capital markets and the ruling opinion of the Austrian State's credit, the price of these Austrian bonds also reflected the current valuation of the Austrian schilling. In the current evaluation of the sterling or franc batch of the International Federal Loan of 1930 (IBA) or of the Federal Loan Scrip, the effective exchange rate of the schilling found expression—even though traffic in foreign-currency values was really forbidden and the official rate of the schilling had to remain unchanged. Persons wishing to base their capital investments on foreign currencies rather than on the Austrian schilling were at liberty to buy a number of other Austrian stocks in foreign currencies apart from the Austrian State Loans. Some of these securities were not dealt in officially but on the kerbstone; and considerable traffic also took place in Vienna in Jugoslavain Blair Loans, Budapest Municipal Loans, Rumanian Monopoly Loans, etc. For many years a remarkable speciality was constituted by the so-called "agio" values, which were chiefly those of Swiss bank shares and the A-K obligations of the Swiss Federal Railways. In an entirely legal manner these Swiss currency securities were simultaneously bought and sold abroad, and the difference between the real schilling rate and the official schilling rate could thereby be ascertained—and, at the same time, the acquisition of franc credits abroad was rendered possible.

In addition, until March, 1938, the Vienna Stock Exchange dealt in several Western-European shares—largely of enterprises whose business was carried on largely in Austria or in the Danube countries. And it is a remarkable fact that on the Vienna Stock Exchange only one German share made out in German marks (that of the Scheidemandel chemical works) was quoted and that there was not a single German loan in the Vienna list of quotations, though a fair number of Austrian securities were constantly dealt in in Berlin. It is no exaggeration to say that, until March, 1938, Vienna was the most international Stock Exchange east of the Rhine—in spite of its sometimes rather small turnovers.

### Cut Down and Gleichgeschaltet

When, after being closed for seven and a half months, the exchange was opened again on October 27, 1938, it was changed, reduced and autarkised. Since then the Vienna Stock Exchange has sunk to a completely insignificant market, whose quotations bear the same purely local character as those of Leipzig or Düsseldorf. The drastic "cleaning up" which has taken place is seen from the fact that, in spite of the admission of various firms from the Altreich, there are now scarcely 30 exchange firms, against much more than one hundred before the annexation. Banking houses which retained an international reputation to the last are now particularly conspicuous by their absence—such as S. M. von Rothschild, Gutmann Brothers, Reitter, Ephrussi, etc. The quotation list has also been "cleaned up": nearly all the above-mentioned foreign-currency values have either been formally struck off the list, or else any possibility of dealings in them has been removed. Never before in all the 168 years of its existence has the Vienna Stock Exchange displayed so little activity.

Nor has the radical totalisation (Gleichschaltung) been confined to changes of personnel. The whole system of the

Vienna Stock Exchange has been altered. It is now limited to the task of subordinating itself to the aims of German loan policy—that is, to make capital in Austria available for German public loan requirements. The boom which the Anschluss has undoubtedly brought to a great part of Austrian industry would have meant a strong rise in quotations under ordinary circumstances. The fact that this has been only slightly apparent is due to the systematic skimming off of all available money for German loans, as well as to the concentration of the most important enterprises (whose shares were most widely distributed among the public) by gathering them into a few hands, and, more particularly, into State possession. It should not be forgotten that the largest industries now belong directly or indirectly to the German State or the Hermann Goering Works. A striking sign of the decline of independent shareholders is the report that, at the recent annual meeting of the Steyr Works, the second largest industrial concern in Austria, 73,500 out of a total of 88,000 shares were represented by three shareholders. Now Steyr shares were amongst the most popular ones before the Anschluss.

It is true that the quotation list of the Stock Exchange has been enriched by the introduction of a number of German loans. But this is only nominal; the prices of these securities are controlled even more strictly than those of other values. German bank shares, such as those of the Deutsche Bank, Dresdner Bank, and Reichsbank preference shares, have also been introduced at the Vienna Stock Exchange; and the admission of the Commerz and Privatbank, which has just opened a large branch in Vienna, may be expected. But this expansion, which has come about quite inorganically, cannot be regarded as really enriching the list. The new securities do not come as a blessing to the Austrian public. They are scarcely known, and the conservative owners of capital hung on to their holdings of Austrian State bonds as far as possible until the compulsory surrender of foreign values was enacted last year. Really marketable, fluctuating shares are rare, one of the chief reasons being that Old Germany buys them up. Not the least sign of the departed glories of Old Vienna is the restriction and strangulation of the Viennese Stock Exchange.

September 3rd.

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## Books and Publications

### A Stage in Economics

IN this "Inquiry into Some Fundamental Principles of Economic Theory" Professor J. R. Hicks has essayed two tasks of major importance: to reduce modern economic analysis to a manageable whole; and to construct a system of Economic Dynamics. He has not attempted to impose a schematic unification on economics, but to work out "a unity of method," as he says, by elaborating and refining certain aspects of the theory of value, and then applying the results to the main problems of both a static and a dynamic economy. In discussing the latter, Professor Hicks ranges over practically all the field contested during the past decade by Professor Hayek, Professor Robertson, Mr J. M. Keynes, and their disciples; the reader will find Interest—Income—the Demand for Money—the Trade Cycle—all treated with a remarkable combination of advanced technique and elegance of exposition.

The first part of the book consists of a working-out of a Theory of Subjective Value that carries a good deal further than they did the methods of Walras and Pareto. The concept of a quantitative measurement of utility is rejected, and the theory is built up on the basis of consumers' indifference curves. Particular attention is paid to the income and substitution effects of price-changes, and to the differences between the cases of complementary and competitive goods. Next, Professor Hicks addresses himself to the conditions of stability for a static economy, using the tools which he has forged or sharpened with great effect. These two parts comprise about a third of the book.

It is in Parts III and IV that we come to the problems of a changing economy, and make a more pronounced break with the past. This is not to say that Professor Hicks (with Mr Keynes and some other contemporary writers) is dealing with matters that never presented themselves to nineteenth-century economists—on the contrary, as he shows, Marshall and Böhm-Bawerk, to mention only two names, were aware of the dynamic problem and went some way towards solving it. But they made a "much less drastic readjustment" of their static analysis than Professor Hicks has done, and so there was produced that collection of studies of specific aspects of economic change which we know as "trade cycle theory," "monetary theory" and so on, only more or less related to a central mass of "pure theory." One of Professor Hicks's outstanding achievements is to take all these things in his stride.

When we try to estimate the extent of the development of economic science made in this book, we must ask how far Professor Hicks has succeeded in what he set out to do. Here it is important to be sure what we mean by "dynamics." For Professor Hicks the essential thing is that we must conceive of the economic system "not merely as a network of interdependent markets, but as a process in time." Everything must be dated, and since what people do at a particular date (in a certain week, in our author's terminology) is affected, not only by the past and present, but also by their ideas of the future, expectations are very important. He has introduced a concept of "elasticity of expectations," which may prove to be one of the most useful of his methodological inventions.

While this statement of the problem may be formally sufficient, it may nevertheless be asked whether it meets the challenge presented to economists to-day as much by workers in other fields of science as by the public—namely, how are the results of changes in economic factors worked out for a world in which "other things" never "remain the same"? Professor Hicks assumes throughout that markets are perfectly competitive. His justification for this assumption is

implicit in his remark in the introduction that "This is a work on Theoretical Economics, considered as the logical analysis of an economic system of private enterprise." But it is at least arguable that one of the leading features of a progressive capitalism is a tendency to monopoly, and one of the tasks of economic dynamics is to explain how such a trend arises.

It is beyond the scope of a short review to comment in detail on the excellencies and difficulties of this essay. But one thing seems certain—this is one of the few books which mark a stage in the advance of a science.

### Trade Boards at Work

It often happens that national achievements go unchronicled and unsung by the members of the nation concerned. This applies in no small degree to the relations between organised employers and trade unions in Great Britain. Not since the Webbs wrote their monumental, but insufficiently read "Industrial Democracy" has there been a single first-class book on industrial relations in this country. There are books on trade unionism, welfare schemes and industrial law, but the extremely important network of relationships coming under the headings of collective bargaining, conciliation and "Whitleyism" are quite inadequately studied by the people who practise them best. This American book\* fills a yawning gap.

The author writes with an extremely intimate knowledge of the social relations involved in *statutory* wage administration in Great Britain, with a view to guiding American administrators who will have to operate the Fair Labour Standards Act of October, 1938, in the United States. The Brookings Institution, the International Labour Organisation and the Bureau of Labour Statistics of the United States Department of Labour have all co-operated in assisting her.

The book describes the administration of the Trade Boards Acts of 1909 and 1918 and the Agricultural Wages Act of 1924. The first part is taken up with an account of the historical and legislative setting of the Acts themselves. The middle and longest part describes in great detail the actual working of the Trade Boards Branch of the Ministry of Labour, its relations with the Boards, with the Ministry and Parliament, and finally the working of the Boards themselves. We are given a very careful account of the technique of erecting a Board, the consultations which take place beforehand in order to secure the maximum of opinion in favour of setting one up, and the kinds of personalities who participate in the work involved. Miss Sells has evidently interviewed a great many of the people engaged in Trade Board work, and knows almost every detail of her subject. The last part examines the effectiveness of the Boards in terms of general real wage levels, industrial efficiency and democratic values, and there is a very useful appendix of illustrative material.

The original Act of 1909 was the result of agitation against sweating. By 1918, however, the Whitley Committee had made its report and a new body of ideals was in the ascendant. Stress was now laid, not only on the need to provide minimum wages, but also on the need to foster the elements of industrial democracy in industries in which organisation was weak. Miss Sells is convinced that the democratic spirit, involving the consultation of representative opinion before applying legal sanctions, and entailing the minimum of bureaucratic control, strongly characterises the whole British minimum wage administration. The joint participation of

\* "Value and Capital." By J. R. Hicks. Oxford University Press. xi + 332 pages. 12s. 6d. net.

\* "British Wages Boards." A study in Industrial Democracy. By Dorothy Sells. The Institute of Economics of the Brookings Institution, Washington, D.C. \$3.

employers, workers and independent persons on the Boards, she finds, has provided an example of really valuable co-operative effort in industrial life.

The only serious weakness in the system, as Miss Sells sees it, is the absence of sufficient power of discovery in the powers of the Boards. Not enough is known and not enough may be discovered by the Boards about the ability of employers to pay minimum rates. This criticism, though repeated several times in the book, is made only tentatively, however, and with the reservation that perhaps it could not be otherwise.

Another point made is that in British industrial relations there is a tendency for all parties to pay more attention to the precise manner in which things are done than to the effectiveness of the action taken. This judgment might have been taken further. There are many trades and occupations in Great Britain, particularly the work of snack bar attendants, restaurant workers, cinema attendants, car park attendants, hairdressers and tobacconists working on their own account, and errand boys, which very seriously need "cleaning up." Little action is taken, not because undesirable things go unrecognised, but because nobody can think of a polite enough method of doing the job. There are other trades in which a mere façade of Whitleyism exists for no better reason than that Trade Board methods would be regarded by certain people as "bureaucratic." Miss Sells renders a great service by dispelling the bogey of "bureaucracy" as far as Trade Boards are concerned, and one hopes that her book will help in the solution of new industrial problems on both sides of the Atlantic.

### Shorter Notices

"Tory M.P." By Simon Haxey. Gollancz. 263 pages. 7s. 6d.

This book is a detailed factual study of social origins, family connections, wealth, commercial interests and political ideas of the Conservative Members of the House of Commons in December, 1938. It includes eleven maps, charts and family trees, some of which are in great detail and bear witness to a considerable amount of ingenuity. The body of fact which is here collected is impressive. It shows the whereabouts of the goods of Tory M.P.s and it gives some very emphatic pointers to the material origin of their political policy. The facts might have been allowed to speak for themselves. But Mr Haxey accompanies them with a volume of commentary which seldom limits itself to the economical statement most appropriate to a statistical study, but overflows into the repetition of inferences which are not always valid, a number of familiar and a few grossly inaccurate historical statements, and a mass of personal detail which is sometimes relevant. Such faults are merely regrettable to those readers who do not share the author's obvious party sympathies. They will not reduce the value of this remarkable volume as a political tract. And they will amuse but not detain the historians of the future for whom the facts here presented will constitute a body of inestimably valuable material. For books like this are the stuff of political history.

"The World Wheat Situation." (Rome) International Institute of Agriculture. 96 pages. L. 20.

A very useful collection of the main statistics relating to the area, yields, production, exports and imports of wheat in the year 1938-39 and earlier seasons. The text elaborates the fact, illustrated by the statistics, that the fall in wheat prices in the last twelve months was due mainly to the steady increase in past years in the acreage sown to wheat, both in the exporting and importing countries. A series of droughts in the major exporting countries had kept yields exceptionally low between 1934 and 1937, but the appearance of a normal yield in 1938 brought the inevitable surplus and consequent fall in values, which has proceeded further in the weeks since the Review went to press.

"The Oil and Petroleum Year Book." Compiled by Walter E. Skinner. 15 Dowgate Hill, London, E.C. 4. 565 pages. 10s.

This is the thirtieth year of the standard work of reference on the oil industry. Its details of 850 British, American and foreign countries are as full as ever; and the account it gives of the world's oil production, by companies and by countries, is especially interesting at this present time.

### Books Received

*Great Britain and Palestine, 1915-1939.* Information Department Papers No. 20a. The Royal Institute of International Affairs. 142 pages and maps. 2s. 6d. net.

*Trustee Savings Banks Year Book, 1939.* Official handbook of the Trustee Savings Banks Association. (Norfolk) Wyman and Sons. 231 pages. Price 2s. 6d. net.

Contains up-to-date information on the Trustee Savings Banks, their services to depositors and statistics of the amount and disposition of their funds in the hands of the Government and local authorities.

*Catalogue of the Library at Incorporated Accountants' Hall. The Society of Incorporated Accountants and Auditors.* 487 pages. Free to Incorporated Accountants and members of I.A. Students' Societies.

*Les Rapports Politiques Franco-Allemands à la Conférence du Désarmement.* By Kenneth Clay. Presses Universitaires de France. 206 pages. 40 fr.

*Staples on Back Duty. Third Edition.* By Ronald Staples. Gee & Co. (Publishers), Ltd. 153 pages. 10s. 6d. net.

*The Principles of Auditing. Tenth Edition.* By F. R. M. Paula. Sir Isaac Pitman & Sons, Ltd. 348 pages. 8s. 6d. net.

### Official Publications

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

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# THE BUSINESS WORLD

## Blocked Sterling

IN one respect the control of sterling has already run true to the form set up by all the precedents of foreign exchange control schemes. It has led to a "black" or unofficial market in sterling and to a divergence, which at times has been considerable, between the rates quoted in the official and unofficial markets. This development was perhaps unavoidable in the circumstances, but it would be idle to pretend that it has not an unpleasant ring about it. The basic peg of sterling exchange is that with the dollar, where the official rates remain at 4.02-4.04. But during the past week it has become evident that a number of proposed foreign exchange transactions are not passing through the meshes of the control net. Official permission for the conversion into foreign currencies of sterling balances maintained here by foreign nationals and firms has only been granted where the strongest commercial justification for such conversion has been pleaded and proved. Similarly there has been the greatest reluctance in allowing the conversion into foreign currencies of the sales proceeds of sterling investments until now maintained in this country by foreign nationals.

The diffidence of the authorities in giving their permission to such conversions may be wholly justifiable. Judgment on this point can only be passed by those in possession of information on our gold reserves, the volume of foreign balances and investments in this country and other data upon which the veil of secrecy has now fallen and is likely to remain drawn for a long time to come. But whether justified or not, that diffidence has already created the phenomenon of blocked sterling. Certain foreigners are now the possessors of sterling assets which for the time being they are not allowed to convert into their own currency at the official rate through the machinery of the official market. The result of this state of affairs is that some of these holders of sterling offer it in neutral markets for what it will fetch. Since there is as yet no compulsion on the foreign buyer of sterling to obtain his supplies in the official market at the official rate, there is always a good demand for such cut-rate sterling.

The demand for sterling on the black market has been fed during the past few days by abnormal factors. In the first place the appreciable bear position against sterling built up during the last weeks of free market conditions is being covered and one may trust the astute speculators in question to effect the covering operations in the cheapest possible market. Secondly, the order to all British banks to cut the external credit facilities granted by them—irrespective of whether they are financial or commercial credits—has led to an appreciable demand for sterling to repay these overdrafts and acceptance credits. Again, these purchases are, wherever possible, being effected in the cheapest available market. The effect of these purchases has already made itself felt. Though sterling against dollars fell in the unofficial market to 3.79 on Monday of this week the rate has since recovered to 3.99.

The divergence at present is not serious, but the sensitivity of the unofficial market is such that this index—which is naturally regarded abroad with the greatest interest—may move again with unexpected suddenness. Whether it does so or not depends largely on the policy of the authorities in withholding foreign exchange permits, and therefore in creating the blocked sterling which is available to feed the unofficial market. The exchange control

policy is still in its formative and empirical stage. Despite the severe degree of control to which sterling exchange has been submitted we are still at a half-way house between a free and a wholly controlled market. If we are to go the whole hog to exchange control, all sterling balances must be blocked and blocked effectively. What is not allowed to pass through the official control must then be completely immobilised and not merely diverted to a black market. Furthermore, sterling needed for remittances to this country must, in such circumstances of complete control, be obtained through the official market and not at cheaper rates elsewhere. This is not a suggestion that these extremes of control ought to be applied, but an indication of the logical conclusion to which the authorities must be driven if they continue to show their present reluctance in giving exchange permits to non-enemy holders of sterling assets.

The present half-way attitude has the disadvantages of both extremes of freedom and control. The sterling which escapes through the unofficial market, after being forbidden to leave through official channels, costs the authorities almost as much gold and exchange as if official sanction had been given to its conversion. Those who buy the sterling in the unofficial market would have had to come to the authorities in the official market had the cheaper brand not been available. The discount which has been allowed to emerge in the unofficial quotations for sterling is a very small saving for the national war chest to be set against the psychological damage that its emergence has done.

The alternative is not to return to complete freedom of the foreign exchange market—that is a course which no one could expect at the present moment—but the dual course of liberalising the conditions on which permission for official transfer will be given and at the same time more strictly immobilising those funds for which permission is refused. Under this alternative there would be every justification for tightening still further the grip which has been placed on sterling belonging to British nationals and on all movements of domestic capital out of this country. But at the same time as little as possible would be done to tamper with the legitimate movements of foreign funds into and out of this country. The volume of such funds at present in this country cannot be substantial. The greater part of it represents the sterling balances normally kept here to finance trade between the countries in question and the United Kingdom. By giving more freedom to such balances it would probably be found that at present rates of exchange (even official ones) more funds of this character would come into than go out of this country, whereas by limiting that freedom the whole of those funds is rendered restive and eager to depart at the earliest possible opportunity.

With this liberalisation in the interpretation, though not in the letter, of the exchange regulations there might well be introduced some modification of the arbitrary command to cut all credit facilities to foreign customers. In many cases such facilities placed no strain whatever on sterling. It has always been a feature of foreign acceptance business granted by London houses that it involved the maintenance in London of sterling balances in excess of the credits actually utilised. There are many cases where the withdrawal of these facilities will cause the ultimate withdrawal of the balances held here by the debtors. The direct effect on sterling exchange will be nil. The indirect

effect will be unfavourable, since it will reduce the earnings and commissions of bankers, a not unimportant item in our invisible exports and in our balance of payments.

There would, therefore, seem to be a case both for stricter control and for greater freedom. There seems to be much less case for a state of affairs in which refusal of permission to deal in fact imposes very little handicap on the owner of the "blocked" funds. But whether the trend in our exchange policy be towards stricter control or towards greater freedom, there is an exceedingly strong case to be made for greater elasticity in the application of the regulations to the special cases which an intensely complicated mechanism such as that of the foreign exchange market is bound to produce. In this war the motto

"business as usual" is at a discount—and rightly so, since the economic effort called for by the war will have to ride rough-shod over the length and breadth of private enterprise. But let us beware of the danger of allowing this regrettable but necessary subservience of private enterprise to become a process of extermination. In this context of foreign exchange regulations let us beware of unintelligent, unimaginative, bureaucratic, "safety first" interpretations of the control slowly undermining and then destroying the really sensitive part of our foreign exchange market—that which resides with the merchant banks and the various specialist institutions. This is a jewel in the crown of the City of London which should not be lightly sacrificed—at least at this comparatively early stage of the war.

## Oil from Coal

THE importance of oil fuels in wartime is obvious. That the bulk of such fuels consumed in Great Britain has to be imported is also obvious. But war lends special point, both here and in other countries, to possible methods of avoiding the necessity to import. The manufacture of synthetic fuels to replace imported oil is a project which has caught the imagination of Governments all over the world. Assistance to the industry has been advocated on many grounds, and its champions have met with comparatively little opposition. Nowadays defence considerations are given the leading rôle, but we have also been told, *inter alia*, that scientific research would soon render the industry self-supporting; that we could not rely on the continuance of low prices for natural oil; that the industry would cause a "saving" of foreign exchange; and that it would provide a market for coal-miners in the special areas or peasants faced with bankruptcy (as the case might be). In short, all the protectionist arguments have been invoked, and it is therefore all the more appropriate to see what has actually happened, particularly in this country.

The position is far more complicated than the catchword "oil from coal" might suggest. There are a number of different processes, often starting from different raw materials and ending with different final products. We may best begin with a review of the more important, noting especially their present output and the facilities for expansion. To preserve a sense of proportion the reader should remember that the annual consumption of motor spirit in the United Kingdom is now about 1,400 million gallons, and that of heavy oil about 750 millions.

The most important process is that of hydrogenation, which is carried out by Imperial Chemical Industries. Their plant started operations in February, 1935, using creosote and low-temperature tar as raw materials, and treatment of coal began in October of the same year. It is designed to produce a total annual output of 45 million gallons (150,000 tons) of motor spirit—30 millions from coal and 15 millions from creosote and tar—and is now working at capacity. Only about 100,000 tons of coal are actually hydrogenated, which would provide work for about 300 miners, but a large quantity is also required for such purposes as the production of hydrogen and power. In 1937 this amounted to 330,000 tons, and in addition coal is the raw material from which creosote and tar are derived. We must not forget, of course, that this process yields other products as well, but altogether about 600,000 tons of coal are required to produce the 150,000 tons of petrol.

So far as raw materials are concerned there is clearly no obstacle to prevent a great expansion of the industry, or at least of its "coal" section. Such a procedure would, however, involve both a vast outlay of capital and a great loss of revenue to the Exchequer. The estimated cost of the original plant was £2½ millions for the treatment of coal and £½ million for that of creosote and tar, to which must be added about £2½ millions for the hydrogen and other pre-existing plant which was diverted from other uses. The existing plant thus cost over £5 millions and supplies about 3 per cent. of our (peace-time) petrol requirements.

The cost of production has not been disclosed, but it is certainly far higher than the c.i.f. price of imported petrol, which averaged about 4d. for the four years 1935-38. The chairman of I.C.I. has frequently stated that even the advantage of exemption from duty does not suffice to render the venture a good commercial proposition and in 1938 he announced that the company would certainly not extend its commitments for two years. Independent estimates, however, have put the cost of production at about 11d. per gallon, allowing for amortisation and interest on capital, so that assistance equivalent to nearly 200 per cent. of the present import price is clearly essential. If the whole of our petrol imports were replaced by duty-free synthetic products, the loss of revenue would be about £50 millions per annum.

After hydrogenation, high-temperature carbonisation of coal is our largest source of motor spirit, which in this case takes the form of benzole. The important point to note here is that the benzole is a comparatively insignificant by-product from the manufacture of coke or gas, only about 3 gallons being obtained per ton of coal carbonised; its output is therefore virtually determined by the demand for the main products. In 1938 the coke ovens produced 33 million gallons and the gas works 10 millions, whilst a further 12 millions was obtained by distilling the tar and tar oil also produced by carbonisation. Theoretically the output from gas works might be more than doubled, as the benzole is only recovered from about 40 per cent. of the gas produced. The process is, however, hopelessly uneconomic at small works, and virtually all the coke ovens recover their benzole; it may, therefore, be concluded that the supply of motor spirit derived from high-temperature carbonisation is only likely to show an important increase if the iron and steel industry requires more coke.

Coal may also be carbonised at low temperatures, and this method also produces motor spirit as a by-product. As yet the output is negligible, being only 1.3 million



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gallons in 1938, and the whole process is still in the development stage. The main products are semi-coke, which has many advantages over raw coal as a domestic fuel, and tar, part of which is now hydrogenated. The sales of both might well be expanded, but even if the whole domestic consumption of coal (about 30 million tons per annum) were replaced by semi-coke, the direct output of benzole would only be about 65 million gallons, whilst a further 20 millions might be obtained from the tar. It is most unlikely, therefore, that this source will ever supply an important proportion of our requirements.

The only other method by which significant quantities of motor spirit are now produced in this country is the distillation of shale; despite the tariff, the output from this source has declined owing to the exhaustion of the richer deposits, and it is unlikely to be of much significance.

The present position may be summarised thus:—

| U.K. PRODUCTION OF OIL FUELS<br>(Million gallons) |      |      |      |       |       |
|---------------------------------------------------|------|------|------|-------|-------|
|                                                   | 1934 | 1935 | 1936 | 1937  | 1938  |
| (1) Refined motor spirit:—                        |      |      |      |       |       |
| Hydrogenation .....                               | ...  | 20.8 | 33.3 | 35.0  | 42.0  |
| High-temperature carboni-<br>sation:—             |      |      |      |       |       |
| At coke ovens .....                               | 24.4 | 26.2 | 30.1 | 34.5  | 33.2  |
| At gas works .....                                | 7.4  | 8.6  | 10.0 | 10.0  | 10.0  |
| Tar and tar oil distillation...                   | 7.4  | 9.7  | 11.1 | 11.8  | 12.6  |
| Distillation of shale .....                       | 14.3 | 10.2 | 6.7  | 7.7   | 7.0   |
| Low-temperature carboni-<br>sation .....          | 0.5  | 0.7  | 0.8  | 1.0   | 1.3   |
| Total .....                                       | 54.0 | 76.2 | 92.0 | 100.0 | 109.1 |
| (2) Heavy oils .....                              | 90   | 93   | 100  | 114   | (a)   |
| (a) Not yet available                             |      |      |      |       |       |

The table also gives the figures for the output of heavy oils, which are obtained by distilling coal tar. There is a certain amount of double-counting, as these figures include some creosote which is subsequently hydrogenated, but this probably amounts to less than 15 million gallons. It is clear that the domestic output only covers a small part of our requirements, even though the percentage is larger in the case of motor spirit. The main obstacle to expansion is again the fact that coal tar is only a by-product.

Clearly, any move in the direction of greater self-sufficiency can only be justified on strategic grounds. The costs involved are so large that a careful control should be kept lest seekers after protection omit the word "only" from this statement, and use "defence" not merely as a trump card, but as a sort of joker, which can be played at any time and wins under any circumstances. Hydrogenation seems at present the only one of the above processes which can make a real contribution to the problem; this is presumably the method to be employed in the plant for producing aviation spirit which the Government is to build at an estimated cost of £6 millions.

The strategic arguments are, however, sufficiently strong to demand the consideration of all possible expedients, so

that we may usefully conclude with a survey of the devices adopted in other countries and of various other proposals.

The Continental practice of compelling distributors of petrol to use a certain percentage of power alcohol would be of little value in this country, even if it were produced from home-grown foodstuffs instead of imported molasses. The Government were thus fully justified in raising the duty on it last year from 1d. to 9d.; the Exchequer was suffering a progressive loss of revenue, since consumption had risen rapidly from 1.5 million gallons in 1935 to 12.1 millions in 1938, but it now seems to be declining.

In Germany considerable amounts of oils are manufactured from brown coal by the Fischer-Tropsch "synthetic" process. This could be applied to English coals—a variant of it is operated on a very small scale in one British plant—but the cost of production seems to be at least as high as in the case of hydrogenation. The chief advantage of introducing the alternative method would be the ability to experiment on a much smaller scale, as the plant need not be nearly so large.

More promising are the proposals to make use of producer gas or coal gas as fuel for commercial vehicles. Both these systems are claimed by their champions to give lower running costs than either petrol or diesel oil, though this would not be true if the duty were removed. The failure of road operators to adopt them is ascribed partly to ignorance and inertia, partly to the difficulties with which any individual must be faced until the system becomes general enough to ensure "service."

The first step here should clearly be a thorough and unprejudiced investigation. Producer gas is used to a small extent on the Continent, France having 4,436 such vehicles in December, 1938, and Italy 1,500, but the smallness of these numbers shows the lack of adequate data. The system involves installing a generator which takes up about as much space as two passengers in a bus, but it can burn a great variety of fuels, and the engine can be started within one and a half minutes of lighting the fire. The Mining Association, in conjunction with other interests, is understood recently to have provided funds for further research.

Coal gas was used in the war, but it is now proposed to compress it into cylinders instead of carrying it in a large balloon. The system requires the installation of compressing plants at a sufficient number of key points, where the motorist could have his cylinder refilled from the storage tank; such plants have actually been installed at a number of places in England. At one of these the total costs of compression are under 3d. per therm, and it is claimed that with gas at 6d. per therm the equivalent of a gallon of petrol could be sold for about 11d.

This scheme also deserves serious consideration, since it appears to require both a smaller capital outlay and a smaller annual cost to the Exchequer than an equivalent output by hydrogenation. But whatever devices may be adopted, Britain must continue to rely mainly on imports of petrol and oil from abroad.

## Finance and Banking

**More Treasury Bills for the Market.**—The expected expansion in the Treasury bill issue has now begun in earnest. For two weeks running the issue has amounted to £55 millions, or £5 millions in excess of the corresponding maturities. In recent weeks, however, it is in the tap and not in the tender issue that the expansion in Treasury bills has been taking place. Between August 4th and September 15th the tender issue fell by £4 millions, while the tap issue expanded by £84 millions—movements largely determined by the operations of the Exchange Equalisation Account. The time has now arrived when the continued expansion in Treasury bills will have to be provided by the tender issue. An interesting indication of the likely size of this task is provided by the increase in the discount market syndicate's total tender for Treasury bills. Until last week the syndicate's quota amounted to about £30 millions, divided among the various members in accordance with their capital. As the

total capital of the market may be put at £9,500,000, almost equally divided between the three companies on the one hand and the private houses on the other, the quota was approximately divided as to £15 millions to each group. For last Friday's tender it was decided, no doubt on official prompting, that the total quota should be increased to about £47 millions. This was done by allowing the companies to increase their respective quotas by 100 per cent. and the private firms to increase theirs by 13 per cent. This week the private firms are being allowed another 20 per cent., which should bring the aggregate syndicate quota to about £50 millions. With the help of the usual outside and semi-official tenders this should make it possible to cover a weekly tender issue of Treasury bills ranging up to £70 millions. The discount market, basking in the double sunshine of larger quotas of Treasury bills and of liberal margins between the rates at which bills are tendered for and those at which the banks are prepared

to buy, is rapidly recouping the losses incurred when Bank rate was increased to 4 per cent.

**Silver Booms.**—The sterling price of silver this week has risen to 23½d., the highest figure touched for nearly four years. The market is extremely narrow and the fluctuations out of all proportion to the turnover of business. There are still remnants of the bear position built up in June and July, when the United States appeared to be backing out of the silver purchase programme. The covering of such positions provides the main factor in the demand side of the London market. The commercial demand for silver, however, is also beginning to show signs of expansion, and it is expected that the prosecution of the war will continue to cause a somewhat abnormal demand for silver nitrate. The main feature in the London silver situation at present is the dearth of supplies. The sterling price for silver has now risen well above the world parity, and at the levels which have prevailed this week, all the available stocks of silver in the world should be making their way to London. That they are not doing so is due to the control of sterling exchange. Producers or arbitrageurs shipping silver to London under present conditions cannot be certain of converting the sterling proceeds of their sales here into their own currency. This uncertainty, together with the absence of a forward exchange market, have brought almost all imports of silver into this country to a stop.

**Indian Government Sales.**—The dearth of supplies would have been even greater and the jump in silver prices more striking had it not been for the renewed activity of the Indian Government in the market. For some days past the Indian Government has been selling silver in Bombay at a price slightly lower than the import parity from London. This means that Indian operators, who had the

usual forward contracts for the purchase of silver running in London, have on the maturity of such contracts resold the silver here and bought in Bombay from the Indian Government. These official operations have been thrice blessed. They have eased the position here; they have suited the Indian buyer who has been getting his silver in Bombay at a price cheaper than if he had shipped from London; finally these sales no doubt suit the Indian Government, which still wishes to reduce its redundant stocks of demonetised silver. The outlook for the metal, conditioned as it is by the uncertainties and abnormalities of the present situation, cannot be clearly visualised. The Indian demand is likely to increase with the prolongation of the war, but selling from official stocks is likely to neutralise this factor for some time to come.

**Discount Market Fusion.**—The most important fusion in the London discount market for many years past was announced this week. It is the merger of Cater and Company, Ltd., and Brightwen and Company, which is to take effect from October 2nd next, from which date the joint undertaking will be known as Cater, Brightwen and Company, Ltd. The operation involves an increase in the capital of Cater and Company, Ltd., the additional shares being issued as consideration for the capital of Brightwen and Company. The capital and reserves of the joint concern will amount to over £1,000,000. The two firms are among the oldest established in the London discount market, and each has built up a valuable goodwill and has specialised in commercial discounting business. Neither was on the list of firms approached a few months ago by the Bank of England with the strong suggestion that they should merge and form larger and stronger entities. Nevertheless, this joining of forces may be taken to meet with the approval of the authorities. It will create an entity which will rank fourth in order of importance in the market.

## MONEY MARKET NOTES

No change has been made in the Bank of England's official quotation for United States dollars, but in New York sterling has shown big fluctuations. After the rate had been as low as 3.79 on Monday, a firmer tendency set in on Tuesday on Mr Morgenthau's statement that means of combating speculation in sterling were being sought by the Administration, and the rate rose to within 10c. of the London official quotation. The undertone on Wednesday was easier at the opening but strengthened later, and the rate closed at 3.92. Canadian dollars throughout the week have been quoted officially in London at 4.43-47; but on Wednesday there were appreciations in the official rates for Swiss francs and guilders, the former dropping from 17.65-85 to 17.55-75 (the margin was narrowed on Thursday to 17.65-75) and the latter from 7.55-62 to 7.47-57. The Argentine peso declined by 20 points to 16.80-

17.40. Among the "free" currencies the Shanghai dollar has improved to 3½-4½d.

The clearing banks have been ready buyers of bills this week at 3 per cent. for Octobers, 3½ per cent. for Novembers and 3¾ per cent. for Decembers. These quotations have been maintained in the face of a rather weak undertone; and the banks' demands have not been fully satisfied, for the market was a reluctant seller in the early part of the week, believing that a reduction in Bank rate would be made which would be followed by a cut in other rates. When no change in Bank rate was made on Thursday, it was more disposed to part with its bills, especially as it has another large quota of Treasury Bills to take up this week; but the abundance of credit provides an alternative, and cheaper method, of financing them, and so long as this monetary ease persists,

the market is likely to hold on to its bills in the hope of an early reduction in Bank rate. Loans against bonds from outside institutions have been readily obtainable at 2½ per cent. in some cases. A rate of 3½ per cent. has been quoted by the market for the three months' bank draft, but in competition it has fallen to 3¼ per cent.

This week's Bank Return reflects the ease in the money market. The note circulation shows a fall for the first time since August 23rd, and the Reserve shows a corresponding rise. The return of notes, moreover, has not been offset, for the Bank's total holding of securities is virtually unchanged. Bankers' deposits, however, are down slightly as a result of a big rise of £9.5 millions in public deposits, but they are still at a large enough total to explain the banks' eagerness to buy bills.

### MONEY MARKET RATES

|                                | Sept. 22, 1938 | Sept. 14, 1939 | Sept. 21, 1939 |
|--------------------------------|----------------|----------------|----------------|
| Bank Rate .....                | 2              | 4              | 4              |
| London Deposit Rate ..         | 1½             | 2              | 2              |
| Short Loan Rates:              |                |                |                |
| Clearing Banks .....           | 1½-1*          | 3-3¼†          | 3-3¼†          |
| Others .....                   | 3¼-8           | 2½-2¾          | 2½-2¾          |
| Discount Rates:                |                |                |                |
| Treasury Bills (3 mth.)        | 13½-78         | 3½             | 3¼-3½          |
| Three months' bank bills ..... | 13½-15½        | 3½-3½          | 3½-3½          |

\* 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. † Viz. 3 per cent. for loans against Treasury bills and British Government securities; 3¼ per cent. for loans against other collateral.

### THE BANK RETURN

|                                | Sept. 21, 1938 | Sept. 6, 1939 | Sept. 13, 1939 | Sept. 20, 1939 |
|--------------------------------|----------------|---------------|----------------|----------------|
| Issue Dept. £ mil.             | 326.4          | 0.1           | 0.1            | 0.1            |
| Gold .....                     | 85.            | 168s. 0d.     | 168s. 0d.      | 168s. 0d.      |
| Value per oz. fine .....       | 479.2          | 549.9         | 553.5          | 546.5          |
| Notes in circulation ..        | 48.7           | 30.8          | 27.2           | 34.2           |
| Banking Dept. Public Depts. .. | 18.4           | 15.0          | 12.0           | 21.5           |
| Bankers' Depts. ..             | 100.9          | 111.3         | 109.6          | 107.9          |
| Other Depts. ..                | 39.4           | 41.2          | 40.8           | 39.9           |
| Govt. Secs. ..                 | 97.6           | 123.7         | 123.7          | 121.9          |
| Dis. & Adv. ..                 | 6.1            | 6.0           | 3.9            | 2.5            |
| Other Secs. ..                 | 24.6           | 25.2          | 25.9           | 28.9           |
| Proportion ..                  | 30.4%          | 18.3%         | 16.7%          | 20.2%          |

### THE BULLION MARKET

| Date         | Gold                  |           | Silver                 |    |
|--------------|-----------------------|-----------|------------------------|----|
|              | Price per ounce fine* |           | Price per oz. standard |    |
|              | Cash                  | Two Mths. |                        |    |
| Sept. 1939   | s. d.                 | d.        | d.                     | d. |
| Sept. 15 ... | 168 0                 | 22½       | 211½                   | 16 |
| " 18 ...     | 168 0                 | 22½       | 227½                   | 16 |
| " 19 ...     | 168 0                 | 23½       | 23½                    | 16 |
| " 20 ...     | 168 0                 | 23½       | 23½                    | 16 |
| " 21 ...     | 168 0                 | 23½       | 23½                    | 16 |

\* Bank of England's official price.



# Investment

**A Congealed Market.**—Fluidity is the essence of a properly functioning stock market, and fluidity is the one quality which the Stock Exchange at present so conspicuously lacks. This week, dealing in gilt-edged stocks has passed from the stage of difficulty to almost complete impossibility. And with the virtual cessation of dealing in this most vital part of the entire investment field, the remaining sections have covered under selling on the part of those investors who might normally have realised a certain volume of gilt-edged stocks in order to improve their liquid position, but have instead been forced to sell any shares which happened to be marketable. In consequence some important industrials have experienced sharp falls, which lacked any relation to their investment prospects in war, but which merely reflected the impossibility of dealing even in leading equity issues on a scale normally absorbed with comfort by the gilt-edged market. This technical condition, admittedly, was exacerbated by the news of the Russian invasion of Poland, and by the sinking of H.M.S. "Courageous." And it might be argued, though only by the employment of casuistry, that if any market must be depressed it is preferable that equities rather than gilt-edged should suffer. But the maintenance of gilt-edged prices which bear no relation to war conditions—the minima date not merely from peace time but from before the raising of Bank rate—is only the preservation of a figment which neither would-be buyers nor sellers really regard as a system of practicable dealing prices. Entrenchment is a virtue, so long as it is not carried out on the wrong line. And all the evidence which has accumulated during the last two weeks suggests that the dogged determination of the authorities to maintain a series of notional prices for gilt-edged stocks has merely stultified dealings. This is scarcely adequate preparation for a market which will know fairly soon the measure of its war-time burden and which already has a large legacy to finance from the near-war period.

**The Industrial Yield Basis.**—The measure of the consequent difficulty for the industrial market is vividly illustrated in the following table, which shows substantial losses in shares which would not, on general considerations, be regarded as markedly vulnerable to war conditions:—

| Security                 | Aug. 31, 1939 | Sept. 7, 1939 | Sept. 14, 1939 | Sept. 21, 1939 | Sept. 28, 1939 | Sept. 28, 1939 | Sept. 28, 1939 | Sept. 28, 1939 |
|--------------------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
| B.A. Tobac. (£1)         | 415/2         | 412/2         | 315/2          | 315/2          | 325/2          | 325/2          | 325/2          | 325/2          |
| Brit. Oxygen (£1)        | 325/2         | 334           | 327/2          | 378            | 325/2          | 325/2          | 325/2          | 325/2          |
| Courtaulds (£1)          | 28/6          | 30/-          | 27/4 1/2       | 27/6           | 26/-           | 25/9           | 26/-           | 26/9           |
| Dunlop (£1) ...          | 27/-          | 27/6          | 25/9           | 25/6           | 24/6           | 24/-           | 24/-           | 24/9           |
| Guinness (£1) ...        | 93/9          | 91/3          | 79/4 1/2       | 77/6           | 77/6           | 77/6           | 77/6           | 77/6           |
| I.C.I. (£1) ...          | 29/3          | 30/4 1/2      | 29/4 1/2       | 29/3           | 26/6           | 26/7 1/2       | 27/11 1/2      | 27/11 1/2      |
| Imp. Tobac. (£1)         | 128/9         | 128/9         | 109/4 1/2      | 106/3          | 98/11 1/2      | 100/-          | 102/6          | 105/-          |
| Marks & Spencer (5s.)    | 58/11 1/2     | 55/-          | 46/9           | 46/3           | 43/9           | 43/9           | 45/-           | 45/-           |
| Turner & Newall (£1) ... | 331/2         | 4             | 315/8          | 378            | 313/8          | 323            | 37/8           | 312            |
| Un. Molasses (6/8)       | 23/6          | 25/-          | 26/6           | 26/-           | 25/-           | 25/-           | 25/-           | 25/-           |
| Vickers (10s.) ...       | 17/4 1/2      | 17/9          | 17/11 1/2      | 16/6           | 15/-           | 15/-           | 14/9           | 14/9           |
| Woolworths (5s.) ...     | 62/6          | 63/11 1/2     | 55/3           | 55/-           | 53/11 1/2      | 51/6           | 51/3           | 52/6           |
| Sub-Nigel (10s.) ...     | 10/8          | 10/8          | 10/2           | 10/4           | 9/4            | 9/2            | 9/2            | 9/2            |
| West Wits. (10s.) ...    | 4             | 4             | 28             | 27             | 27             | 27             | 27             | 27             |
| Rhokana (£1) ...         | 11 1/4        | 12 1/2        | 12 5/8         | 12 5/8         | 12 1/4         | 12             | 12 1/8         | 12 1/8         |
| "Shell" Trans. (£1) ...  | 45/2          | 43 1/2        | 41 1/2         | 43 1/2         | 41 1/2         | 41 1/2         | 41 1/2         | 41 1/2         |
| Trin. Lease (£1)         | 49 3/2        | 41 1/4        | 41 1/2         | 49 1/8         | 47 1/8         | 41 1/2         | 41 1/2         | 41 1/2         |
| Allied Sumatra (£1) ...  | 15/6          | 17/6          | 17/-           | 16/9           | 16/3           | 16/3           | 15/9           | 15/10 1/2      |
| Financial News Indices—  |               |               |                |                |                |                |                |                |
| Ordinary shares          | 77.5          | 77.1          | 72.1           | 70.9           | 67.6           | 66.8           | 66.9           | 67.2           |
| Fixed Int. secs.         | 113.4         | 112.1         | 111.0          | 111.0          | 110.7          | 110.7          | 110.7          | 110.5          |

The industrial market, admittedly, is still groping towards a war-time valuation basis. At the lower levels established this week a two-way business has been possible. But the

small buying orders have necessarily been placed as an act of faith, for there is no general basis which can be applied as a yardstick for measuring comparative industrial share yields. The first impact of war on dividend policy—as on trading policy, to a large extent—has been deflationary. Dividends are being reduced over a wide field, and prospective dividends are uncertain. That uncertainty must continue well beyond the first war budget. In the long run a net increase in equity earnings may be expected for some industrial groups; precedent in this respect may well prove reliable. But the market, quite rightly, refuses to venture very far in discounting it.

**Wall Street's War Boom.**—Wall Street has entered upon its war boom with reservations. The major premiss for the boom is a speedy repeal of the Neutrality Act; the minor premiss (to American eyes) is the maintenance of hostilities in Europe. Apparently it only took Hitler's Danzig speech to convince the market that war would be continued; on this point, at least, the market might have been satisfied with the declared policy of the Allied Powers. As for the repeal of neutrality legislation, the market, at long last, finds itself at one with the President, though the omens suggest that he will not obtain a favourable decision without a struggle of the type which Wall Street, in the past, has been the first to relish. The following table shows the movement of pivotal stocks from the low levels recorded in April and significant pre-war points to the past week:—

| Stock                    | Apr. 8, 1939 Low | July 22, * | Aug. 24 | Sept. 2 | Sept. 12 | Sept. 18 | Sept. 19 |
|--------------------------|------------------|------------|---------|---------|----------|----------|----------|
| American Sugar Ref. .... | 175 1/2          | 161 1/2    | 151 1/2 | 231 1/2 | 27       | 253 1/2  | 271 1/2  |
| Bethlehem Steel ....     | 52 1/2           | 64 3/8     | 54 5/8  | 68      | 98       | 83 1/2   | 92       |
| Celanese America ....    | 14               | 26 1/4     | 21 3/8  | 22 1/2  | 25 1/8   | 25 1/8   | 26 3/8   |
| Chrysler ....            | 56 1/8           | 84         | 74 3/4  | 78 1/4  | 90 3/4   | 83 1/2   | 88 3/8   |
| Dupont ....              | 128 1/2          | 158 1/2    | 157 3/4 | 169     | 187 1/2  | 173 1/8  | 177      |
| General Motors ....      | 37 1/2           | 48 3/4     | 42 1/8  | 45 1/8  | 55 1/8   | 51 1/8   | 53 1/4   |
| U.S. Rubber ....         | 32 1/2           | 48         | 36 1/8  | 41 1/8  | 44 5/8   | 42 1/2   | 43 3/8   |
| U.S. Steel ....          | 45 1/8           | 53 1/8     | 43 3/8  | 53 1/4  | 82 1/4   | 70 1/2   | 77 1/8   |
| Anacosta ....            | 21 1/4           | 27 3/8     | 22 3/8  | 29 1/8  | 37 3/4   | 31 3/4   | 34 1/8   |
| Shell Union ....         | 11               | 11 1/4     | 10      | 11 3/4  | 16       | 14 3/8   | 15 3/4   |
| Dow Jones ind. av. ....  | 121.4            | 144.7      | 131.3   | 138.1   | 155.9    | 147.8    | 152.1    |

\* Date of Dow-Jones high April-August.

The market, as Monday's movements clearly showed, is still vulnerable to profit-taking. Seven dollar losses in United States Steel and Bethlehem Steel coincided oddly with a jump of over 9 per cent. in steel operations to 79.3 per cent. of capacity. And on Wednesday, after prices had been restored to last week's levels, the rise in war stocks was offset by a later reaction. The dominant note in the market is one of war opportunity; but it is checked by the possibility of war-time control.

**Bank Share Yields.**—Until the outbreak of war bank shares followed the course of gilt-edged securities, but they have been disproportionately affected by the difficulty of dealing in gilt-edged at minimum prices. The highest prices for leading fully-paid bank shares this year offered a yield only a few shillings above the minimum yield on 2 1/2 per cent. Consols—about 3 1/2 per cent. The present position is shown in the following table, which sets out prices and yields of principal bank shares, showing both fully- and partly-paid shares in those instances where they rank *pari passu*. As a standard for judging price levels, yields calculated on the assumption of a general 2 per cent. reduction in dividends

are also shown. No allowance has been made for the 1/2 per cent. increase in Martins Bank interim:—

| Share                          | Price     |                | 1938 div. % | Yields               |               |                    |
|--------------------------------|-----------|----------------|-------------|----------------------|---------------|--------------------|
|                                | 1939 High | Sept. 20, 1939 |             | 1939 High, 1938 div. | Sept. 20 div. | 1938 div., less 2% |
| <b>Fully paid</b>              |           |                |             |                      |               |                    |
| Barclays "B" £1                | 75/6      | 53/-           | 14          | £ s. d. 3 14 2       | £ s. d. 5 5 7 | £ s. d. 4 10 7     |
| District "C" £1                | 95/6      | 87/6           | 18 1/2      | 3 17 0               | 4 3 10        | 3 14 8             |
| Martins £1                     | 81/-      | 65/-           | 14 1/2      | 3 11 9               | 4 9 2         | 3 17 0             |
| Midland £1                     | 86/-      | 72/6           | 16          | 3 14 5               | 4 8 5         | 3 17 4             |
| Nat. Prov. £1                  | 80/6      | 65/-           | 15          | 3 14 7               | 4 12 4        | 4 0 0              |
| <b>Partly paid</b>             |           |                |             |                      |               |                    |
| District "A" £5                |           |                |             |                      |               |                    |
| £1 pd. ....                    | 90/-      | 72/6           | 18 1/2      | 4 1 7                | 5 1 0         | 4 10 2             |
| Lloyds "A" £5                  |           |                |             |                      |               |                    |
| £1 pd. ....                    | 59/4 1/2  | 41/6           | 12          | 4 0 10               | 5 15 10       | 4 16 5             |
| Martins £20, £2 1/2 pd. ....   | 87 1/8    | 7              | 14 1/2      | 4 1 10               | 5 3 7         | 4 9 2              |
| Midland £12, £2 1/2 pd. ....   | 92 3/2    | 67 1/8         | 16          | 4 1 2                | 5 16 5        | 5 1 10             |
| Nat. Prov. "B" £5, £1 pd. .... | 70/9      | 45/-           | 15          | 4 4 10               | 6 13 5        | 5 15 7             |
| Westminster £4, £1 pd. ....    | 91/9      | 58/-           | 18          | 3 18 7               | 6 4 2         | 5 10 5             |

Among the fully-paid shares greater diversity of yields is now shown, but, broadly speaking, the margin between present gilt-edged yields and bank share yields calculated on the latest year's dividends is not excessive. On the other hand, yields based on a 2 per cent. reduction in distributions seem unduly low relative, say, to the current yield on Consols of £4 0s. 8d. per cent. Present prices of fully-paid bank shares do not, it seems, discount a general reduction in dividends. With partly-paid bank shares the situation has changed in recent weeks. A small yield differential between fully-paid and partly-paid shares was always taken as a matter of course. At current prices this differential has become very wide, though it varies considerably between individual banks. It is surely an anomaly that present prices should imply at one and the same time that dividends may be maintained and yet discount some increase in the remote risk of a calling-up of capital.

**Industrial Profits in August.**—The number of profit-and-loss accounts published in August is invariably small, but since the weighting of tea, rubber and oil company results is at a minimum, the total figure provides a fair indication of the trend of profits of home industrial companies. Last month total net profits of seventy-four companies were £7,812,400, compared with £8,368,741 for the same companies in August, 1938, a decline of 6.7 per cent. Comparative figures are set out below:—

| INDUSTRIAL PROFITS 1937-39 |             |              |                    |                |             |              |
|----------------------------|-------------|--------------|--------------------|----------------|-------------|--------------|
| Year and Month             | No. of Cos. | Net Profits* | Inc. on prev. year | Year and Month | No. of Cos. | Net Profits* |
| 1937                       |             | £            | %                  | 1938           |             | £            |
| Aug. ....                  | 62          | 6,042,402    | 9.41               | Aug. ....      | 81          | 8,300,386    |
| Sept. ....                 | 81          | 7,269,607    | 27.80              | Sept. ....     | 112         | 7,962,024    |
| Oct. ....                  | 177         | 14,884,260   | 26.97              | Oct. ....      | 163         | 14,279,785   |
| Nov. ....                  | 206         | 23,579,407   | 20.25              | Nov. ....      | 231         | 23,784,389   |
| Dec. ....                  | 152         | 18,101,112   | 14.69              | Dec. ....      | 171         | 18,534,750   |
| 1938                       |             | £            | %                  | 1939           |             | £            |
| Jan. ....                  | 107         | 13,832,382   | 19.90              | Jan. ....      | 152         | 16,316,851   |
| Feb. ....                  | 202         | 29,792,378   | 5.52               | Feb. ....      | 211         | 31,893,884   |
| March ....                 | 337         | 56,721,336   | 17.19              | March ....     | 293         | 41,440,326   |
| April ....                 | 225         | 28,481,318   | 11.42              | April ....     | 233         | 24,067,714   |
| May ....                   | 320         | 45,915,238   | 11.09              | May ....       | 303         | 46,863,324   |
| June ....                  | 260         | 38,076,415   | 3.44               | June ....      | 257         | 35,104,850   |
| July ....                  | 181         | 16,530,811   |                    | July ....      | 189         | 14,383,201   |
|                            |             |              |                    | Aug. ....      | 74          | 7,812,400    |

\* After debenture interest.

The July figures suggested that the trend of profits was on the turn towards improvement. If the net profits of Richard Thomas and Company are excluded from the August total, this conclusion is reinforced. For the remaining seventy-three companies total profits amounted to £7,513,915, compared with £7,293,795 for August, 1938, an increase of 3 per cent. This improvement was particularly marked among textile, food and miscellaneous companies.

## Company Notes

**Imperial Chemical Confidence.**—At a time when so many dividends are being passed or reduced as a precautionary measure, the maintenance of the Imperial Chemical interim dividend at 3 per cent. cannot fail to have a tonic effect. In the past the interim rate has been varied more than once, though without bearing any definite relation to earnings as ultimately published. But it is a sign of confidence in the continued profitability of an undertaking to repeat peace-time dividends in the present mood of caution. It must, however, be remembered that Imperial Chemical declare their interim when results for almost three-fourths of the financial year are already known, and that theirs is one of the essential industries in a war economy.

**London Store Interims.**—In the absence of profits figures it is impossible to say whether directorial caution or adverse trading results are responsible for the reduced interim dividends announced by several London store companies. But it was widely surmised that store companies did not benefit appreciably from the industrial recovery which set in last spring and trading conditions have recently been most difficult. Selfridge and Company are not to pay the dividends due September 30th on the 6 per cent. tax-free cumulative preference stock and on the 10 per cent. cumulative preferred ordinary stock. These two dividends together require £178,000 in a full year, and although eight months' dividend on the latter stock was charged in the 1938-39 accounts, it was not fully earned. Similarly, William Whiteley, Ltd., are passing the preference and preferred ordinary dividends due on the same date, whereas for 1938-39 the company earned the preference dividend with £5,145 to spare. The

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exact standing of the Selfridge guarantee of a 25 per cent. dividend on William Whiteley's ordinary stock is not clear in circumstances in which dividends on the preference stock have been passed. Selfridge and Company, however, are paying their debenture interest due on the same date. The directors of Jay's, Ltd., have passed the preference dividend for the half-year to July 31st. For 1938-39 (an exceptionally bad year) the full preference dividend was paid, though it was short-earned. The Army and Navy Stores have reduced the interim payment on their 10s. shares from 4½ per cent. (a rate maintained since 1931) to 2½ per cent. And Peter Robinson's directors have cancelled a resolution to pay an interim dividend of 1 per cent. on the ordinary capital. London stores in the Great War had on the whole a favourable profits record, but this proves merely that war does not of itself destroy retail trading earnings. On the present occasion, however, the dispersal of population from London in war has succeeded a prolonged period of adverse trading conditions.

**Heavy Industrial Results.**—The full Staveley and Sheepbridge reports are analysed in the following table, which shows the former company's operating results are better than the preliminary figures first indicated:—

| Years ended June 30            | Staveley<br>Coal and Iron |         | Sheepbridge<br>Coal and Iron |         |
|--------------------------------|---------------------------|---------|------------------------------|---------|
|                                | 1938                      | 1939    | 1938                         | 1939    |
| Total profit .....             | 723,725†                  | 705,684 | 308,634                      | 286,199 |
| Depreciation and renewals ...  | 234,812                   | 254,048 | 87,418                       | 63,045  |
| Debiture interest and fees ... | 10,345                    | 10,345  | 16,457                       | 13,749  |
| Stock or shares (tax free)†:—  |                           |         |                              |         |
| Earned .....                   | 478,568                   | 441,291 | 204,779                      | 209,405 |
| Paid .....                     | 372,389                   | 338,536 | 167,316                      | 167,316 |
| Earned % .....                 | 14.1                      | 13.0    | 15.3                         | 15.7    |
| Paid % .....                   | 11                        | 10      | 12½                          | 12½     |
| To reserve .....               | 100,000                   | 100,000 | 20,000                       | 35,000* |
| Carry forward .....            | 194,293                   | 197,048 | 106,209                      | 113,299 |

\* Of which £15,000 to A.R.P. equipment reserve. † For Sheepbridge, figures refer to preference and ordinary capital, which rank rateably after 5 per cent. on ordinary. ‡ Including £93,000 profit from Markham sale.

The Staveley profits figures differentiate net trading profit from dividends received. Net trading profits rose from £506,119 to £587,928—conditions in most departments are stated to have been good, particularly in the latter half of the year—but dividends fell from £217,295 to £117,580. It is not specified into which category the special profit of £93,000 from the Markham sale in 1937-38 was brought, but in any event last year's trading results appear most satisfactory. Moreover, the £37,277 reduction in the preliminary net profits figure was due as much to a higher depreciation charge as to reduced total profits. Sheepbridge, on the other hand, have reduced the renewals provision from £50,000 to £30,000, so that, despite a 7 per cent. drop in total profits, a modest increase in earnings is shown, before charging £15,000 for A.R.P. A relative newcomer to the Stock Exchange, Cannock Associated Collieries, has published satisfactory preliminary results. Net profits are £207,008, against £169,018, though this considerable improvement is accompanied by a dividend reduction from 10 per cent. to 9 per cent., which might be due either to some special allocation or to a conservative policy. Bolsover Colliery, whose financial year ends on December 31st, has maintained the 3½ per cent. interim dividend. In recent years interim payments have varied to some extent with profits, so that the maintained payment may be provisionally regarded as of good omen. United Steel Companies have announced a final dividend of 5½ per cent., making 8 per cent. for the year to June 30th, against 10 per cent. Owing to financial changes during the year, however, it may not follow that the results will be disappointing. To finance the John Summers development (which has not yielded a full return in 1938-39) £1,500,000 of 4½ per cent. 10-year notes were placed, and 882,180 £1 shares issued to members at par. Interest on the notes and the dividend payable on the additional shares would go far to account for the reduced rate of dividend.

**Harrisons and Crosfield Results.**—This company's revenue is derived from many sources in addition to dividends on produce shares, and its profit record shows a general connection rather than a close correspondence with variations in rubber and tea company earnings. Hence the rise of 3½ per cent. in Harrisons and Crosfield's total profits for 1938-39 is satisfactory. Like many other companies, however, Harrisons and Crosfield have now adopted a distribution policy of decided caution. Although earnings would have permitted an increased distribution, the payment is reduced from 25 per cent. to 20 per cent., and £50,000 is placed to dividend equalisation reserve. The allocation and profits in the past three years is shown in the following table:—

|                                 | Years ended June 30th |         |         |
|---------------------------------|-----------------------|---------|---------|
|                                 | 1937                  | 1938    | 1939    |
| Profit, after N.D.C., etc. .... | 354,014†              | 333,870 | 345,310 |
| Preference and pref. ord. divs. | 137,800               | 137,800 | 137,800 |
| Management share divs. ....     | 69,159                | 73,802  | 52,500  |
| Deferred stock:—                |                       |         |         |
| Earned % .....                  | 26.6                  | 25.5    | 27.6    |
| Paid (total) .....              | 111,099               | 118,836 | 100,000 |
| Paid (total) % .....            | 25                    | 25      | 20      |

Carry forward .....

† Before charging £25,000 for staff pensions. \* After £50,000 to dividend equalisation reserve.

The report stresses that, in normal times, the directors would have recommended a final dividend at the former rate, but the transfer to reserve is a precautionary measure necessitated by the war and the company's widespread interests. The deferred ordinary capital in issue has now reached its authorised maximum of £500,000, and the new reserve represents a substantial safeguard for the immediate future. The balance sheet continues to show a high degree of financial strength. Until the last cash issue in November, 1938, the exercise of subscription rights regularly brought new money into the business, and total assets have shown steady expansion. Surplus liquid assets are not much changed, at about £558,000, but shares in and advances to subsidiaries have risen from £742,678 to £879,386, while holdings in produce companies are valued at a higher figure than balance-sheet cost. The £1 deferred ordinary stock units now stand at 77s. 6d. Subject to the operation of the time lag between higher produce company earnings and their appearance in the group company's profits, prospects for the deferred stock appear reasonably favourable in war-time conditions.

**British Sugar Results.**—Since its inception, the British Sugar Corporation has not specified the amount of earnings derived from trading profits and the total of Government subsidy. The main present fact for shareholders is that the corporation is paying its minimum ordinary dividend of 4 per cent. for 1938-39, but actual receipts are insufficient to provide any earnings for the shares. Bad crops were recorded in 1937-38 and those of 1938-39 were still worse. The effect on the corporation's accounts is summarised below:—

|                        | YEARS ENDED MARCH 31ST |         |             |
|------------------------|------------------------|---------|-------------|
|                        | 1937                   | 1938    | 1939        |
| Trading profit .....   | 1,245,143              | 672,626 | 383,312     |
| Taxation .....         | 311,584                | 120,835 | 23,000      |
| Depreciation .....     | 240,000                | 210,000 | 224,000     |
| Debiture service ..... | 12,438                 | 41,880  | 41,880      |
| Other expenses .....   | 96,803                 | 81,859  | 108,233     |
| Shares:—               |                        |         |             |
| Earned .....           | 584,318                | 218,052 | Dr. 13,801  |
| Paid .....             | 150,000                | 163,125 | 145,000     |
| Earned % .....         | 15.6                   | 6.0     | Nil         |
| Paid % .....           | 4                      | 4½      | 4           |
| Div. equaln. res. .... | 187,500                | 17,500  | Dr. 130,000 |
| Special charges .....  | 79,248                 | 15,000  | ...         |
| Carry forward .....    | 81,570                 | 89,997  | 61,196      |

Some light, however, is thrown by the report on the financial relationship between the corporation and the Government. The rate of assistance is based on a forecast, and as all calculations were upset by the drought, the assistance actually received resulted in a debit balance on profit and loss. Discussions with the Government, apparently directed to obtaining additional assistance, accounted for the delay in issuing the accounts, and it is stated that the withdrawal of £130,000 from the Dividend Equalisation Reserve represents the estimated net yield of the additional assistance which the Government has agreed to make for 1939-40. It is hoped to replace this sum to reserve in due course. The outbreak of war makes the past background to the corporation's activities scarcely relevant. A war economy may provide the occasion for a review of the corporation's financial structure, but for the moment shareholders will regard the dividend decision as a confirmation of an expected minimum return of 4 per cent.

**New Modderfontein.**—With only a few years' life in prospect, New Modder has for some time shown a progressive decline in yield of gold per ton. Since 1935-36, however, milling operations have remained on the same scale, and the rising price of gold has retarded—though it has not been enough to prevent—a steady decline in profits. The results of working in the past three years are set out in the following table:—

|                              | Years ended June 30th |           |           |
|------------------------------|-----------------------|-----------|-----------|
|                              | 1937                  | 1938      | 1939      |
| Ore milled (tons).....       | 2,342,000             | 2,336,000 | 2,338,000 |
| Yield per ton (dwt.) .....   | 4.075                 | 3.776     | 3.489     |
| Working costs per ton .....  | 14/10                 | 15/-      | 14/9      |
| Working profit per ton ..... | 13/11                 | 11/5      | 10/11     |
| Total profits.....           | 1,653,181             | 1,361,124 | 1,296,141 |
| Expenses.....                | 743,934               | 591,525   | 571,009   |
| 10/- shares:—                |                       |           |           |
| Earned.....                  | 909,247               | 769,599   | 725,131   |
| Paid .....                   | 910,000               | 770,000   | 700,000   |
| Earned % .....               | 64.9                  | 55.0      | 51.8      |
| Paid % .....                 | 65                    | 55        | 50        |
| Carry forward .....          | 206,188               | 205,787   | 230,918   |

The fall in working revenue is no more than 3 per cent., and owing to a reduction in costs of 3d. per ton and to some saving in taxation, the amount available for the shareholders is only £44,468 lower at £725,131. The dividend is reduced by a rather greater sum. There is a useful addition to the carry forward of £25,131. Total ore reserves at the end of June amounted to 7,325,000 tons, with a value of 3.6 dwt., compared with 7,997,000 tons of 3.8 dwt. a year earlier. At last year's rate of milling the apparent life of the mine is thus barely three years, and though the recent rise in the gold price will make some

difference, a limit of 150s. will not alter the situation decisively. New Modder 10s. shares now stand at 22s. 6d.

**Consolidated Main Reef.**—The results of Consolidated Main Reef are even better than the 2½ per cent. increase in dividend had suggested. In previous years the company had followed the common practice of mining companies by distributing available earnings in full. On this occasion, however, there is a more generous margin between profits and the dividend. The following table shows the course of profits in the past three years:—

|                              | Years ended June 30th |           |           |
|------------------------------|-----------------------|-----------|-----------|
|                              | 1937                  | 1938      | 1939      |
| Ore milled .....             | 1,916,500             | 1,935,000 | 2,106,000 |
| Yield per ton .....          | 3.786                 | 3.692     | 3.424     |
| Working costs per ton .....  | 20/2                  | 19/9      | 18/10     |
| Working profit per ton ..... | 6/5                   | 6/-       | 6/4       |
| Total profit .....           | 643,289               | 616,217   | 694,407   |
| Expenses .....               | 301,689               | 313,579   | 290,645   |
| £1 shares:—                  |                       |           |           |
| Earned.....                  | 341,600               | 302,638   | 403,762   |
| Paid .....                   | 343,091               | 311,901   | 343,091   |
| Earned % .....               | 27.4                  | 24.3      | 32.4      |
| Paid % .....                 | 27½                   | 25        | 27½       |

Carry forward .....

The 9 per cent. increase in tonnage milled and the higher gold price more than compensated for the 0.268 dwt. fall in average yield, and working revenue rose from £2,496,976 to £2,645,131. The fairly substantial increase in tonnage, moreover, resulted in a reduction in working costs of as much as 11d. per ton. Hence, contrary to the showing of recent mining results, increased profits per ton contributed to higher net revenue no less than increased tonnage. A further influence was the sharp reduction in capital expenditure from £89,148 to £38,993, the latter sum being somewhat below the estimate put forward at the 1938 general meeting. The ore reserves continue to increase, and at the end of June were estimated at 11,246,200 tons, against 11,184,400 tons, averaging 3.9, against 4.1 dwt. The £1 shares now stand at 67s. 6d.

**The Week's Company Profits.**—This week's analysis of profit and loss accounts, appearing on page 585, comprises 19 companies, and includes a number of important results. Net profits of these companies amount to £2,714,000 against £2,866,000, a reduction of 5½ per cent. Aggregate profits of 1,759 companies reporting in 1939 to date total £222,161,000, showing a fall of 8 per cent., compared with £241,405,000 earned by the same companies a year ago. The week's results are discussed in preceding Notes and on page 577 under the heading "Shorter Comments."

## THE STOCK EXCHANGES

### London

*Note: All dealings are for Cash*  
THOUGH the Stock Exchange is used to shocks, the Russian invasion of Poland was a serious blow, and early in the week prices were considerably shaken. And while there has been perhaps too much readiness to ascribe the weakness of industrials to the stagnation in the gilt-edged market, whereby investors in need of cash have been compelled to sell industrial stocks, there is no doubt that this technical difficulty has been an added drawback. The declining tendency continued for a time, but the undertone became noticeably steadier in mid-week. And if there has been no appreciable recovery, the industrial market was better in places on Thursday.

Business in gilt-edged stocks is vir-

tually at a standstill. The optimists are hoping for a reduction in Bank Rate, and the realists are discussing the likelihood of a reduction in the minimum prices, which are an almost impenetrable barrier to actual business. The trend, in fact, can be measured only by the number of would-be sellers, and it was a better sign that they became less numerous in mid-week. *Foreign bonds* were weaker all round, even South American issues, which had been relatively in favour a week ago, losing ground. Both Chinese and Japanese bonds moved lower, though not simultaneously. Among *home rails*, unofficial minimum prices for the prior charges remained operative, and only a little business was passing. The ordinary stocks hardened somewhat after early dullness, but clearly no pronounced new trend can emerge until the position of

stockholders during the period of Government control is clarified. On Monday, Argentine rails reacted in sympathy with the general tendency and then became steadier.

The *industrial* market began the week in a mood of discouragement. Quotations were widened and business continued to be largely a matter of negotiation. There was, however, no real selling pressure, and by mid-week the market had recovered much of its balance, helped by the improvement on Wall Street and the announcement of unchanged interims by a few important companies. Among iron and steel shares, falls of 1s. or more were general on Monday. Subsequent movements were small, and there was a belated recovery on Thursday. Changes in electrical equipment issues were too few and diverse to test the real trend in this



group of shares. Motor shares were weak, though they showed some recovery on Wednesday, while aircraft issues became a little firmer as time went on. Compared with other sections, textile and rayon issues did not show up so prominently as in the previous week. They were dull to start with, and support in mid-week was selective. Breweries continued their recent downward drift, but moderate support was met at the lower levels. Tobacco shares improved on Wednesday under the lead of Imperial Tobacco. Little interest was apparent in the Stores group, prices ruling steady apart from a relapse in Woolworth on Tuesday, while provision and catering issues had an easier appearance. Shipping shares eased throughout the week led by Furness Withy. Prices sagged in the miscellaneous group after the week-end, but Imperial Chemical offered resistance on Tuesday. An irregular trend later developed, Turner and Newall and London Brick losing ground. Associated Cement with other isolated issues, however, advanced fractionally.

Oil shares were adversely affected after the week-end by liquidation on the part of holders requiring ready cash, and market leaders reacted sharply. A quiet but firmer tone developed in mid-week under the lead of "Shell" and Eagle issues. Trinidad issues offered strong resistance throughout the week. Rubber shares have eased slightly, in line with market sentiment and owing to lack of any lead from the commodity. The tea share market is still hampered by difficulty in placing buying or selling orders.

Political developments over the week-end and adverse conditions on the Johannesburg market were responsible for the dull tone in mining issues on Monday. Dealers were unwilling to take stock, and prices drifted downwards, but some support developing in mid-week at the lower levels. Developing issues weakened on fears of difficulty in raising funds for future operations, with Western Holdings and West Wits particularly affected. The improved levels following Tuesday's short rally were, however, maintained in mid-week. Finance issues followed the general trend, while West Africans, despite the latest news of Ashanti developments, have been out of favour during the week. Rhodesian copper shares were offered on Monday, lack of interest preventing any substantial improvement later in the week. Tin shares failed to live up to the previous week's promise, the revised third quarter quota decision having no material effect on prices.

#### ACTUARIES' INVESTMENT INDEX

Publication of the Actuaries' Investment Index is temporarily suspended.

#### "FINANCIAL NEWS" INDICATORS

| 1939         | Total Bargains† | Corres. Day 1938 | Security Indices |                |
|--------------|-----------------|------------------|------------------|----------------|
|              |                 |                  | 30 ord. shares*  | 20 fixed int.† |
| Sept. 15     | 2,360           | 5,030            | 70.9             | 111.0          |
| " 18         | 2,350           | 5,065            | 67.6             | 110.7          |
| " 19         | 1,985           | 5,865            | 66.8             | 110.7          |
| " 20         | 2,035           | 5,065            | 66.9             | 110.7          |
| " 21         | 2,055           | 5,855            | 67.2             | 110.5          |
| 1938 High... | ...             | ...              | 88.0             | 123.5          |
| Low...       | ...             | ...              | Mar. 10 66.8     | Jan. 3 110.5   |
|              |                 |                  | Sep. 19 67.2     | Sep. 21 110.5  |

\* Approx. total recorded in S.E. List. \* July 1, 1935 = 100. † 1938 = 100.

## New York

ANTICIPATED peace overtures from Berlin following the partition of Poland and the impending fight over the Neutrality Act confused sentiment on Wall Street this week. Considerable profit-taking developed, especially among steel, copper, aircraft and chemical issues. Absence of peace proposals in the Danzig speech, however, was quickly interpreted as a bull point for war stocks, and steel and aircraft shares soared accordingly. On Tuesday the Dow Jones industrial average rose overnight from 147.78 to 152.14. In mid-week the advance was continued, but a more cautious attitude gradually developed pending the results of the political negotiations over the Neutrality Act. The bond market, apart from a somewhat firmer tendency among second-grade rails, has been inactive and dull. Iron Age estimates steel ingot production at 79 per cent. of capacity compared with 71 per cent. last week.

## New York Prices

| Close Latest                           |           |           | Close Latest                 |           |           |
|----------------------------------------|-----------|-----------|------------------------------|-----------|-----------|
| Sept. 14,                              | Sept. 14, | Sept. 14, | Sept. 14,                    | Sept. 14, | Sept. 14, |
| 1939                                   | 1939      | 1939      | 1939                         | 1939      | 1939      |
| <b>1. Rails and Transport</b>          |           |           | <b>4. Manufacturing</b>      |           |           |
| Atchafalaya                            | 30½       | 34½       | Shell Union                  | 15½       | 15½       |
| Balt. & Ohio                           | 8         | 78        | Socony Vac.                  | 14½       | 14        |
| Ches. & Ohio                           | 40½       | ...       | Stan. Oil Cal.               | 32½       | 30½       |
| G.N. Ry. Pt.                           | 30        | ...       | Stan. Oil N.J.               | 52½       | 50½       |
| Illinois Cent.                         | 14½       | ...       | Texas                        | 48        | 47        |
| N.Y. Central                           | 20½       | 20½       | <b>5. Retail Trade, etc.</b> |           |           |
| Northern Pac.                          | 10½       | 10½       | Briggs                       | 24        | 22½       |
| Pennsylv. R.                           | 24½       | 24½       | Chrysler                     | 89½       | 88½       |
| Southern Ry.                           | 16½       | 16½       | Elec. Autolite               | ...       | ...       |
| Southern Ry.                           | 17½       | ...       | Gen. Motors                  | 54        | 54        |
| Union Pac.                             | 99        | 100       | Nash Kelvint                 | ...       | ...       |
| Greyhound                              | ...       | ...       | Bosong Airplan               | 27½       | ...       |
| <b>2. Utilities and Communications</b> |           |           | Douglas Air.                 | 76¼       | 75¼       |
| Am. W. Works                           | 11½       | 13½       | United Aircraft              | 43        | 44¼       |
| Con. Edison                            | 30½       | 30½       | Allied Cheml.                | 194½      | 190       |
| Col. Gas & El.                         | 75        | 75        | Dupont                       | 181¼      | 178       |
| El. Bond & Sh.                         | 95        | 95        | Utd. Carbide                 | 61½       | ...       |
| Nat. Pwr. & Lt.                        | 8½        | ...       | Allis Chalmers               | 45        | 44½       |
| N. American                            | 21½       | 22½       | Gen. Electric                | 42½       | 41½       |
| Pac. Gas & El.                         | 30½       | ...       | West. Elec.                  | 115       | 113¼      |
| Pub. Serv. N.Y.                        | 37½       | 38½       | American Can                 | 110½      | 110       |
| United Corp.                           | 115       | 115       | Caterpillar                  | 58½       | ...       |
| Un. Gas Imp.                           | 13½       | 13½       | Int. Harvester               | 70¼       | 68½       |
| Amer. Tel.                             | 162½      | 160¼      | Johns Manville               | 77½       | 78½       |
| Inter. Tel. For.                       | 55        | 55        | Am. Radiator                 | 61        | ...       |
| West. Union                            | 32        | 35½       | Corn Prods.                  | 85        | 84        |
| Radio                                  | 6¼        | 6¼        | J.I. Case & Co.              | 17½       | ...       |
| <b>3. Extractive and Metal</b>         |           |           | Glidden                      | 15¼       | ...       |
| Am. Mol. Mill                          | 21        | ...       | Celanese of A.               | 25        | 26¾       |
| Beth. Steel                            | 93        | 91¼       | Bastm'n Kdk.                 | 154       | 157¾      |
| U.S. Steel                             | 77½       | 77½       | Loewe                        | 33¾       | 34        |
| U.S. Steel Pt.                         | 119½      | 118       | 20th Cen. Fox                | 14¼       | 13½       |
| Am. Metal                              | 27½       | 28½       | <b>6. Finance</b>            |           |           |
| Am. Smelting                           | 57½       | 57½       | Mont. Ward.                  | 54½       | 54½       |
| Anaconda                               | 35        | 34½       | Sears Roebck.                | 77½       | 78        |
| Cerro de Pas.                          | 43½       | 41        | Woolworth                    | 38        | 38½       |
| Int. Nickel                            | 42½       | 40        | Nat. Biscuit                 | ...       | ...       |
| Kennecott                              | 43¼       | 43        | Nat.stry                     | 15½       | 15½       |
| U.S. Smelt.                            | 62        | 66        | Am. Tob.                     | 78½       | 78¼       |
| Phillips Petr.                         | ...       | ...       | Nat. Distillers              | 23        | 23½       |

\* 2d.

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

#### WEEKLY AVERAGES

| 1939         |       | Sept. 6, 1939 |       | Sept. 13, 1939 |       | Sept. 20, 1939 |       |
|--------------|-------|---------------|-------|----------------|-------|----------------|-------|
| Low          | High  | Low           | High  | Low            | High  | Low            | High  |
| 347 Ind's... | 92.8  | 114.5         | 109.5 | 113.7          | 112.2 | 112.2          | 112.2 |
| 32 Rails...  | 23.34 | 32.5          | 27.6  | 31.2           | 31.1  | 31.1           | 31.1  |
| 40 Utilities | 77.8  | 89.94         | 83.2  | 84.7           | 83.7  | 83.7           | 83.7  |
| 419 Stocks   | 79.3  | 95.6          | 92.0  | 95.5           | 94.4  | 94.4           | 94.4  |
| Av. yield*   | 4.42% | 3.31%         | 3.82% | 3.68%          | 3.71% | 3.71%          | 3.71% |

\* 50 Common Stocks. † Aug. 2nd ‡ Aug. 23rd.

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

| Sept. 14 | Sept. 15 | Sept. 16 | Sept. 18 | Sept. 19 | Sept. 20 |
|----------|----------|----------|----------|----------|----------|
| 128.6    | 128.3    | 126.3    | 121.9    | 126.8    | 126.8    |

1939 High: 130.3 January 4th. Low: 98.8 April 8th.

#### TOTAL DEALINGS IN NEW YORK

| 1939         | Stock Exchange  |                  |
|--------------|-----------------|------------------|
|              | Shares<br>000's | Bonds<br>\$000's |
| September 14 | 2,010           | 10,330           |
| " 15         | 1,590           | 9,350            |
| " 16*        | 1,080           | 5,360            |
| " 18         | 1,730           | 1,730            |
| " 19         | 1,830           | 10,010           |
| " 20         | 2,140           | 13,420           |

\* Two-Hour Session.

## Capital Issues

#### CAPITAL ISSUE TOTALS

| Week ending<br>September 23, 1939        | Nominal<br>Capital       | Con-<br>versions         | New<br>Money |
|------------------------------------------|--------------------------|--------------------------|--------------|
| To the Public                            | Nil                      | ...                      | Nil          |
| To Shareholders                          | Nil                      | ...                      | Nil          |
| By S.E. Introduction                     | Nil                      | ...                      | Nil          |
| By Permission to Deal                    | 366,182                  | ...                      | 274,728      |
| Saving Certs., week to<br>Sept. 16, 1939 | Dr100,000                | ...                      | Dr100,000    |
| Year to date                             | Including<br>Conversions | Excluding<br>Conversions |              |
| 1939 (New Basis)                         | 108,196,574              | 85,670,632               |              |
| 1938 (New Basis)                         | 237,119,105              | 217,228,142              |              |
| 1939 (Old Basis)                         | 71,623,052               | 50,392,973               |              |
| 1938 (Old Basis)                         | 173,898,546              | 154,987,678              |              |

#### Destination (Excluding Conversions)

| Year to date     | U.K.        | Brit. Emp. | Foreign<br>ex U.K. | Countries |
|------------------|-------------|------------|--------------------|-----------|
| 1939 (New Basis) | 58,150,752  | 25,274,148 | 2,245,732          |           |
| 1938 (New Basis) | 166,787,209 | 47,590,756 | 2,850,177          |           |
| 1939 (Old Basis) | 34,232,882  | 15,840,091 | 320,000            |           |
| 1938 (Old Basis) | 131,063,375 | 21,104,231 | 2,820,072          |           |

#### Nature of New Borrowing (Excluding Conversions)

| Year to date     | Deb.        | Pref.      | Ord.       |
|------------------|-------------|------------|------------|
| 1939 (New Basis) | 44,920,545  | 8,119,649  | 32,630,438 |
| 1938 (New Basis) | 137,420,097 | 15,376,492 | 64,431,553 |
| 1939 (Old Basis) | 37,608,921  | 2,688,459  | 10,919,413 |
| 1938 (Old Basis) | 126,391,813 | 9,252,053  | 19,343,812 |

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.

## 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 |
|-------------------------------|-----------------|-------|----------|------------|
| <b>BANKS</b>                  |                 |       |          |            |
| Bank of Scotland              | 10 p.a.         | ...   | ...      | 12 p.a.    |
| Cent. Hanover Bank            | \$1 p.a.*       | ...   | Oct. 2   | \$1 p.a.*  |
| Dominion Bank                 | 2½*             | ...   | Nov. 1   | 2½*        |
| <b>INSURANCE</b>              |                 |       |          |            |
| Yorkshire Insurance           | \$17½*          | ...   | Oct. 16  | \$17½*     |
| <b>TEA &amp; RUBBER</b>       |                 |       |          |            |
| Batu Tiga Rbr.                | 2½*             | ...   | Oct. 19  | 2½*        |
| Bukit Selangor Rbr.           | ...             | 3     | ...      | 6½         |
| Fed. (Selangor)               | ...             | 2½    | ...      | 4*         |
| Kampong Kuantan Rbr           | 5*              | ...   | Oct. 6   | 4*         |
| Parit-Bruas Rubber            | 7½†             | 15    | ...      | 20         |
| Scottish Ceylon Tea           | 2½*             | ...   | ...      | 7½*        |
| Seaport (Selangor) Rb.        | ...             | 3     | ...      | 4          |
| Semenyih Rubber               | 5†              | 10    | Oct. 5   | 18         |
| Sengat Rubber                 | ...             | 2½    | ...      | 4*         |
| Travancore Tea                | 4*              | ...   | Oct. 2   | 4*         |
| <b>MINING</b>                 |                 |       |          |            |
| Ayer Hitam Tin                | 2½*             | ...   | Oct. 11  | Nil*       |
| Champion Reef Gold            | 17½*            | ...   | Oct. 14  | 17½*       |
| Globe & Phoenix Gold          | 1/6p*           | ...   | Nov. 7   | 1/6p*      |
| Gopeng Consolid.              | 1½*             | ...   | Sept. 30 | 1½*        |
| Myosore Gold                  | 7½*             | ...   | Oct. 28  | 7½*        |
| Nigerian Cons. Mines          | 7½*             | ...   | Oct. 2   | 5*         |
| Oreogum Gold (Pref. and Ord.) | 5*              | ...   | Nov. 4   | Nil*       |

(Continued on page 577.)

# Industry and Trade

**Commodity Prices.**—As was to be expected, the introduction of control of supplies and prices of a large number of commodities, necessary though it was, has given rise to a good deal of confusion. With a few exceptions, including cotton, rubber and tin, there have been no free market dealings since the outbreak of war, and in the case of certain raw materials subject to maximum prices, transactions have been of small dimensions. Some time must be expected to lapse before the machinery of control is operating smoothly. In view of the suspension of dealings and because the standard grades for which maximum prices were fixed differ from those which have been given regularly in our weekly list of wholesale prices on page 588, it has been necessary to omit certain prices altogether, and, where necessary, to substitute new grades for those hitherto shown. For the same reasons the publication of *The Economist's* fortnightly price indices has had to be temporarily suspended. Meanwhile, the force of the initial upward movement of prices in the United States, whose markets remain free of control, has spent itself. After rising from 140.3 (December 31, 1931 = 100) on August 31st to 168.8 on September 6th—an advance of 20 per cent.—Moody's index of the prices of sensitive commodities in the United States has varied within narrow limits, and on September 20th it stood at 171.1.

**Jump in Shipping Freight Rates.**—If the institution of control over the supplies and prices of important raw materials and foodstuffs has led to some confusion and

has rendered it difficult for consumers to obtain supplies, the virtual absence of control on the shipping freight markets has led to an indiscriminate, and in many cases probably unjustified, advance in rates. There have been many examples of increases in freight rates of 100 per cent. and more. In justification of these enormous increases shipowners point to the rise in insurance rates, and in the cost of fuel as well as to the risk of delay through the institution of the convoy system. Some advances in freight rates were undoubtedly justified, but, judging by the magnitude of the increases, there is a strong presumption that shipowners have made an altogether disproportionate allowance for the probable increase in costs and that in fact they are trying to secure as much as the traffic will bear. This is an unsatisfactory state of affairs, for in the present emergency there is no justification for waste or for increased profits. The behaviour of the freight markets since the outbreak of war indeed reinforces the conclusion reached in a survey of the shipping position in *The Economist* of September 16th (page 527), when it was pointed out that the merchant marine should be requisitioned and that official freight rates should be fixed without delay.

**Cotton Control Board.**—In view of the consultations which have taken place during the past fortnight between Sir Percy Ashley of the Board of Trade and representatives of the Lancashire cotton industry, there was no surprise when it was announced at the beginning of this

(Continued from page 576)

| Company                     | *Int.<br>or<br>†Final | Total   | Pay-<br>able | Prev.<br>Year |
|-----------------------------|-----------------------|---------|--------------|---------------|
| South Crofty .....          | 5*                    | ...     | Sept. 30     | 5*            |
| Sungei Besi Mines .....     | 2½*                   | ...     | Oct. 12      | Nil*          |
| Tronoh Mines .....          | 2½*                   | ...     | Oct. 13      | Nil*          |
| INDUSTRIALS                 |                       |         |              |               |
| Aire Wool .....             | 7½†                   | 9       | ...          | 9             |
| Anglo-Siam Corp. ....       | 10†                   | 10      | Oct. 4       | 10            |
| Army & Navy Stores .....    | 3d ps†                | 20      | Nov. 15      | 5d ps†        |
| Atkinson-Oates Motors ..... | 10†                   | ...     | Oct. 31      | 31*           |
| Ault and Wiborg .....       | 3½*                   | ...     | ...          | 3½*           |
| Bolsover Colliery .....     | 4*                    | ...     | ...          | 4*            |
| British Aluminium .....     | 3½*                   | ...     | ...          | 3½*           |
| British Gas Light .....     | 3½*                   | ...     | ...          | 3½*           |
| British Oil Shipping .....  | Nil*                  | ...     | ...          | 2*            |
| British Power .....         | 2*                    | ...     | ...          | 5*            |
| Cable and Wireless .....    | 1½*                   | ...     | Sept. 30     | 1½*           |
| Carricks (Caterers) .....   | 3*                    | ...     | ...          | 3*            |
| Cheshire Salt .....         | 6†                    | 10      | ...          | 7½            |
| City & Inlt. Trust .....    | 3                     | Oct. 11 | ...          | ...           |
| Coltens Iron .....          | 9d ps†                | 3       | Oct. 16      | 9d ps†        |
| Craven Brothers .....       | 7½*                   | Oct. 7  | ...          | 7½*           |
| Crowther (John) .....       | 10                    | ...     | ...          | 10            |
| Dickinson (John) .....      | 4*                    | ...     | ...          | 4*            |
| Edinburgh Invest. ....      | 3*                    | ...     | ...          | 3*            |
| Electric Supply Corp. ....  | 3½*                   | ...     | ...          | 3½*           |
| Express Dairy .....         | c2*                   | ...     | ...          | 3*            |
| Glover and Main .....       | 5*                    | ...     | ...          | 7½*           |
| Griew (L.) .....            | 4†                    | 8       | ...          | 8             |
| Holophane .....             | 3*                    | ...     | ...          | 3*            |
| Imperial Chemical .....     | 7½*                   | ...     | ...          | 7½*           |
| Indestructible Paint .....  | 4*                    | ...     | ...          | 5*            |
| International Paint .....   | 5*                    | Oct. 23 | ...          | 4*            |
| Kinemas (S. Africa) .....   | 5*                    | ...     | ...          | 7½*           |
| Lancashire Dynamo .....     | 8½†                   | 15      | ...          | 14            |
| McEwan (Wm.) & Co. ....     | 5*                    | ...     | ...          | 5*            |
| Maidstone Motor .....       | 5*                    | 5       | ...          | 7½            |
| Manchester Liners .....     | Nil*                  | ...     | ...          | 5*            |
| Mann and Overton .....      | 2½*                   | ...     | Oct. 18      | 2½*           |
| Mid. Counties Elec. ....    | 25cts.*               | ...     | Oct. 14      | 25cts.*       |
| Montgomery Ward .....       | 50cts.*               | ...     | Sept. 15     | 50cts.*       |
| Montreal Cottons .....      | 12½†                  | 20      | ...          | 20            |
| Murex .....                 | 2*                    | Oct. 12 | ...          | 2*            |
| National Star Brick .....   | 4*                    | ...     | ...          | 7½*           |
| Pinchin Johnson .....       | 15†                   | 18      | Sept. 23     | 17            |
| Ranks, Ltd. ....            | 5*                    | Oct. 1  | ...          | 5*            |
| River Plate Trust 'A' ..... | 1*                    | Oct. 1  | ...          | 1*            |
| Do. 'B' .....               | 3*                    | ...     | ...          | 3*            |
| Robertson Ledlie .....      | 3*                    | ...     | ...          | 3*            |
| Ruberoid .....              | 7½*                   | Oct. 2  | ...          | 7½*           |
| Smith's Crisps .....        | a2½*                  | ...     | ...          | 2½*           |
| Spillers (Def.) .....       | Nil*                  | ...     | ...          | 12½           |
| Squirrel Confectionry ..... | 15                    | ...     | ...          | 12½           |
| Stothert and Pitt .....     | (g) 5½†               | 8(g)    | Oct. 12      | 10(h)         |
| United Steel Cos. ....      | 6½*                   | ...     | ...          | 6½*           |
| Wales .....                 | 4*                    | ...     | ...          | 4*            |
| Waterworth Bros. ....       | Pence                 | ...     | ...          | Pence         |
| UNIT TRUSTS                 |                       |         |              |               |
| Investors Flexible .....    | 33                    | ...     | ...          | 33½           |
| Bank Shares .....           | 263                   | ...     | ...          | 33.331        |

week that the Government had decided to appoint a Cotton Control Board. The Board is fully representative of the employers' and operatives' organisations, and Sir Percy Ashley will be chairman. The first meeting of the Board took place on Tuesday last, and it was announced that sub-committees had been appointed to deal with (a) raw cotton supplies; (b) production and Government contracts; (c) export trade; and (d) essential commodities. The chairmen of these committees will be members of the Board. Sir Percy Ashley, in a statement, said that the first and most obvious object of the Board was the provision of all Government requirements, not only for the fighting services, but also for home defence and hospitals, etc. Not less important was the encouragement of the export trade in cotton goods. Although compulsory powers of various kinds would have to be sought, a great deal could be done by voluntary effort. The fixing of prices was envisaged and some consideration would be given to compensation, though the problem was different from what it was during the last war, when compensation was provided for both millowners and employers. Sir Percy announced that some of the powers granted under the Cotton Industry (Re-organisation) Act would probably be assimilated by the Board, and they might have to apply for others. With regard to labour matters, it was desirable that existing organisations in the industry should be utilised as fully as possible.

\* \* \*

**Coal Exports in War.**—In the last war the decline in the production of coal, the increased requirements of many branches of our manufacturing industries, the claims of the allied fleets, and the contraction in the volume of international trade reduced considerably the amount of coal available for shipment to foreign countries. Our exports of coal, coke and patent fuel, in terms of coal, totalled only 43.4 million tons in 1918 compared with 98.3 million tons in 1913. But even at this level British coal proved of decisive importance in securing raw materials and foodstuffs and the assistance of neutral tonnage. In the present war the apparent immediate need for British coal for export is nothing like as great as it was in 1914-18. For of the world mercantile fleet approximately 53 per cent. (equal to 35½ million tons gross) is now fitted with oil-burning appliances compared with only just over 3 per cent. (1½ million tons gross) in 1913; the French and Belgian coalfields are not only intact and in the possession of their native owners, but are producing more coal than in 1913; Holland, instead of depending on external sources for the greater part of her consumption, is to-day exporting as coal, coke and patent fuel approximately half of her current production of about 13 million tons. Moreover, improved furnace practice has led to a great decrease in the consumption of coal per unit of power for marine navigation as well as for other purposes. How far these post-war changes have affected the volume of the international trade in coal may be roughly measured by the fact that the combined coal cargo and bunker exports of the United Kingdom, Germany, the United States, Poland, Holland and Belgium last year were 109,345,000 metric tons and 126,708,000 tons in the more prosperous trading year of 1937, compared with 164,021,000 tons in 1913. These greatly changed conditions necessarily affect fuel policy in the present war, but they have not deprived the United Kingdom of its predominance in the export trade, which has been increased by the interruption in German and Polish supplies. France has been given a prior claim on our export trade, and this may mean the supply to our ally of approximately 20 million tons per annum. The fuel needs of neutral countries are likely to be great; even during 1915-18 we supplied Norway, Sweden and Denmark with 73 per cent. of their total coal imports, while there are still some 31 million gross tons of shipping which use coal exclusively. There is, therefore, still scope for an active and expanding export trade in coal, by which our necessary imports of raw materials and foods can be partly covered.

**Larger Imports.**—The fall in the value of British imports between June and July was followed by an increase between July and August, when imports were valued at £81.1 millions; the increase was due chiefly to larger imports of food, drink and tobacco. There was a sharp fall in the value of British exports between July and August, concentrated on exports of British manufactures.

U.K. IMPORTS AND EXPORTS (£'000)

|                                      | 1937    | 1938    | 1939    | Change between 1938 and 1939 | Per cent. |
|--------------------------------------|---------|---------|---------|------------------------------|-----------|
| <i>August</i>                        |         |         |         |                              |           |
| Total Imports .....                  | 86,648  | 74,113  | 81,097  | + 6,984                      | + 9.4     |
| British Exports .....                | 42,546  | 36,331  | 37,077  | + 746                        | + 2.0     |
| Re-exports .....                     | 6,687   | 5,044   | 4,488   | - 556                        | - 11.0    |
| Total Exports .....                  | 49,233  | 41,375  | 41,565  | + 190                        | + 0.5     |
| Excess of Imports over Exports ..... | 37,415  | 32,738  | 39,532  | + 6,794                      | + 20.8    |
| Transshipments under Bond .....      | 2,969   | 2,749   | 2,977   | + 228                        | + 8.3     |
| <i>Eight Months ended August</i>     |         |         |         |                              |           |
| Total Imports .....                  | 655,046 | 616,539 | 606,032 | - 10,507                     | - 1.7     |
| British Exports .....                | 341,439 | 306,904 | 313,637 | + 6,733                      | + 2.1     |
| Re-exports .....                     | 54,201  | 42,351  | 36,304  | - 6,047                      | - 14.2    |
| Total Exports .....                  | 395,640 | 349,255 | 349,941 | + 686                        | + 0.2     |
| Excess of Imports over Exports ..... | 259,406 | 267,284 | 256,091 | - 11,193                     | - 4.2     |
| Transshipments under Bond .....      | 24,564  | 20,946  | 21,607  | + 661                        | + 3.2     |

Compared with August, 1938, total imports last month were up by 9.4 per cent., while the value of domestic exports showed a rise of only 2 per cent. *The Economist* index of the volume of the intake of raw materials fell from 130.5 (1935 = 100) in July to 125.5 in August, while the index of the volume of British manufactured exports fell from 101 to 96.

\* \* \*

**Irish Exports.**—The Anglo-Irish trade war, coupled with the protection given by Britain in recent years to her own agriculture, resulted in a marked fall in Irish exports of food to Britain, which has not been entirely made good in the last two years. The table below shows for 1930 and the last two years British imports from Eire of food and live animals for food:—

|                       |                   | Imports from Eire |      |      | Total British Imports |
|-----------------------|-------------------|-------------------|------|------|-----------------------|
|                       |                   | 1930              | 1937 | 1938 |                       |
| Butter .....          | 000 cwt.          | 522               | 320  | 327  | 9,509                 |
| Condensed milks ..... | 000 cwt.          | ...               | 112  | 113  | 1,993                 |
| Eggs .....            | mil. gt. hundreds | 4.8               | 1.9  | 2.2  | 27.7                  |
| Dead poultry .....    | 000 cwt.          | 116               | 103  | 102  | 446                   |
| Bacon and hams .....  | 000 cwt.          | 330               | 526  | 553  | 7,533                 |
| Lard .....            | 000 cwt.          | ...               | 26   | 29   | 1,443                 |
| Pork .....            | 000 cwt.          | 289               | 54   | 37   | 37                    |
| Live pigs .....       | 000 head          | 415               | 43   | 48   | 67                    |
| Live cattle .....     | 000 head          | 835               | 641  | 620  | 48                    |
| Live sheep .....      | 000 head          | 567               | 312  | 298  | 298                   |

Britain is still Eire's most important market for her agricultural exports, and with the suspension of import quotas and probably a rising trend in prices Irish exports will no doubt also expand. Further, the return of large numbers of Irish labourers will ease the labour problem of the Irish farmer as it has intensified that in British agriculture. Eire's most valuable export is store cattle, which are bought in large numbers by English farmers for the beef trade.

\* \* \*

**War and Wheat.**—The Agriculture Act passed last summer provided for a periodic review of the standard price of wheat which farmers obtain under the present Wheat Act. The Committee appointed for this purpose has now reported to the Minister of Agriculture that they see no reason for an increase beyond the present level of 45s. per quarter, which is nearly double the market price. The Committee did not, of course, take into consideration the contingency of war, but the Ministry of Agriculture has announced that, after consultation with the Ministry of Food, it has been decided to continue both the standard price at its present level and the mechanism of the Wheat Act for the cereal year 1939-40. No announcements have yet been made concerning the barley and oats subsidy, which provided only a minimum price; it seems likely that, if a further 1½ million acres are to be ploughed up, some of which at least will be sown to cereals, the Government will institute fixed prices for these products as well as wheat.

**Rise in Oil Prices.**—In view of recent estimates of the probable magnitude of war-time mineral oil requirements, it is scarcely surprising that the outbreak of war in Europe has been followed by a pronounced advance in the prices of petroleum products. After almost three weeks of war, prices on the Gulf export market are still rather nominal; but, where available, petrol prices show advances up to 2 cents a gallon (say 40 per cent.) compared with those ruling at the end of August, while other products have also been advanced substantially. Though increases of this magnitude may, perhaps, seem reasonable on a long-term view, they would appear to have little present justification; and this for several reasons. In the first place, there is no doubt that many of the estimates that have lately been bandied about have greatly exaggerated the expansion in demand which is likely to occur in time of war. A sharp increase in military consumption of petrol, Diesel oil and certain other products is, of course, inevitable; but against these increases must be set the saving of civil consumption which is certain to follow the introduction of petrol rationing in practically every European country. That the British rationing scheme will drastically reduce consumption in these islands will by now be apparent to every private motorist. Outside the belligerent countries rationing schemes of various kinds have been announced in Italy, Eire, Scandinavia, Finland, Hungary, Switzerland and other countries. A lot of slack, therefore, remains to be taken up before total world demand can show any increase. Moreover, those countries—particularly Germany—which have accumulated substantial reserves against war, can now draw on their stocks.

\* \* \*

Nor does an examination of the supply position necessarily justify the expectation of a boom in world oil prices. With Texas producers working a five-day week and with output in other important American states drastically restricted by "proration" regulations, it is apparent that no foreseeable increase in demand at the Gulf could be sufficient to raise costs above their present level; indeed, costs would decline if some of the existing restrictions on production were removed. Hence, although the c.i.f. cost of petroleum products in this country may be sharply increased as a result of higher freight and insurance charges, and of the depreciation in sterling, there is no rational basis for a price boom on the world market. Realisation of this fact, and the operation of seasonal influences, may indeed produce a setback in Gulf prices in the near future, notwithstanding the modest improvement in the American statistical position which has followed last month's closure of many of the producing wells.

\* \* \*

**Tin Prices and Output.**—Much anxiety has been felt in the international tin markets at the exceptional disparity in tin prices between New York and London. The British Ministry of Supply has now fixed £230 per ton (the upper limit of the buffer pool) as the maximum legal price at which tin may be sold and a similar step has been taken by the Governor of the Straits Settlements. But in New York the uncertainties of shipment, the fact that the pool's holdings were located in Britain and the wave of speculation in war commodities combined to push up the price of tin from 48.85 cents per lb. on August 31st to over 70 cents. per lb. in the course of last week. This development has been countered by drastic action on the part of the International Tin Committee, which on Monday last announced an increase (the third this month) in the export quotas for the third quarter. At the new level of 100 per cent. of the basic quotas, exports from the seven restricting countries in the present quarter should amount to 51,994 tons (compared with 24,108 tons at the original export allowance of 45 per cent.), to which must be added another 14,000 tons from countries outside the scheme. Consumption in this period is unlikely to exceed 38,000 to 40,000 tons, and as the mines have been asked by their Governments to ship from their large stocks without delay, it is to be hoped that the New York traders will realise that ample supplies are available. These

measures have already succeeded in lowering the price of tin on the New York Commodity Exchange to 63 cents per lb., and the fall may be expected to continue until this abnormal disparity between the American and London prices has disappeared.

\* \* \*

**Timber from the Baltic.**—Shortly before the declaration of war the Admiralty advised British ships to leave the Baltic, and since the beginning of hostilities British trade through the Baltic has necessarily been suspended, while that in the North Sea may, for a time, be dislocated by submarine attacks. The closure of the Baltic will seriously affect the British timber trade; as the table below shows, one-third by value of the timber and wood pulp imported into this country in 1938 came from countries whose sole outlet is the Baltic.

BRITISH IMPORTS FROM BALTIC AND NORTH SEA COUNTRIES IN 1938

|                                         | Bacon and Hams | Butter    | Eggs in Shell | Fish, fresh and frozen | Iron Ore and Scrap | Wood and Timber | Wood Pulp for Paper |
|-----------------------------------------|----------------|-----------|---------------|------------------------|--------------------|-----------------|---------------------|
|                                         | Mil. cwt.      | Mil. cwt. | '000 dozen    | Mil. cwt.              | £ mil.             | £ mil.          | £ mil.              |
| Finland .....                           | 0.21           | 5.2       | ...           | ...                    | ...                | 8.24            | 5.44                |
| Estonia .....                           | 0.04           | 0.18      | 1.4           | ...                    | ...                | 0.28            | 0.22                |
| Latvia .....                            | 0.04           | 0.34      | 1.1           | ...                    | ...                | 1.53            | ...                 |
| Lithuania .....                         | 0.19           | 0.23      | ...           | ...                    | ...                | ...             | 0.16                |
| Poland .....                            | 0.46           | 0.20      | 26.2          | ...                    | ...                | 3.67            | ...                 |
| Total Baltic .....                      | 0.73           | 1.16      | 33.9          | ...                    | ...                | 13.72*          | 5.82                |
| Percentage of Total British Imports ... | 9.7            | 12.2      | 12.2          | ...                    | ...                | 32.0            | 36.3                |
| Sweden .....                            | 0.25           | 0.30      | 4.8           | ...                    | 1.99               | 5.95            | 5.03                |
| Norway .....                            | 0.01           | 0.01      | 1.6           | 0.61                   | 0.95               | 0.59            | 2.22                |
| Denmark .....                           | 3.39           | 2.37      | 95.1          | ...                    | ...                | ...             | ...                 |
| Total North Sea ...                     | 3.65           | 2.68      | 101.5         | 0.94                   | 2.94               | 6.54            | 7.25                |
| Percentage of Total British Imports ... | 48.5           | 28.2      | 36.6          | 57.3                   | 27.3               | 15.2            | 45.2                |
| Total British Imports                   | 7.53           | 9.51      | 277.0         | 1.64                   | 10.75              | 42.90           | 16.05               |

\* With Russia, total Baltic £19.46 millions.

A very high proportion of the Swedish and Russian timber is also shipped by the Baltic, though some transference could probably be made, if the price justified the extra cost of land transport to the North Sea ports. It is this certainty of interrupted supplies, combined with the importance of timber and wood pulp as a raw material for other industries, that has led the Government to take complete control of the supplies of timber and paper. The timber situation is, however, considerably less serious than in 1914-18 owing to the development in the last twenty years of the North American timber and wood exports, supplies of which are not so liable to interruption.

\* \* \*

**Food from Scandinavia.**—The table given above also shows the very high proportion of British imports of bacon, butter and eggs which comes from Denmark. The production of these commodities is largely based on supplies of imported feeding stuffs and of fertilisers, and consequently may be again considerably curtailed in the event of a prolonged war. As in 1917 and 1918, therefore, American supplies of bacon, butter and lard may be of vital importance to the Ministry of Food. Owing to the very low prices of feeding stuffs, there has recently been an increase in the number of pigs in the United States; the census on January 1, 1939, gave a total of 49.0 million pigs, compared with 42.9 million on the same date of 1938 and the minimum number of 39.0 million in 1935. Compared, however, with the 65.3 million pigs recorded at the beginning of 1919, the figure is still low, and unless pig and lard prices rise considerably further than those of grain, and thus encourage a rapid increase in pig herds, exports of the scale of those in 1918 and 1919 are not immediately practicable. In Canada a slow fall in the number of pigs in recent years has been accompanied by a very rapid expansion in the exports of bacon to the United Kingdom; in 1938 Canada supplied one-fifth of the British imports, and her export trade could probably be increased if the price ratio between grain and hogs remains favourable.



## INDUSTRIAL REPORTS

## Coal

**Sheffield.**—A more active demand has followed the control of fuel supplies, and collieries are winding heavy tonnages. All qualities of industrial coal are in good demand, the heavy industries calling for increased deliveries. The operation of winter prices has slowed down the call for house coal, although business is quite active. Utility undertakings are being well supplied. Blast-furnace coke is in sharp request for prompt delivery, and business in other grades is on a good scale. Export business is limited, and will remain so until the new conditions of trading are clearer than at present.

\*

**Newcastle-on-Tyne.**—Curtailement of German fuel exports and the cessation of Polish supplies is affecting the demand for North-East coals. Licences are being granted more freely to neutral countries, which, combined with the fact that tonnage is chartering more readily, has placed collieries in a much better position. Northumberland steam classes are in good demand from home consumers while Durham manufacturing grades are wanted by France and Belgium. Prices show no change, being strictly controlled by the various sales committees.

\*

**Glasgow.**—This market has already largely adjusted itself to the new conditions. Export business is of course getting under way more slowly in view of the restrictions, but progress is being made and new price lists have been issued in Fife and the Lothians. These show at most only moderate increases, while in one or two instances there is actually a decline against the pre-war figure. The granting of licences is proceeding steadily. Apart from export trade market conditions remain active. Priority arrangements are now in operation, and the plan promises to work satisfactorily as outputs are running on a full scale.

\*

**Cardiff.**—Shipments at the South Wales ports are substantially lower than they were in August. Normally between 35 per cent. and 40 per cent. of the coal exports are carried in foreign bottoms, but in spite of the great increase in freight rates (they average about 100 per cent. higher than last month) the chartering of neutral vessels is hindered partly by the submarine war and partly by the delay in the adoption of war risk terms by neutral Governments. The control of tonnage for the shipment of coal to France is under the joint direction of British and French representatives in London acting through appointed agents at the exporting ports. The collieries are working normally and the railway authorities state that the new wagon pooling arrangements are operating smoothly. In the inland trade deliveries to factories are prompt, but in the house coal market delays are caused by transport difficulties and the

pressure of an abnormal accumulation of prompt orders. The market has not been informed of any change in the recent level of permitted prices, but it is understood that consultations are taking place on the subject with the Mines Department. The new licensing regulations are now generally in force and there is close co-operation between the coal supply and export supply officers and the Executive Board of the South Wales coal scheme through a Standing Joint Consultative Committee.

## Iron and Steel

**Sheffield.**—In existing circumstances attendance at the iron and steel market has small advantage, and consumers and producers are doing little more than discuss the position and prospects. Good supplies of forge and foundry iron are obtainable, and although consumption of hematites shows a heavy increase, users are securing full deliveries under contract. Basic pig is a less easy market, supplies being barely adequate to meet requirements. Finished iron shows some improvement.

For all steel materials there is heavy pressure, and delay in delivery is unavoidable. Billets, bright drawn steel, small bars and strip are all in sharp demand, and some producers have had to close their books in order to cope with the orders in hand.

Every branch of local industry is fully employed, and while the bulk of orders is on Government account, some firms are stated to be able to deal with a certain amount of ordinary commercial business.

\*

**Middlesbrough.**—Deliveries of iron and steel are now being made in accordance with priorities issued by the authorities. Slightly more business is being done by merchants, and in one or two cases the necessary licences have been received. Although the output of steel in this area has been slowly increasing for some time past, every effort is being made to obtain a larger production.

There is a strong demand for all classes of steel, billets and sheet bars being rationed and priority being given to suppliers of Government requirements. Foundry iron is in steady request, while hematite pig iron is being called for in increasing quantities and stocks are being reduced. Supplies of steelworks scrap are meagre, and any quantities coming on to the market are immediately taken up at the Control prices.

\*

**Glasgow.** The busy conditions reported last week are maintained in every branch of the trade in the West of Scotland and everything possible is being done to increase production. Fortunately stocks of raw material are proving sufficient for the exceptional demands. Saturday and Monday, September 23rd and 25th, are recognised holidays in Glasgow and neighbourhood, but many establishments are curtailing the holiday owing to the urgency of the work on hand. At other plants,

works engineers will be on duty practically all the week-end to take advantage of the cessation of operations to carry out a thorough examination of the machinery and to make necessary repairs.

\*

**Cardiff.**—Pig-iron furnaces are in full operation; 94 per cent. of the steel-works are at work, while the latest returns of the tinplate industry give an output of 65.53 per cent. of capacity. There is a scarcity of scrap, of which the South Wales steel furnaces consume a larger percentage than the other districts of the country; but delayed imports are expected shortly. The trade has been informed of a probable increase in the controlled prices of scrap, but that it may not exceed 2½ per cent. There is a heavy demand for tinplates for inland consumption, while Government steel sheet makers are still exceptionally busy in the manufacture of heavy sheets for A.R.P. and other defence requirements. Users are endeavouring to cover their requirements over extended periods of delivery.

\*

**News from Abroad.**—The European steel markets have remained disorganised, and the turnover has been very low. The principal neutral steel-exporting countries, Belgium and Luxembourg, who suffer from a shortage of raw materials (coke and iron ores) and whose traffic routes are largely interrupted and congested, are scarcely in a position to negotiate new sales. There is, moreover, great uneasiness about the price question. Up to now, the official Cartel prices have not been altered, but it is evident that a general advance in prices is only natural in the circumstances. No definite offers are, therefore, obtainable, and in a few cases, where consumers' requirements were urgent, crisis prices have been demanded and paid. Negotiations are imminent with a view to relieving the difficulties of producers who cater for export markets, and to examine price problems, although it is recognised that they may not yet be capable of solution.

Consumers, who are often reluctant to conclude new contracts with European suppliers, have submitted substantial inquiries to American exporters, and in several cases inflated prices have been paid. But even this trade is difficult in view of the transport and insurance problems, although an improvement is anticipated in the near future.

## Textiles

**Cotton (Manchester).**—There has been more activity in raw cotton, yarn and cloth partly due to the cotton futures market in Liverpool functioning more freely. Wider fluctuations have occurred in raw cotton rates and prices have been easier. The crop in the United States continues to make good progress; no figures are being published, but there are indications of larger supplies coming to this country.

Although some spinners have refused to quote, considerable weights of

American yarns have been sold. Customers on Government work have obtained priority with regard to deliveries. Sales of cloth have been larger than for some time back. Standard makes for the home trade have been bought freely and many manufacturers have extended their engagements. There is every appearance of an active demand for Lancashire's products throughout the war. Export business has been irregular, but encouraging orders have been secured, chiefly for South America, West Africa, Scandinavian countries and Switzerland. India offers remain disappointing.

## RAW COTTON delivered to Spinners ('000 bales)

| Variety               | Week ended    |                | Total Deliveries            |                             |
|-----------------------|---------------|----------------|-----------------------------|-----------------------------|
|                       | Sept. 8, 1939 | Sept. 15, 1939 | Aug. 1, 1938-Sept. 15, 1938 | Aug. 1, 1939-Sept. 15, 1939 |
| American .....        | 16.7          | 25.8           | 124                         | 104                         |
| Brazilian .....       | 13.5          | 13.2           | 23                          | 62                          |
| Peruvian, etc. ....   | 4.3           | 6.1            | 11                          | 29                          |
| Egyptian .....        | 6.7           | 8.6            | 32                          | 39                          |
| Sudan Sakel .....     | 3.4           | 4.5            | 23                          | 27                          |
| East Indian .....     | 11.2          | 7.5            | 72                          | 44                          |
| Other countries ..... | 4.8           | 3.6            | 14                          | 27                          |
| Total .....           | 60.6          | 69.3           | 299                         | 332                         |

## THE COMMODITY MARKETS

THE system of control over the most important markets is now in working order and trading has been resumed in some cases. The official maximum prices are, however, a hindrance in some markets, notably non-ferrous metals and wool, since sellers regard them as unnecessarily low in view of the recent increase in costs. In the United States, the rapid rise in many commodity prices at the outbreak of war has not been resumed, but the exceptional rise in the New York price for tin (discussed in a Note on page 579) was partly responsible for the rise in Moody's daily index of wholesale prices from 167.9 to 171.1 (December 31, 1931=100) in the week ended last Wednesday.

## Metals

TRADING in copper, lead and spelter on the London Metal Exchange remained suspended this week. Dealings between consumers and dealers are subject to licences by the Ministry of Supplies and are based on the official maximum prices published a week ago, which are regarded in market circles as rather low.

\*

**Tin.**—The market reopened on Monday of this week after it had been announced that the tin quotas for the September quarter had been again raised from 80 per cent. to 100 per cent. of the standard tonnages; the quota for the last quarter of this year still stands at 60 per cent., but as the I.T.C. now makes decisions without holding a meeting, changes may be made at very short notice. The Ministry of Supply has now confirmed the maximum price of £230 per ton ex producers' works in the United Kingdom; delivery charges are to be borne by the buyers. The confirmation of the £230 per ton basis by the Ministry of Supply and the new increase in the quota led to considerable

liquidations during the week. As a result the cash price for tin has lost 17s. 6d. since the reopening on Monday, to close on Wednesday at £229 per ton, while the three months forward price has lost as much as £1 15s., to close at £227 15s. per ton. The disparity between the London and New York tin price is discussed on page 579.

## Grains

TRADING in futures remains suspended at all markets. A fair trade has been done in spot wheat for milling purposes, and the new season's English wheat is now coming to market, for which millers have been authorised to pay up to 24s. per 504 lb. In a few districts the lack of suitable supplies of wheat has impeded the production of biscuits. There has been a steady sale of feeding stuffs, but with the good growth of autumn grass demand from farmers has not yet developed. The North American grain markets have fluctuated with rumours of drought in the seeding areas and proposed anti-profiteering legislation, but grain prices are little changed on balance from those of a week ago.

## WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

| From—                       | Week ended    |                | From Aug. 1 to |                |
|-----------------------------|---------------|----------------|----------------|----------------|
|                             | Sept. 9, 1939 | Sept. 16, 1939 | Sept. 17, 1938 | Sept. 16, 1939 |
| N. America .....            | 600           | 294            | 3,534          | 3,527          |
| Argentina and Uruguay ..... | 584           | 354            | 956            | 2,998          |
| Australia .....             | ...           | ...            | 1,799          | 612*           |
| Russia .....                | ...           | ...            | 2,513          | 56             |
| Danube and dist. ....       | 88            | 128            | 533            | 639            |
| India .....                 | ...           | ...            | 392            | ...            |
| Other countries .....       | 11            | ...            | ...            | 268            |
| Total .....                 | 1,283         | 776            | 9,727          | 8,100          |

\* Shipments up to Sept. 2, 1939

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

| From                   | Week ended    |                | From Apr. 1 to |                |
|------------------------|---------------|----------------|----------------|----------------|
|                        | Sept. 9, 1939 | Sept. 16, 1939 | Sept. 17, 1938 | Sept. 16, 1939 |
| Argentina .....        | 211           | 302            | 5,727          | 9,438          |
| Atlantic America ..... | 20            | 1              | 10,582         | 503            |
| Danube Region .....    | 10            | 13             | 2,142          | 1,084          |
| S. & E. Africa .....   | 273           | 125            | 560            | 1,925          |
| Indo-China, etc. ....  | 11            | 33             | 910            | 780            |
| Total .....            | 525           | 474            | 19,921         | 13,730         |

## Other Foods

**Provisions.**—Maximum wholesale butter prices were fixed on September 14th by the Ministry of Food at 148s. per cwt. for first and 129s. per cwt. for second grade butters. Prices of hams, lard and cheese remain unchanged; the wholesale price of Canadian bacon was raised by 3s. to 92s. per cwt. on September 18th, but other qualities remain unaltered. Supplies of fish are still extremely small, but the reopening of Billingsgate market should quickly restore more normal conditions in the London trade.

\*

**Colonial Produce.**—Trade in sugar occurs at fixed prices, and supplies at present are ample. Dealings in cocoa and coffee were small and prices unchanged from last week.

**Fruit and Vegetables.**—Growers' and retail prices have now been fixed for potatoes by the Ministry of Food, but trade is proceeding in the usual channels. Retail demand has improved with the colder weather, but supplies are sufficient. Home-grown fruit remains plentiful and in fruit growing districts extra supplies of sugar have been allowed for jam-making. The arrivals of imported fruit and vegetables are up to normal.

\*

**Milk.**—The following table is compiled from statistics issued by the Milk Marketing Board:—

|                                      | Aug., 1938 | June, 1939 | July, 1939 | Aug., 1939 |
|--------------------------------------|------------|------------|------------|------------|
| Prices (per gall.)                   | d.         | d.         | d.         | d.         |
| Liquid .....                         | 15.0       | 13.5       | 16.0       | 16.0       |
| Av. manufacturing ..                 | 6.606      | 6.132      | 6.333      | 6.460      |
| Av. pool .....                       | 11.5       | 10.36      | 11.86      | 12.00      |
| Contract sales (mill. galls.)        |            |            |            |            |
| Liquid .....                         | 51.1       | 53.4       | 53.6       | 51.6       |
| Manufacturing .....                  | 32.1       | 43.7       | 40.6       | 40.6       |
| Total contract .....                 | 83.2       | 97.1       | 94.2       | 92.2       |
| Used by farmhouse cheesemakers ..... | 3.3        | 3.1        | 3.0        | 2.8        |

## Miscellaneous Commodities

**Oils and Oilseeds.**—Trade in these products is still suspended, except for deliveries, at prices to be fixed later, for urgent requirements. Production at the crushing mills continues, but sales are limited in order to conserve stocks. Shipments from Argentina and India continue, though at a lower level; the Argentine Ministry of Agriculture estimates the area sown to linseed at 7.41 million acres, compared with 6.61 million acres last season. Harvesting in the United States continues in excellent conditions and an out-turn of 431,000 tons is now indicated, against 204,000 tons produced last year.

\*

**Rubber.**—The market was very steady at the end of last week, but plantation grades were weaker on Tuesday and closed on Wednesday ½d. lower than a week ago. Para grades have remained unaltered at 10d. per lb., which compares with 7½d. per lb. at the end of August.

\*

**Timber.**—At the outbreak of war, the Ministry of Supply issued an order prohibiting (a) the felling of trees in excess of 1,000 cu. ft. without licence, (b) sales of timber (except to Government Departments and contractors engaged on A.R.P. work) which exceeded 10 per cent. of the stock held by the seller. This order has now been supplemented by a schedule of maximum prices which covers nearly all the specifications in common use. Trade is still restricted by the uncertainties of the normal European supplies; as war was declared at the height of the shipping season, a large amount of timber was on the seas or being loaded and news of cargoes is not yet definite. The war risks insurance has been a further handicap.

# Finance



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(a) Management shares. (b) Deferred ordinary stock. (c) Absorbed £54,999. (e) Includes profit on redemption of  
 chief rents £12,966 against £26,309 a year ago and £66 on sale of investments (same). † Free of income tax.

## LONDON ACTIVE SECURITY PRICES AND YIELDS

NOTE: Yields on British Funds, Dominion and Colonial Government, Home Corporation, and Public Board Stocks are based on minimum prices shown without allowance for accrued interest. Approximate dealing prices on September 14th and 20th are given in left-hand columns. In calculating yields of interest-bearing 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 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.

| Approximate Dealing Prices 1939 |          | Prices, Year 1939 Jan. 1 to Sept. 20, inclusive |         | Name of Security           | Price, Sept. 20, 1939 | Yield, Sept. 20, 1939 | Prices, Year 1939 Jan. 1 to Sept. 20, inclusive |         | Name of Security           | Price, Sept. 20, 1939 | Yield, Sept. 20, 1939 |
|---------------------------------|----------|-------------------------------------------------|---------|----------------------------|-----------------------|-----------------------|-------------------------------------------------|---------|----------------------------|-----------------------|-----------------------|
| Sept. 14                        | Sept. 20 | High-est                                        | Low-est |                            |                       |                       | High-est                                        | Low-est |                            |                       |                       |
| British Funds                   |          |                                                 |         |                            |                       |                       |                                                 |         |                            |                       |                       |
| 62 1/2                          | 62 1/2   | 71 1/2                                          | 61      | Consols 2 1/2%             | 62                    | 4 0 8                 | 32 1/2                                          | 7 1/2   | Brit. Overseas A £5        | 7 1/2                 | 4 0 8                 |
| 93 1/2                          | 93 1/2   | 107 1/2                                         | 98      | Do. 4% (aft. 1957)         | 98 1/2                | 4 2 3                 | 32 1/2                                          | 7 1/2   | Chd. of India £5           | 6 1/4                 | 4 2 3                 |
| 94 1/2                          | 94 1/2   | 100 1/2                                         | 90 1/2  | Conv. 2 1/2% 1944-49       | 93 1/2                | 3 6 0                 | 12 1/2                                          | 10 1/2  | Com. Bk. of India £5       | 10 1/2                | 5 12 0                |
| 87 1/2                          | 87 1/2   | 99 1/2                                          | 87 1/2  | Do. 3% 1948-53             | 94 1/2                | 3 10 3                | 52 1/2                                          | 43 1/2  | District B. £1 fy. pd.     | 46 1/2                | 4 6 0                 |
| 101 1/2                         | 101 1/2  | 104 1/2                                         | 100 1/2 | Do. 3 1/2% after 1961      | 87 1/2                | 4 0 0                 | 75 1/2                                          | 55 1/2  | En. S. & Aust. £5 3/4      | 55 1/2                | 7 12 0                |
| 106 1/2                         | 106 1/2  | 112 1/2                                         | 105 1/2 | Do. 5% 1944-64             | 100 1/2               | 3 12 0                | 104                                             | 74      | Hambros £10, £2 1/2        | 74                    | 5 16 0                |
| 79 1/2                          | 79 1/2   | 87 1/2                                          | 79 1/2  | Fund. 2 1/2% 1956-61       | 79 1/2                | 3 18 0                | £93                                             | £62     | Hong. & S. £125            | £73                   | 7 10 8                |
| 88 1/2                          | 88 1/2   | 93 1/2                                          | 87 1/2  | Fund. 2 1/2% 1952-57       | 88 1/2                | 3 12 6                | 59 1/2                                          | 39 1/2  | Lloyds £5, £1 pd.          | 41 1/2                | 5 15 0                |
| 102 1/2                         | 102 1/2  | 107 1/2                                         | 102 1/2 | Fund. 3% 1959-69           | 87 1/2                | 3 14 3                | 86 1/2                                          | 7 1/2   | Martins £20, £2 1/2        | 7                     | 5 4 0                 |
| 94 1/2                          | 94 1/2   | 101 1/2                                         | 94 1/2  | Fund. 4% 1960-90           | 102 1/2               | 3 16 0                | 6                                               | 4 3/4   | Midland £1, fy. pd.        | 72 1/2                | 4 8 0                 |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | Nat. D. 2 1/2% 1944-48     | 94 1/2                | 3 7 0                 | 30 1/2                                          | 20      | Nat. Dis. £2 1/2 fy. pd.   | 4 3/4                 | 7 10 0                |
| 102                             | 102      | 108 1/2                                         | 102     | Do. 3% 1954-58             | 102                   | 3 11 10               | 34 1/2                                          | 26      | N. of Egypt £10            | 20                    | 7 10 0                |
| 88 1/2                          | 88 1/2   | 93 1/2                                          | 88 1/2  | Victory Bonds 4%           | 88 1/2                | 3 17 0                | 71 1/2                                          | 44 1/2  | N. of Ind. £25, £12 1/2    | 26 1/2                | 7 13 3                |
| 73 1/2                          | 73 1/2   | 83 1/2                                          | 73 1/2  | War L. 3 1/2% af. 1952     | 73 1/2                | 4 1 1/2               | 455                                             | 414     | Roy. Bk. of Scotland       | 45 1/2                | 9 4 2 0               |
| 55 1/2                          | 55 1/2   | 64 1/2                                          | 55 1/2  | Local Loans 3%             | 55 1/2                | 4 10 7                | 16 1/2                                          | 9 1/2   | St. of S.A. £20, £5 pd.    | 40 1/2                | 7 0 0                 |
| 66 1/2                          | 66 1/2   | 76 1/2                                          | 66 1/2  | Austria 3% 1933-53         | 66 1/2                | 4 10 7                | 91 1/2                                          | 54 1/2  | Union Dis. £1              | 58 1/2                | 9 6 4 0               |
| 79 1/2                          | 79 1/2   | 89 1/2                                          | 79 1/2  | India 2 1/2% 1933-53       | 79 1/2                | 4 8 4                 | 26 1/2                                          | 19      | West. £4, £1 pd.           | 58 1/2                | 9 6 4 0               |
| 105                             | 105      | 115 1/2                                         | 105     | Do. 3 1/2% 1933-53         | 105                   | 4 2 3                 | 103 1/2                                         | 40 a    | Insurance                  |                       |                       |
| 95 1/2                          | 95 1/2   | 106 1/2                                         | 95      | Do. 4 1/2% 1938-68         | 95 1/2                | 5 6 2                 | £98                                             | 40 a    | Alliance £1, fully pd.     | 19                    | 4 14 0                |
| 98 1/2                          | 98 1/2   | 103 1/2                                         | 98      | Dorm. & Col. Govts.        | 98 1/2                | 4 2 11 1/2            | £98                                             | 40 a    | Anglo-Celtic Ord.          | 37 1/2                | 3 14 0                |
| 92 1/2                          | 92 1/2   | 103 1/2                                         | 92      | Cantr. 5% 1940-75          | 92                    | 4 6 11 1/2            | £98                                             | 40 a    | Brit. Assets Trust 5%      | 8 1/2                 | 6 3 0                 |
| 92 1/2                          | 92 1/2   | 103 1/2                                         | 92      | Nigeria 5% 1950-60         | 103                   | 4 6 11 1/2            | £98                                             | 40 a    | Charterhouse Inv. £1       | 8 1/2                 | 7 8 6                 |
| 102 1/2                         | 102 1/2  | 103 1/2                                         | 102     | N. Zealand 5% 1946         | 92                    | 4 9 0 1/2             | £98                                             | 40 a    | Debenure Corp. Stk.        | 163                   | 6 2 8                 |
| 102 1/2                         | 102 1/2  | 103 1/2                                         | 102     | Queens. 5% 1940-60         | 94 1/2                | 4 5 9 1/2             | £98                                             | 40 a    | For. Amer. & Def.          | 40 1/2                | 10 0 0                |
| 102 1/2                         | 102 1/2  | 103 1/2                                         | 102     | S. Africa 5% 1945-75       | 102                   | 4 12 3                | £98                                             | 40 a    | Guardian Investment        | 87 1/2                | 10 8 0 0              |
| 101 1/2                         | 101 1/2  | 102 1/2                                         | 101 1/2 | Corporation Stocks         | 101 1/2               | 4 14 8                | £98                                             | 40 a    | Invest. Trust Def.         | 200                   | 7 3 7                 |
| 102 1/2                         | 102 1/2  | 103 1/2                                         | 102 1/2 | Birham 5% 1946-56          | 101 1/2               | 4 14 8                | £98                                             | 40 a    | Lake View Inv. 10/-        | 12 1/2                | 6 10 0                |
| 102 1/2                         | 102 1/2  | 103 1/2                                         | 102 1/2 | Bristol 5% 1948-58         | 102                   | 4 14 8                | £98                                             | 40 a    | Mercantile Inv.            | 205                   | 7 4 0                 |
| 93 1/2                          | 93 1/2   | 103 1/2                                         | 93 1/2  | L.C.C. 3% 1954-64          | 93 1/2                | 4 13 4                | £98                                             | 40 a    | Merchants Trust Ord.       | 81                    | 5 9 5                 |
| 93 1/2                          | 93 1/2   | 103 1/2                                         | 93 1/2  | Liverpool 3% 1954-64       | 93 1/2                | 4 13 4                | £98                                             | 40 a    | Metropolitan Trust...      | 184 1/2               | 6 10 0                |
| 93 1/2                          | 93 1/2   | 103 1/2                                         | 93 1/2  | Middx. 3 1/2% 1957-62      | 93 1/2                | 3 19 0                | £98                                             | 40 a    | Scottish Inv. 5/-          | 3 1/2                 | 5 6 9                 |
| 93 1/2                          | 93 1/2   | 103 1/2                                         | 93 1/2  | Foreign Governments        | 93 1/2                | 5 18 5                | £98                                             | 40 a    | Scottish Mort., &c.        | 142 1/2               | 6 13 0                |
| 96 1/2                          | 96 1/2   | 103 1/2                                         | 96 1/2  | Arg. 4 1/2% Stg. Bds.      | 75                    | 11 5 0                | £98                                             | 40 a    | Trustees Corp. Ord.        | 167 1/2               | 5 12 7                |
| 102 1/2                         | 102 1/2  | 103 1/2                                         | 102 1/2 | Austria 1930 5%            | 26                    | 11 5 0                | £98                                             | 40 a    | United States Deb.         | 177 1/2               | 5 19 6                |
| 89 1/2                          | 89 1/2   | 95 1/2                                          | 89 1/2  | Do. 4 1/2% 1934-59         | 60 1/2                | 11 5 0                | £98                                             | 40 a    | Financial Trusts, &c.      |                       |                       |
| 36 1/2                          | 36 1/2   | 41 1/2                                          | 36 1/2  | Belgian 4% (36) 1970       | 45                    | 16 13 4m              | £98                                             | 40 a    | Brit. S. Afr. 15/- fy. pd. | 18 1/2                | 6 15 0                |
| 37 1/2                          | 37 1/2   | 42 1/2                                          | 37 1/2  | Bulgaria 7 1/2%            | 12 1/2                | 15 10 0               | £98                                             | 40 a    | C. of Lond. R. Pty £1      | 8 1/2                 | 9 0 0                 |
| 19 1/2                          | 19 1/2   | 21 1/2                                          | 19 1/2  | Brazil 5% Fd. 1914...      | 15                    | 15 10 0               | £98                                             | 40 a    | Daily Mail & Gen. £1       | 11 1/3                | 4 14 0                |
| 60 1/2                          | 60 1/2   | 65 1/2                                          | 60 1/2  | Chile 6% (1929) ...        | 12 1/2                | 15 10 0               | £98                                             | 40 a    | Dalgety £20 5/4 pd.        | 41 1/2                | 5 18 6                |
| 73 1/2                          | 73 1/2   | 78 1/2                                          | 73 1/2  | China 5% (1912) ...        | 18 1/2                | 15 10 0               | £98                                             | 40 a    | Forestral Land £1          | 16 10 1/2             | 8 6 2                 |
| 105 1/2                         | 105 1/2  | 110 1/2                                         | 105 1/2 | Do. 6% (1913) ...          | 28 1/2                | 15 10 0               | £98                                             | 40 a    | Hudson's Bay Co. £1        | 22 1/2                | 3 12 6                |
| 99 1/2                          | 99 1/2   | 104 1/2                                         | 99 1/2  | Czechoslovakia 8%          | 35                    | 22 17 0               | £98                                             | 40 a    | Java Invest. £1            | 15 1/2                | 6 8 0                 |
| 104 1/2                         | 104 1/2  | 109 1/2                                         | 104 1/2 | Denmark 3%                 | 95                    | 3 2 2                 | £98                                             | 40 a    | Peru Corp. Pref.           | 11 1/2                | Nil                   |
| 13 1/2                          | 13 1/2   | 14 1/2                                          | 13 1/2  | Egypt Unified 4%           | 61 1/2                | 6 10 1 0              | £98                                             | 40 a    | Primitive Hold. £1         | 7                     | 10 0 0                |
| 60 1/2                          | 60 1/2   | 64 1/2                                          | 60 1/2  | French 4% (British)        | 91 1/2                | 6 10 1 0              | £98                                             | 40 a    | Sudan Plant. £1            | 29 1/2                | 6 16 3                |
| 30 1/2                          | 30 1/2   | 34 1/2                                          | 30 1/2  | Ger. Dawes Ln. 5%          | 5                     | 4 2 3                 | £98                                             | 40 a    | Breweries, &c.             |                       |                       |
| 50 1/2                          | 50 1/2   | 54 1/2                                          | 50 1/2  | Do. Young Ln. 4 1/2%       | 17 1/2                | 13 16 3m              | £98                                             | 40 a    | Ansell's Brewery £1        | 55 1/2                | 10 1/2 0              |
| 58 1/2                          | 58 1/2   | 62 1/2                                          | 58 1/2  | Greek 6% Stab. Ln.         | 15                    | 30 0 0                | £98                                             | 40 a    | Barclay Perkins £1         | 14 1/2                | 6 11 6                |
| 60 1/2                          | 60 1/2   | 64 1/2                                          | 60 1/2  | Hungary 7 1/2%             | 40 1/2                | 13 11 8               | £98                                             | 40 a    | Bass Radcliff Ord. £1      | 95 1/2                | 5 5 0 1/2             |
| 60 1/2                          | 60 1/2   | 64 1/2                                          | 60 1/2  | Japan, 5 1/2% 1930         | 37 1/2                | 16 0 0                | £98                                             | 40 a    | Courage Ord. £1            | 50 1/2                | 5 16 0                |
| 64 1/2                          | 64 1/2   | 68 1/2                                          | 64 1/2  | Do. 6% (2nd) red. 1959     | 45                    | 8 17 10               | £98                                             | 40 a    | Distillers Ord. £1         | 47 1/2                | 7 11 6                |
| 50 1/2                          | 50 1/2   | 54 1/2                                          | 50 1/2  | Peru 7 1/2% 1922           | 50                    | 11 0 0                | £98                                             | 40 a    | Guinness Ord. £1           | 81 1/2                | 10 6 0                |
| 75 1/2                          | 75 1/2   | 79 1/2                                          | 75 1/2  | Poland 7%                  | 50                    | 11 0 0                | £98                                             | 40 a    | Ind. Cooke & All. £1       | 66 1/2                | 6 19 0                |
| 15 1/2                          | 15 1/2   | 19 1/2                                          | 15 1/2  | Roum. 4% Con. 1922         | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Meux's Ord. £1             | 21 1/2                | 8 17 0                |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | U.K. & Arg. C. 3%          | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Mitchells & Butlers £1     | 57 1/2                | 7 6 0                 |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | Market Prices              | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Simonds (H. & C.) £1       | 52 1/2                | 5 13 9                |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | Anglo-Am. Deb.             | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Saylor Walker Ord. £1      | 20 1/2                | 9 0 0                 |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | Anglo-Celtic Ord.          | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Waynecombe Def. £1         | 50 1/2                | 7 4 0                 |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | Brit. Assets Trust 5%      | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Iron, Coal and Steel       |                       |                       |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | Charterhouse Inv. £1       | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Allied Ironfound. £1       | 16 1/3                | 11 1 0                |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | Debenure Corp. Stk.        | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Babcock Wilcox £1          | 41 1/3                | 6 0 0                 |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | For. Amer. & Def.          | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Baldwins 4/-               | 4 1/2                 | 9 17 3                |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | Guardian Investment        | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Bolsover Col. Ord. £1      | 42 1/2                | 8 7 0                 |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | Invest. Trust Def.         | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Brown (J.) Ord. 10/-       | 23 1/2                | 7 10 0                |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | Lake View Inv. 10/-        | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Catterley Ord. £1          | 27 1/2                | 4 14 6 1/2            |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | Mercantile Inv.            | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Cammell Laird 5/-          | 6 1/2                 | 8 0 0                 |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | Merchants Trust Ord.       | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Consent Iron Ord. £1       | 18 1/2                | 8 10 8                |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | Metropolitan Trust...      | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Cory, William, Ord. 6/8    | 6 1/2                 | 8 0 0                 |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | Scottish Inv. 5/-          | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Dorman Long Ord. £1        | 80 1/2                | 5 0 0                 |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | Scottish Mort., &c.        | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Do. Pref. Ord. £1          | 21 1/2                | 9 8 3                 |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | Trustees Corp. Ord.        | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Firth Brown £1             | 65 1/2                | 9 0 0                 |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | United States Deb.         | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Guest Keen & Co. Ord. £1   | 21 1/2                | 5 7 9 1/2             |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | Financial Trusts, &c.      | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Hadfields 10/-             | 22 1/2                | 12 11 1/2             |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | Brit. S. Afr. 15/- fy. pd. | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Horden Collieries £1       | 25 1/2                | 6 16 0                |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | C. of Lond. R. Pty £1      | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Lambert Bros. Ord. £1      | 31 1/3                | 9 12 0                |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1/2  | Daily Mail & Gen. £1       | 70 1/2                | 4 5 1                 | £98                                             | 40 a    | Powell Partners 10/-       | 9 1/2                 | 12 16 0               |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 92 1    |                            |                       |                       |                                                 |         |                            |                       |                       |





This is the outline of the picture for 1939-40. That of 1940-41 is necessarily even hazier. But one or two limits can be sketched in. Expenditure in the remaining seven months of the current year is apparently estimated at £1,413 millions, or £202 millions a month. This figure is, of course, a minimum, and it is the average of a series of months during which expenditure will be accelerating. If, therefore, we say that the total expenditure in 1940-41 cannot be less than £2,400 millions, we are certainly not exaggerating the figures. But the revenue that will be brought in next year by the newly increased taxes will only be about £1,114 millions *plus* the problematical yield of the Excess Profits Tax. Thus the prospect seems to be that revenue will be about half of expenditure this year, and (in default of no further tax increases) less than that proportion next year.

Is this a satisfactory state of affairs? Before the question can be answered, it is as well to re-state the two cardinal principles of war finance, which were enunciated on Wednesday, the one by Mr Attlee, the other by Sir John Simon. The first is that the economic sacrifices demanded of the people by war cannot be reduced or shuffled off on to future generations by any financial policy. The choice of methods, in particular between taxation and borrowing, is, therefore, a choice between different methods of distributing the burden of sacrifice among those now living; it is not a choice between a heavier and a lighter burden. The second fundamental principle is that of all possible methods of financing a war the inflationary method is the least equitable, the least efficient and in the long run the most disturbing. It must at all costs be avoided; but the only way of avoiding it is by raising the entire cost of the war either by taxes or by loans subscribed out of the genuine savings of the people. The adequacy of the present Budget therefore comes down to this: Can the gap of £938 millions between revenue and expenditure in the current year, or the gap of at least £1,200 millions next year, be bridged by borrowing without giving rise to inflation? Can the genuine savings of the people be increased, by voluntary, induced or enforced abstention from consumption, to these figures? When the questions are phrased in this way, it can be seen that the proposed level of taxation, so far from being excessive or ascetic, is, at best, barely adequate. There are, of course, reasons, both of technique and of policy, for not increasing taxation too rapidly at a time when the first—and certainly temporary—impact of war has been to increase unemployment and impair taxable capacity. But these reasons will have vanished by April next year, and the taxpayer will then be called upon for another effort if the attempt to avoid inflation is to be serious.

The whole of this reasoning, however, is based upon the assumption that the total expenditure next year—and, by implication, in a "normal" war year—will be of the order of £2,400 millions. Is this a fair assumption? Is the cost of this war, when it is in full cry, likely to be about £200 millions a month, or £7 millions a day? That was, in very rough terms, the cost of the last war in its last year. It can hardly be less this time (since we are already, it appears, spending at that rate). But can it be relied upon not to be much more?

To predict the "ceiling" of war expenditure is obviously an impossible task. But, clearly, if we are to win the war, we have to measure our effort not by any absolute standard but by comparison with the enemy. We shall defeat Germany only by making greater efforts than she does, and since Germany will do her utmost, we must do our utmost also. The only safe assumption to make about the proportion of the national resources that will have to be devoted to the war is that it will be the maximum possible proportion, including every man and every machine that can possibly be spared from the business of feeding, housing and clothing the people. The fundamental problem is economic, not financial: What is the lowest fraction of our annually available supply of effort and materials that will suffice to meet the minimum demands for consumption? That fraction—a half, a third, a quarter—is the fraction of the National Income that can be left to the individual citizens of the nation. All the rest must by some means, by taxation, by borrowing or by inflation, be

gathered in to the Exchequer to meet the cost of the war. Analysed in this way, the problem can be given some numerical shape, and in view of its crucial importance, the reader may fairly be asked for indulgence while the elements of the calculation are set out. The gross National Income in the year 1918, the last previous year of totalitarian war, can be put, very tentatively, at £5,500 millions. In that calendar year the expenditure of the Exchequer (excluding loans granted to the Allies and similar capital transactions) was £2,700 millions, of which about £2,500 millions can be regarded as the cost of the war. Twenty-one years ago, that is to say, it proved possible to devote almost half the total resources of the community to fighting.

The gross National Income was running in the first quarter of 1939 at the rate of nearly £6,000 millions per annum, and the total for the whole year is certainly no less, and probably more, than that figure. When all the extra employment and extra effort of wartime have been added, the gross National Income, without any change in the value of money, will be as much as £7,000 millions. If the 1918 proportion is applied to this figure, the resulting possible total expenditure is about £3,500 millions.

This, however, is not a final figure. As Sir John Simon told the House of Commons, war is a more costly business to-day than in 1918, ship for ship, airplane for airplane, division for division. Moreover, we can afford a costlier war to-day. The minimum standard of consumption is the same to-day as in 1918. But our productive capacity has benefited from two decades of very rapid progress. The proportion of the National Income required by war and that which can be afforded for war are both higher now than they were. If 50 per cent. of the National Income could be devoted to Government expenditure in 1918, and if in the meantime the whole National Income has increased (in real terms) by 20 per cent., the maximum war proportion can safely be put at, say, 60 per cent. without pushing the standard of consumption below that of 1918. This, on a National Income of £7,000 millions, gives a figure of £4,200 millions a year, or £350 millions a month.

To carry the calculation to figures any less round than this would be to overstrain it. But it is enough to show that until the total national expenditure has reached some such figure as this, we shall not be able to say that we are making our maximum war effort. And if expenditure is to rise to something like £4,000 millions a year, shall we be able to borrow some £2,800 millions a year without inflation? The question answers itself. Severe though the burdens placed upon the taxpayer this week are, further sacrifices will almost certainly be demanded of him before the war is finished.

Those sacrifices will be resolutely borne if two conditions are met. The first is that the fundamental economics of the war are clearly and repeatedly explained. If once the taxpayer can be brought to realise that borrowing or inflating will cause him just as much current sacrifice as taxing, he will appreciate the necessity for still more drastic levies. The second condition is that the public must be convinced that the war is not being fought half-heartedly. Sir John Simon's words on departmental economy were rightly cheered in the House. But the counterpart of economy in the normal peace-time administration of the country must be the absence of any purely financial obstacles to the prosecution of the war.

Finance is, after all, nothing but a shroud for economic truth. The British public has no love for taxation or for borrowing, still less for inflation. But it is still the fundamental fact that the public will be dissatisfied with any cost of the war short of the maximum. For the maximum cost will merely be a reflection of the fact that the maximum effort is being made, and the public has clearly grasped the fact—more clearly, apparently, than the Government—that the quicker the maximum effort is made the quicker the war will be over. If British industry can build a gigantic air fleet, if British man-power can fill the ranks of a gigantic army, if British shipyards can keep the Navy and the Merchant Navy supreme—and they can—then money can be found to pay for them. In war, finance is a follower, not a maker, of policy, and "impossible" is excluded from its vocabulary.

## Stalin Over Europe

FEW could have foreseen how far-reaching would be the effects of the non-aggression pact between Germany and the Soviet Union. But the whole world was not long in finding it out. Less than two weeks after the pact was signed the great nations of Western Europe were at war, only Italy holding to neutrality. Less than four weeks after the outbreak of war, the Soviet Union had partitioned Poland far more advantageously to itself than even the acutest observers had thought possible. Scarcely had the return of Russia to Central European power when the governments of Turkey, Roumania and Bulgaria show unmistakable signs of dancing to a Russian tune of which the notes were not yet clearly heard.

It is an exaggeration to attribute all that has happened to the influence of Soviet diplomacy. The British Government's Blue Book published this week shows that already on August 16th the German State Secretary, Baron von Weizsäcker, felt confident of Soviet connivance, if not of actual help, but it is still true that there would have been no war unless Germany had willed it. It is also true that the course of the war has been, and will be, profoundly modified by Soviet intervention.

For the moment no one can be blind to the historic importance of the Red Army's march across the whole length of the Polish-Roumanian frontier, and westwards as far as the Vistula. Whether or not the Nazis intended this to happen (and it is difficult to believe that they did) will be known only when the result of Herr von Ribbentrop's second flight to the Kremlin shows a return, either in diplomatic phraseology or in definite compensation. The facts of the last few months, and the overriding anxiety to avoid actual warfare which the Soviet Government is generally thought to harbour, lead to the conclusion that we have not seen the last of German-Soviet collaboration. The decision rests with Stalin; and the gains of the first attempt are probably solid enough to encourage him to a second. His agreement to further co-operation, perhaps to an alliance of some kind, would provide him with one more chance to strengthen his position in Eastern Europe under cover of "collaboration" with Germany. In other words, he may see a way of resolving to his own advantage the German-Russian conflict of interests in Eastern Europe, by giving the Germans what appear to them to be his substantial support and goodwill.

But whatever he decides to do, that conflict will remain there to-day as surely as it remained there during all the years of Imperial Germany's efforts to remove it. For with Russia's westward advance the balance of power in Eastern Europe has been fundamentally modified. In the past months and years we have thought of the conflict of interests in the Balkans as being between Germany and the Western Powers, with Italy playing a secondary rôle on Germany's side. Our diplomatic and commercial policies have been shaped to meet a German drive for

Balkan domination. Now we can lay them all aside. They have become useless, or nearly so. For Russia has taken our place as Germany's Balkan opponent. There is a new Eastern question, only this time it may be resolved not by a long struggle between the European Powers, but by private treaty over luncheon in the Kremlin.

There is a great deal of evidence, much of it confusing, some of it strikingly conclusive. It is worth considering, because within a very brief time the immediate fate of the Balkans will have been decided, and we and they will know what liberties are left to them and what part they are to play in Stalin's peace and in Hitler's war.

The starting point, against the background of the German-Soviet pact and the over-running of Poland, is the visit to Moscow of M. Sarajoglu, the Turkish Foreign Minister. Here is something concrete. He is invited to Moscow to discuss "questions of common interest to the Soviet and Turkish Governments"; questions, evidently

enough, which include Turkey's relations with Britain and France, with the Balkans, and with Germany: in short, the whole of Turkey's foreign policy except for the Middle Eastern pact, which, at the moment, is of no significance. His task is widely recognised to be the reconciliation of Turkey's various obligations with her basic policy of good relations with the Soviet Union. Once more Stalin is in a position to call the tune. The Anglo-Turkish and Franco-Turkish pacts, which are not yet formal alliances but are nevertheless binding, make provision for mutual assistance against aggression in the Mediterranean region, are applicable

to any "act of aggression which might lead to war" in that region, and further provide for collaboration in "the establishment of security in the Balkans." The first part may be taken as aimed at Italy, the second at Germany. In either case the integrity of the Straits, fortified in conformity with the Treaty of Montreux, is safeguarded. The Soviet Union, interested always in maintaining the *status quo* in the Black Sea at the expense of all other great Powers, including Germany, could feel well satisfied. At the time there was every reason to think her satisfied, for it was known that Turkey had consulted with the Soviet Government before concluding the pacts with Britain and France, and had received its approval. The Turks, with the British and French behind them, would fight the Soviet Union's battles.

But, since then, two major events have shown a change in Soviet policy. The negotiations for an Anglo-Russian alliance were made a mockery by the signing of a German-Soviet non-aggression pact, and, in the course of the war on Poland that followed, Soviet troops have put Russia's name back on the European balance sheet. The Turks must now be got to refrain from compromising this new entry.

For this Stalin needs to bear in mind at least two considerations. First, that the advance of Germany must be fended off if a favourable Balkan *status* is to be assured;





and, secondly, that the position of the Turks in the Mediterranean must not be weakened. That means to say that the Soviet Union must take over in the Balkans the guaranteeing rôle hitherto played by Britain and France, at the same time fobbing off the Nazis as best it can, while leaving the Mediterranean part of the Turkish pacts with Britain and France intact. There are signs that he has already gone far in this direction. Before he left Turkey, M. Sarajoglu had conversations with the Turkish Ambassadors in Roumania and Yugoslavia, and there is a general suspicion that Turkey, from having been the "policeman of the Balkans," has now become their spokesman. Early this week alarming reports were to hand from Bucharest, referring to the massing of Russian troops on the Bes-sarabian frontier, and although both sides officially maintain that the Soviet's guarantee of neutrality towards Roumania is being observed, no one would be surprised by a second "preventive invasion." Indeed, last week's assassination of M. Calinescu, the Roumanian Prime Minister, by the Nazi-financed Iron Guard, might well have given rise to fear of a second partition. On a Soviet request, Hungary is about to resume diplomatic relations and, more significant, a similar request has also been made to Belgrade, where there has never been a Soviet Minister. Between Sofia and Moscow there is much activity; and Bulgarians must be asking themselves whether the Soviet Government does not now mean to take Bulgaria right under its "protective" wing, adding possibly the long-coveted Southern Dobruja. Effectively, the whole Black Sea area would then be under Soviet influence; and it would not be long before the Pan-Slav yeast began to work in Yugoslavia.

Supposing that this is the way Stalin's mind is working, there is still a host of problems for him to answer. He must compensate the Nazis for losing a sphere of influence upon which they would appear to have set their hearts. He can do this either by diplomatic or by economic concessions, or by a combination of both. Equally Stalin must consider the effect on the Western Powers. We cannot assume that he actually wants to destroy our Near Eastern position, at

least until he has replaced it by one of his own; and although he may demand of the Turkish Government that they will not give passage through the Straits to British and French warships (as they would be expected to do under the Treaty of Montreux, given application of the League Covenant), that does not mean that he will also try to wreck our Mediterranean alliance with Turkey.

Upon this point Signor Mussolini's final decision on Italy's part will doubtless largely turn. According to a semi-official report of a private meeting of Fascist leaders last Saturday, Signor Mussolini said then that a decision on policy was "not called for now." The decision to stay neutral, taken on September 1st, agreed with Italy's and other nations' desire to localise the conflict. "It is certainly with the wise intention of not enlarging the conflict," he added, "that the Governments in London and Paris hitherto have not reacted in face of the Russian *fait accompli*." Italy can wish for an extension of Russian influence in the Balkans even less than Germany, for she gets no compensation and may expect none. Her policy of "field of expansion" is then limited to North Africa, and the Albanian annexation is robbed of much of its value. It is no wonder that the Italian Government has lately been engaged in improving its relations with Balkan neighbours, and notably, by a mutual agreement to withdraw troops from the Albanian-Greek frontier, with Greece. A Russian attempt to weaken the Anglo-French-Italian alliance in the Mediterranean would necessarily have its influence on Signor Mussolini; so far, however, there are no signs that the attempt, if made, would be successful.

In all this the part of Britain and France is clear. Our position is not so strong that we can gratuitously make enemies. The probability is that Hitler and Stalin are pursuing not merely different, but irreconcilable ends, and it would be foolishness on our part to throw them into each other's arms. On the other hand, the Balkans are still the wings, rather than the centre of the stage on which the battle for the future of Europe is being fought out. Nothing that happens there, however unpleasant, should deflect us from our purpose.

## The Budget Proposals

THE speech with which the Chancellor of the Exchequer introduced his War Budget naturally differed in many respects from the traditional Budget speech. The elaborate survey of the results of the past year was entirely missing, and the no less elaborate calculation of the yield to be expected from existing taxes was placed by the simpler statement that the first impact of a war on the revenue was likely to reduce it by £54 millions. No attempt could be made to set down an accurate estimate of expenditure, and Sir John Simon could only say that he could not guarantee that the Vote

Credit of £500 millions, on top of a previously proved expenditure of £1,453 millions, would be enough. Precise budgeting was therefore out of the question, and the speech resolved itself, apart from an interesting though incomplete discussion of the economics of war, to a recital of tax increases. Only one new tax was announced, and that one, the Excess Profits Tax, is a development of the existing National Defence Contribution and Armament Profits Duty rather than a brand-new impost. But of the existing taxes, income tax, surtax, estate duty and the duties on alcoholic liquors, tobacco and sugar, are all heavily increased.

The major change in the *income tax* is an increase in the standard rate to 7s. in the £ for the current year and 6d. in the £ next year. The reduced rate charged on the first £135 of taxable income is also raised, for

the current year, from 1s. 8d. to 2s. 4d. in the £. To cushion this blow to those whose incomes have fallen, there is to be a special provision by which those taxpayers whose incomes in the current year can be shown to have fallen, as a result of the war, by 20 per cent. or more, are to have the option of being assessed on their income in the current year instead of the usual practice of being assessed on the income of the previous year. (This carries with it the technical corollary that if the taxpayer elects to be assessed on his current income this year, the Inland Revenue must have the right to revise his assessment for last year to bring it into accordance with last year's income.) The income tax allowances are not to be altered this year (with the exception of the increased rate on the first £135 mentioned above), but they are to be changed next year as is indicated below—

|                                | Present Provisions.                                                 | Proposed Provisions                                                |
|--------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------|
| Reduced Rate                   | One-third of standard rate charged on first £135 of taxable income. | One-half of standard rate charged on first £165 of taxable income. |
| Earned income allowance.       | One-fifth of earned income with maximum of £300.                    | One-sixth of earned income with maximum of £250.                   |
| Personal allowance.            | £125                                                                | £120                                                               |
| Allowance for married couples. | £180                                                                | £170                                                               |
| Allowance for children.        | £60                                                                 | £50                                                                |

The rates of *surtax*, which were increased in April, are to be raised again, the old and new scales being shown in the table at the head of the next column.

The effect of these changes in income tax and surtax on certain specimen incomes is shown in a Note on page 598. The rates of *estate duty* are also being increased. On estates between £10,000 and £50,000 the rates are to

| OLD AND NEW RATES OF SURTAX         |        |                |                |
|-------------------------------------|--------|----------------|----------------|
| Tax chargeable on every £ of income |        | Existing rates | Proposed rates |
|                                     |        | s. d.          | s. d.          |
| From                                | £      |                |                |
| 2,001 to 2,500                      | 2,500  | 1 1-8          | 1 3            |
| 2,501 to 3,000                      | 3,000  | 1 5-25         | 1 6            |
| 3,001 to 4,000                      | 4,000  | 2 3-6          | 2 6            |
| 4,001 to 5,000                      | 5,000  | 3 5-4          | 3 6            |
| 5,001 to 6,000                      | 6,000  | 4 0-3          | 4 3            |
| 6,001 to 8,000                      | 8,000  | 4 7-2          | 5 0            |
| 8,001 to 10,000                     | 10,000 | 6 0            | 6 3            |
| 10,001 to 15,000                    | 15,000 | 6 7-2          | 7 6            |
| 15,001 to 20,000                    | 20,000 | 7 2-4          | 8 6            |
| 20,001 to 30,000                    | 30,000 | 7 9-6          | 9 0            |
| 30,001 to 50,000                    | 50,000 | 8 4-8          | 9 6            |
| above 50,000                        |        | 9 0            | 9 6            |

be increased by 10 per cent. and on estates over £50,000 the increase of 10 per cent. already included in this year's Finance Act is to become an increase of 20 per cent.

The indirect taxes selected for increase were those on alcoholic liquors, tobacco and sugar. The details of the changes are necessarily complicated, but their effect can be chiefly stated as being 1d. a pint on beer, 10s. a proof gallon on spirits (or 1s. 3d. a bottle on whisky), 1½d. an ounce on tobacco and 1d. a pound on sugar.

The Chancellor also announced a new Excess Profits Tax, to be levied on the same lines as the existing Armaments Profits Duty, but applying to all firms and businesses. It will be levied at the rate of 60 per cent. on excess profits—that is, in general, on profits in excess of the pre-war average. National Defence Contribution will be retained at a rate of 5 per cent. on total net profits, but firms will pay only whichever of the two taxes, N.D.C. and E.P.T., is the higher.

The yield of these increases of taxation is estimated in the accompanying table, with the exception of the E.P.T., whose yield will be negligible this year and incalculable next.

The Chancellor also devoted some attention to the Government's plans for exacting a levy on fortunes in-

### EFFECT OF CHANGES IN THE WAR BUDGET

|                               | Effect in 1939-40 (£ millions) | Effect in 1940-41 (£ millions) |
|-------------------------------|--------------------------------|--------------------------------|
| Income Tax—                   |                                |                                |
| Standard Rate.....            | +70.0                          | + 134                          |
| Earned Income Allowance ..... | ...                            | + 6                            |
| Other Allowances .....        | ...                            | + 6                            |
| Surtax .....                  | + 5.0                          | + 8                            |
| Estate Duty.....              | + 1.5                          | + 6                            |
| Total Inland Revenue .....    | +76.5                          | + 160                          |
| Customs and Excise—           |                                |                                |
| Spirits .....                 | + 2.0                          | + 3.5                          |
| Beer .....                    | +11.0                          | +27.0                          |
| Wine, etc.....                | + 1.15                         | + 2.1                          |
| Sugar, etc. ....              | + 8.5                          | +18.0                          |
| Tobacco.....                  | + 8.0                          | +16.0                          |
| Total Customs and Excise ..   | +30.65                         | +66.6                          |
| Total change .....            | +107.15                        | +226.6                         |

creased by the war. This levy, he said, could be neither assessed nor levied until after the war, and he proposed no action for the present. That assessment of such a levy is impossible for the moment is, of course, obvious. But there would be a great deal to be said for setting in being the machinery that will some day be necessary for assessing the value of fortunes as they stood at the outbreak of war. A small tax on property—say at the rate of ½ per cent. per annum—might have been imposed even now as a means of obviating any tendency on the taxpayer's part to claim an excessive pre-war valuation of his property.

The net effect of these changes on the figures of the current year is to increase the estimated revenue to £995 millions. With total expenditure at £1,933 millions, the total of borrowing will be £938 millions. The Chancellor revealed none of his plans for borrowing, except to say that different varieties of loans will be issued to suit different requirements. To borrow a sum of these proportions is, however, in itself a task of major complexity.

### THE BUDGET IN FIGURES

TABLE I  
EXPENDITURE (£ thousands)  
including issues from loans

|                                       | Exchequer Receipts 1938-39 | April Budget Estimate 1939-40 | Latest pre-war Estimate 1939-40 | Sept. Budget Estimate 1939-40 |
|---------------------------------------|----------------------------|-------------------------------|---------------------------------|-------------------------------|
| Consol. Fund Services:                |                            |                               |                                 |                               |
| Nat. Debt Service .....               | 216,781                    | 230,000                       | 230,000                         | 230,000                       |
| Payments to N. Ireland .....          | 9,459                      | 10,000                        | 10,000                          | 10,000                        |
| Other Consol. Fund .....              | 4,825                      | 7,200                         | 7,200                           | 7,200                         |
| Total .....                           | 231,065                    | 247,200                       | 247,200                         | 247,200                       |
| Supply Services:                      |                            |                               |                                 |                               |
| Army and Min. Supply .....            | 121,361                    | 165,087                       | 272,673                         | 272,673                       |
| Navy .....                            | 127,295                    | 149,399                       | 149,399                         | 149,399                       |
| Air .....                             | 133,800                    | 208,561                       | 248,061                         | 248,061                       |
| Civil Defence .....                   | 17,783                     | 47,191                        | 78,871                          | 78,871                        |
| Margin for Supplementaries .....      | ...                        | 50,000                        | ...                             | 500,000†                      |
| Total Defence .....                   | 400,239                    | 620,238                       | 749,004                         | 1,249,004                     |
| Civil Votes (exc. Broadcasting) ..... | 409,383                    | 427,860                       | 442,491                         | 422,491‡                      |
| Margin for Supplementaries .....      | ...                        | 5,000                         | ...                             | ...                           |
| Revenue Depts. (exc. P.O.) .....      | 14,143                     | 14,646                        | 14,646                          | 14,646                        |
| Total Supply Services.....            | 823,765                    | 1,067,744                     | 1,206,141                       | 1,686,141                     |
| Total Expenditure .....               | 1,068,049*                 | 1,314,944                     | 1,453,341                       | 1,933,341                     |

\* Including £13,219,000 to sinking funds. † Vote of credit of September 2, 1939. ‡ Allowing for £20 millions saving. § Details shown are not shown in White Paper, but are to indicate how expenditure of £1,933 millions is made up.

TABLE II  
REVENUE (£ thousands)

|                                     | Exchequer Receipts 1938-39 | Latest pre-war Estimate 1939-40 | Sept. Budget Estimate 1939-40 |
|-------------------------------------|----------------------------|---------------------------------|-------------------------------|
| Inland Revenue:                     |                            |                                 |                               |
| Income Tax .....                    | 335,901                    | 327,000                         | + 70,000                      |
| Sur-tax .....                       | 62,530                     | 70,000                          | + 5,000                       |
| Estate Duties .....                 | 77,430                     | 80,000                          | + 1,500                       |
| Stamps.....                         | 20,980                     | 21,000                          | ...                           |
| National Defence Contribution ..... | 21,890                     | 25,000                          | †                             |
| Other .....                         | 1,550                      | 1,250                           | ...                           |
| Total .....                         | 520,281                    | 524,250                         | + 76,500                      |
| Customs and Excise:                 |                            |                                 |                               |
| Customs.....                        | 226,326                    | 232,300*                        | + 14,500                      |
| Excise.....                         | 114,200                    | 116,430*                        | + 16,150                      |
| Total .....                         | 340,526                    | 348,730*                        | + 30,650                      |
| Motor Vehicle Duties .....          | 35,608                     | 43,450                          | ‡                             |
| Total Receipts from Taxes...        | 896,415                    | 916,430*                        | ‡                             |
| Post Office net receipt .....       | 9,500                      | 7,200                           |                               |
| Post Office Fund .....              | 1,400                      | 1,600                           |                               |
| Crown Lands.....                    | 1,330                      | 1,330                           |                               |
| Sundry Loans .....                  | 5,699                      | 5,000                           |                               |
| Miscellaneous .....                 | 12,941                     | 10,750                          |                               |
| Total Ordinary Revenue.....         | 927,285                    | 942,310*                        | 995,080§                      |
| To be met from loans.....           | 128,050                    | 502,430                         | 938,000                       |
| Grand total .....                   | 1,055,335                  | 1,444,740                       | 1,933,080                     |

\* April Budget estimate, with minor pre-war revisions. † Yield from Excess Profits Tax negligible in 1939-40. § April estimates, plus additional taxation, less a reduction of about £54 millions in yield on original estimates. ‡ Not separately specified.

### RUSSIAN-GERMAN TRADE

It has unfortunately proved impossible, in present conditions, to publish the Supplement giving details of the possible expansion of Russian exports to Germany which was announced as forthcoming in *The Economist* of September 2nd.

## Bagehot: Man of Affairs

EVEN in these crowded war-time days it would be unbecoming of *The Economist* to overlook a new book about the greatest of its editors, Walter Bagehot. It is true that Professor Irvine of Stanford University, California, is not very interested, in this biography,\* in Bagehot's twenty years or so of editorship. It is Bagehot the critic and man of letters that the book is about. Bagehot the banker and financial journalist, the economist who had "frequent and free communication on all matters of finance and currency" with Gladstone at the Exchequer, serves Professor Irvine mainly as a backcloth.

"Bagehot (he says) was a man of several professions and one avocation." That avocation was literary criticism, and the burden of this book is that the kind of criticism which Bagehot contributed to Victorian letters drew its peculiar strength from the fact that Bagehot was not, in the narrowest sense, a literary man. He was trained as a lawyer. He directed a bank. He was a working editor. He walked in the world of London society and high politics in the footsteps of James Wilson, his father-in-law and *The Economist's* founder. It was only in his spare time that he settled down to write about literature, religion and science; and he brought to bear upon his "avocation" an unusually practical training and an uncommonly many-sided experience.

There is much to be said for this estimate of Bagehot's achievements. Lord Bryce once declared that he was the most interesting man in London to talk to; and his essays on the Victorian literary giants—the best of their kind before the studies of the late G. K. Chesterton—on the Romantic poets and on Shakespeare, Milton and Gibbon shared the shrewd, forceful and attractive common sense of his conversation. In place of scholastic research and academic punditry it was a wide general knowledge and a broad mind which Bagehot brought to bear upon the books and their authors. He liked good prose and poetry, said so and tried to explain why.

But the matter cannot rest there. It was precisely this breadth of training, outlook and work, the breadth which Professor Irvine hails as his chief equipment for his literary labours, that made Bagehot pre-eminently suited to edit a journal of economic and public affairs. To say that "the literary essays represent that part of his mind which found no adequate expression in a column of figures or the ephemeral pages of *The Economist*" or, in effect, to regret that "living in the world of business and politics, writing at least two articles each week for *The Economist*, he fell into a rapid, more or less journalistic style," is to miss the point. Bagehot's education in mathematics and German, as well as the usual classics, at Bristol College (1839-42); his courses in philosophy, chemistry and political economy, as well as Latin, Greek and logic, at University College, London (1842-48); his post-graduate mathematics scholarship and the philosophy medal that came with his mastership in 1848; his prowess in debating and the law studies that ended with his call to the Bar in 1852; his return then to the family Somersetshire bank which had grown from its small eighteenth-century beginnings in Langport to become the largest private bank of issue in England—these were not the preliminaries to a literary career. They were the apt and ample preparations—unconsciously made, it is true—not only for becoming the author of what Professor Irvine calls "the grave and sedate tomes" of *Lombard Street* and *The English Constitution*, but still more for becoming the editor of *The Economist*.

Bagehot began to write for *The Economist* in 1856, at the invitation of an old friend, Richard Holt Hutton, who was Wilson's collaborator. It was Hutton who introduced Bagehot to Wilson and, indirectly, to Eliza Wilson, who became his wife. The partnership of Wilson and Bagehot was successful, and in 1860, after having been editor in fact for some time, he became editor in title, as well as

director, on the death of the paper's founder and proprietor. He remained editor until he died in 1877, and it is at the editorial desk that the definitive biographer of Bagehot will find the core of his material.

There is little need to labour this point. "It was his mission (wrote Woodrow Wilson of Bagehot) to clarify the thought of his generation and to vivify it; to give it speed when slow, vision when blind." He did this in *The English Constitution* (1865-67), "the flesh and bone of factual analysis," which told Englishmen of the time what their stratified system of government really was and how it worked. He did it, too, in *Physics and Politics* (1865), which was the first book to set out "the full significance of natural selection for the doctrine of human progress"—before even Spencer or Darwin himself took up this aspect of their theme. He did it again in *Lombard Street* (1873) which was aimed, in the words of Mr Keynes, "to knock two or three fundamental truths into the heads of the City magnates."

But he was doing it every week in *The Economist*, for over twenty years—less roundly than in his *opera*, it is true, but at least no less effectively. It was his practice, we are told by Robert Giffen, his assistant editor, to write always with some typical City man in mind—"a man not skilled in literature or the turnings of phrases, but keen as to fact, and reading for the sake of information and guidance respecting what vitally concerned him"—and to hammer home his meaning with every trick of simple phrasing and the effective use of words. "We believe (he himself said) that the knack in style is to write like a human being . . . to write their own thoughts in their own words, in the simplest words, in the words wherein they are thought." "The art of narration (he averred) is the art of writing in hooks-and-eyes. The principle consists in making the appropriate thought follow the appropriate thought, the proper fact the proper fact." No one has put better the essentials of effective exposition and few have applied them more successfully than he did in *The Economist's* leader columns.

Nor had Bagehot one view of style for the "ephemeral" uses of his paper and another for "literature." One critic has complained, for instance, that his essay on Shakespeare contains "a little too much mere common sense." There is "too much high art," he would have replied; "it is not addressed enough to the common feelings and minds of ordinary people." He objected to Sterne because "he never begins at the beginning and goes straight through to the end." He declared that Gibbon's style was too grand—"he cannot mention *Asia Minor*." He said of Edward Gibbon, the historian's grandfather, that "his genius, like that of Mr Hudson, had a natural tendency towards a commerce in the metaphysical and the non-existent." This is the voice in equal measure of the incisive critic and the economical editor.

But Bagehot brought more than clarity and a sense of style to his writing. He brought the experience and ideas which made his paper, no less than his books, authoritative and closely read. He was passionately interested in people—just as he always wrote rather about authors than about their books—and he mixed with the makers of Victorian politics and economics. He was "a man made to flourish in a great city." He was "respected and admired and sought after in council (Professor Irvine tells us) by the most celebrated statesmen of his day." He was an adviser behind the scenes of Ministers and heads of departments. He was called "a sort of supplementary Chancellor of the Exchequer." He was elected to the Athenæum Club, a much greater distinction then than now. He surveyed the drama of the day from the wings.

In politics Bagehot was a conservative because he believed that, in face of the stupidity of people in the mass and the hardness of what he called the "cake of custom," progress must necessarily be slow. In economics he was a liberal, a free trader and a relentless critic of privilege. In both fields he abhorred abstract generalisations. It was

"a statesmanlike consideration of problems" that he always called for, "a wise and patient weighing of facts, a real mastery of the reasons—to say nothing of the consequences—of the existing state of things"; of the Constitution of the United States, a country in which he was deeply interested, he said, "the limited clauses of an old State paper cannot for ever regulate the future." Above all, he was practically minded.

A man of his time, Bagehot believed in the accumulation of wealth and failed to see most of the social misery that industrialism was causing; but the extremer view that "a great fortune was a glorious monument to the Lord" passed him by. It was because the production of wealth could make leisure possible, elegant and artistic, that he approved the mechanisms of commerce and industry which he spent his life writing about. Mere busy-ness appalled him:—

One of the devices to avoid the exertion of the reason (he wrote) is activity. People rush to and fro. They are never still. They spend so much toil and trouble, they make everyone so uncomfortable, in order to boil a pea, that those who know no better suppose that the pea is actually boiled.

## Defence Measures

THE process of putting into effect a body of defence measures, prepared in anticipation of the war, is ending. The absence of any new emergency legislation in the past week, and the reduction in the number of Orders-in-Council issued, both bear witness to this. At the same time, the fact that such Orders as have appeared have dealt almost exclusively with the revision of price regulations indicates that a second phase—that of adjusting the existing machinery—has begun. Departmental instructions are the only class of defence measures in which no reduction can be expected. The maintenance of the civil defence organisation and the official regulation of a large section of the national economy necessarily require a continuous flow of such instructions. For the time being they form the main part of this record, which is continued from the last five issues of *The Economist*.

### ORDERS IN COUNCIL

On Friday, September 22nd, the Board of Trade issued the War Risks Insurance (General Exceptions) Order. This excluded certain classes of goods from the scope of the Board's insurance scheme on the ground of indestructibility or unsaleability. The list included growing crops, goods forming the subject of hire-purchase agreements, coal, certain classes of iron and steel, and some objects of art or craftsmanship.

An Order by the Ministry of Food requisitioning all butter in registered cold stores in Great Britain, all imports of butter arriving, and all butter for manufacture, came into force on Saturday, September 23rd. On the same day the Ministry issued orders revising the maximum prices of butter and prescribing wholesale prices for glucose.

Further Orders by the Ministry of Food coming into force on Monday, September 25th, requisitioned stocks of imported pork in all cold stores and revised the schedules of prices for eggs and fat cattle.

The prices of granulated and soft brown sugar were increased by a Ministry of Food Order which came into operation on Tuesday, and had the effect of increasing the margin between wholesale and retail prices.

### DEPARTMENTAL INSTRUCTIONS

Food supplies were the subject of a number of announcements which appeared on Friday, September 22nd. The Ministry of Food requested consumers to restrict their meat purchases, which had been above normal during the week; the price of bread in London was raised by one halfpenny to 8d. a quarter, the change to operate on Monday, September 25th; and it was made known that the introduction of a standard blend of tea at a definite price was under consideration. Two announcements particularly affecting the newspaper industry were made; by the Ministry of Information, which issued instructions as to the procedure for the censor-

In similar vein, he held that modern statesmen and modern peoples were "far too willing to burden themselves with responsibilities." He would even have been "glad to have found a fair excuse for giving up India, for throwing the colonies on their own resources and for persuading the English people to accept the place of a fourth- or fifth-rate Power"—if the calibre of the national mind, taste and conscience could be thereby raised. He was a religious man as well as a practical one; and in his worldly wisdom he never lost sight of the ends which political and economic means ought properly to serve.

There is all this and more in Professor Irvine's literary study and biography. If the balance of his notable and welcome portrait can be questioned, it is because in his *Hamlet* he seems at times to have left out Denmark itself. It is the sagacious, lively, shrewd, widely read and influential editor of *The Economist* that is too often missing—the Bagehot who handed down to all his successors on this paper the broad principles of how to write and edit with integrity and success, the Bagehot who completed the transformation of an Anti-Corn Law newspaper into a journal of affairs.

ship and dispatch of matter intended for publication in the press outside the United Kingdom; and by the Periodical, Trade Press and Weekly Newspaper Proprietors' Association, which suspended the practice of accepting from distributors unsold copies of papers. Payments to local authorities for casualties treated in emergency hospitals and to owners of goods vehicles requisitioned for Civil Defence work were announced on the same day. Carpet manufacturers decided to meet part of the new demand for blankets by converting carpet looms, and the Cotton Board urged that the prices of cotton goods should not be unduly advanced. The prevention of all forms of profiteering was foreshadowed by the announcement in the House of Commons of forthcoming legislation, and the Chancellor of the Exchequer also stated that a thorough review of public expenditure was being carried out. The Minister of Supply announced the formation of a Council of Supply. The Schedule of Reserved Occupations was further revised. The temporary advance in unemployment was noted in a preliminary announcement by the Ministry of Labour on the September figures. A local instance of the general question occurred with the paying-off of two hundred Paddington paid A.R.P. workers.

It was announced on Saturday that the Federation of British Industries had drawn the attention of its members to the necessity to keep prices stable. On the same day it was confirmed that the prices of nearly all kinds of confectionery had been advanced. The partial removal of the prohibition on the export of absorbent cotton was annulled at the request of the Ministry of Health. This was the first day of operation of the petrol rationing scheme.

Monday's announcements were of a very miscellaneous nature. They included notices of increases in payments to seafarers in view of war risks; advances in the price of whisky; an invitation by the Wool Control for offers and samples of certain grades; an arrangement whereby building workers may make up by overtime any time lost through air-raid warnings; the cancellation of the 1940 British Industries Fair; forthcoming modifications in the lighting restrictions to permit in particular the use of street lamps to be controlled by a master switch and the better lighting of London buses; and the commencement of the censorship of newspapers for dispatch abroad. The Ministry of Agriculture announced particulars of approved crops to be sown on ploughed up grassland and notified the County War Agricultural Committees of recommended changes in horticultural crops. The normal system of distribution of fish was restored with the re-opening of Billingsgate market. It was announced that persons who have been trained to some other occupation than that which they now follow will be enabled to record the fact in the National Register.

On Tuesday it was made known that the whole position as to paid A.R.P. and A.F.S. workers was under review, and that efforts would be made to reduce the present cost of these services. The Ministry of Economic Warfare announced the establishment of a commercial inquiries section for firms, shipowners and agents. A number of important appointments

\* Walter Bagehot. By William Irvine. Longmans, Green. 303 pages. 12s. 6d.



were notified on this day. They included the persons who will sit as tribunals to consider the cases of enemy aliens, business advisers to the Food Ministry and the Colonial Office and a panel to advise the Minister of Agriculture on technical questions. The Supply Council appointed to direct and co-ordinate munitions production met for the first time. Modifications of existing regulations also announced on Tuesday were an increase of 50 per cent. in the petrol ration to London taxi cabs, provision for the notification of changes in addresses given in the National Register and a warning by the Chancellor of the Exchequer that the Regulations requiring the sale of foreign currencies to the Bank of England must be complied with at once.

The appearance of the Budget on Wednesday was immediately followed by a notice from the Ministry of Food that in view of the increase of duty the maximum prices of sugar would be raised at once. On the same day it was announced that the number of Governors of the B.B.C. had been reduced to two.

On Thursday it was announced that in discussions between the Home Office and the Air Ministry it had been decided that any relaxation of the lighting restrictions to permit of the control of street lights by a master switch was unlikely to be allowed. The addresses of the offices of the Ministry of Food to deal with two controlled commodities, potatoes and canned salmon, were announced. The decision of the Isle of Ely Education Committee that children of twelve years and over would be released from

school to assist with the harvest was an instance of the type of measures made necessary by the rural labour shortage.

The following table gives maximum retail prices fixed under the Food Defence Regulations and by certain other controls. It is hoped to reproduce it with particulars of current changes week by week. Prices of other controlled commodities will be added as particulars become available.

| MAXIMUM RETAIL PRICES                                     |                     |                |                  |
|-----------------------------------------------------------|---------------------|----------------|------------------|
| Commodity and Unit                                        | Sept. 20, 1939      | Sept. 27, 1939 | Last change      |
| Butter..... lb.                                           | 1s. 7d.             | 1s. 7d.        | Sept. 23         |
| Coal*                                                     | Average week ending | August 25      |                  |
| Condensed milk:—                                          |                     |                |                  |
| Full cream sweetened ..... 7½ pts. tin                    | 4½d.                | 4½d.           | } Original price |
| Skimmed ..... 1½ pts. tin                                 | 3½d.                | 3½d.           |                  |
| Dried fruits:—                                            |                     |                |                  |
| Currants ..... lb.                                        | 6d.                 | 6d.            | } Original price |
| Apricots ..... lb.                                        | 1s. 3d.             | 1s. 3d.        |                  |
| Plums and prunes ..... lb.                                | 8d.                 | 8d.            |                  |
| Raisins ..... lb.                                         | 8d.                 | 8d.            |                  |
| Eggs—                                                     |                     |                |                  |
| Home-produced fresh doz., min. weight 15 lb. per 120 eggs | 2s. 6d.             | 2s. 6d.        | Sept. 22         |
| Near European fresh doz., min. weight 15 lb. per 120 eggs | 1s. 9d.             | 1s. 9d.        | Sept. 22         |
| Potatoes (Grade A) ..... 7 lb.                            | 8d.                 | 8d.            | Sept. 16         |
| Canned salmon ..... 1's flat tin                          | 1s. 7½d.            | 1s. 7½d.       | Original price   |
| Sugar:—                                                   |                     |                |                  |
| Granulated ..... lb.                                      | 3½d.                | 4½d.           | Sept. 22         |
| Cubes ..... lb.                                           | 4d.                 | 5d.            | Sept. 22         |
| Petrol ..... gal.                                         | 1s. 6d.             | 1s. 6d.        | Original price   |

\* Voluntary maximum.

## NOTES OF THE WEEK

**The Home Front.**—It is the task of waiting which weighs most heavily upon the civilian population—not waiting for air raids, for that risk had been anticipated and discounted, but waiting to know what the future may be for households, livelihoods and businesses that have been gravely hit in the transition to war. It was the virtue of the Lord Privy Seal's broadcast to the nation last week that he put his finger on precisely these anxieties; and it was perhaps the weakness of his talk that there have been only few signs so far of the Government's determination, which Sir Samuel Hoare emphasised so strongly, to end this state of affairs as soon as possible. The unemployment figures (discussed in a Note on page 598) serve sufficiently to confute the comforting announcement by the Ministry of Information that the whole manhood and womanhood of the nation is now fully organised for war. The machinery for mobilising man-power more fully and efficiently than ever before has been set up; but it is not yet in operation; and hundreds of thousands of people who must work to live are waiting, sometimes in despondency. There have been too many reckless dismissals by employers in panic, and Sir Samuel Hoare's appeal to them to keep their heads was well justified. Even so, it was inevitable that civil business should be gravely upset by the outbreak of war, by evacuation, by air-raid precautions, by distasteful but essential controls, by insurance charges and by transport difficulties. The Government's duty in these conditions is threefold: to minimise, by advice and if need be by orders, all needless dislocation; to alleviate genuine distress; and, as quickly as possible, to effect the transfer of discarded workers into essential war employment.

Meanwhile the chorus of complaint from special interests is growing. It is being said that at least one-third of the two million private cars in use will be driven off the road by petrol rationing and the high horse-power tax, and that garages and the motor trade may be very nearly bankrupted. The Hotels and Restaurants Association has filled the news-hungry Press with protests against the wholesale commandeering of hotels in the provinces—throwing some 20,000 workpeople out of employment, driving away guests and destroying goodwill. Landlords, tenants and mortgagees have found the contractual obligations and payments upon which they depend thrown into confusion. A great part of this outcry can be discounted.

The hardship to motorists, garage proprietors, hotel-keepers and the owners and users of property is undoubted, and it will involve substantial sections of the community in serious material loss. But it is also inevitable in the making of war. The real question which arises is whether the hardship is not greater than it need have been because there has been too much improvisation and too little foresight and drive in the first stages of war-time economic planning. The great need now is for the situation on the home front, which is in many ways so uncertain and obscure, to be swiftly clarified. The transition from peace to war must be made as little onerous as possible, not only to abate civil loss and suffering, but also to win the war.

**Successes at Sea.**—Two statements were made in the Commons on Tuesday, one by the Prime Minister and the other by Mr Churchill, war-time's recruit to the Admiralty. It was the First Lord's measured words of encouragement which won the ears of Parliament and the public. Mr Chamberlain's review was deliberately factual and informative. Much of what he said about the war in the West and in the East was already well-known; and his reminders of the necessarily long-drawn-out process of blockade and economic warfare and the vital need for no sense of false security about bombardment from the air, unquestionably true and timely though they were, were not calculated to arouse the enthusiasm of a House which still shares the puzzlement of most citizens about the curiously lethargic course of hostilities. Mr Churchill, on the other hand, had the ball at his feet. He was able to report a steady fall in shipping losses from 65,000 tons in the first week to 46,000 in the second, 21,000 in the third and 9,000 only in the last six days. He was able to make known that we had arrested and converted to our own use 65,000 tons of merchandise more than had been sunk in our own ships. He was able to reveal that the convoy system was now in operation, inwards and outwards, and that British ships were now leaving port armed and manned against submarines, raiders and aircraft. His speech was the performance of the Government's ablest politician, who knows very well that what is wanted by the whole country is information and more information, set out to reinforce the fact which no one really doubts, namely, that we will win the war. It will serve as the model for future statements from the Front Bench. But it would be unfair if Mr

Churchill's brilliant innings on a plumb wicket were to black-out entirely the more sober performance of the Prime Minister. Over-confidence is the gravest psychological trap which awaits a public which has so far been bewilderingly spared the horrors of war. It is wholly to the good that Mr Churchill should robustly underline Britain's command of the seas—and his faith has been since reinforced by the successful resistance of a full naval squadron, which was unscathed, to German attack from the air. But enemy aircraft has attacked neither towns, ports nor merchant ships yet, and the Prime Minister's warnings against over-sanguine emotions (endorsed *en passant*, it is true, by the First Lord) have their place in the making of a realistic public opinion as well as Mr Churchill's very welcome oratory.

**On Land and in the Air.**—This week the R.A.F. has made more reconnaissance flights over German territory, returning each time without loss and scarcely molested. They have now dropped over Germany 18 million copies of various messages to the German people, and by this time there can be few people in Germany without a cousin or an aunt who has not read one of them and absorbed the significant implication of each pamphlet: "This might have been a bomb." This is an excellent work, and should continue. It is precisely the imaginative sort of thing for which, if it had not been carried out, there would have been a public outcry. The war on land continues to be one largely of preparation. On the Western Front, the French have further strengthened their advanced positions in German territory and held them against German counter-attack and artillery bombardment. The leading detachments of the British Expeditionary Force are now efficiently ensconced in their stations behind the lines, and from France there are enthusiastic reports of the warm way in which they have been received, and of the excellence of their equipment. In the East the epic story of the resistance of Warsaw has earned a place in modern history comparable with the defence of Madrid, for although Madrid held out for over two years and Warsaw for less than four weeks, the quality of courage was of the same high order. There are appalling stories of the ruthless and indiscriminate bombing of Warsaw, and of the ruin and misery which has been caused. We may wonder if that bombing was necessary because the German Army is no longer that of 1914.

**American Neutrality.**—It is the desire and intention of all the countries of the American continents south of Canada to stay neutral in the war. In Washington and at Panama ways and means to make this determination effective are under discussion. The Foreign Relations Committee of the United States Senate has before

it a draft bill, sponsored by the President and his Administration, designed to remove the present complete embargo on the export of arms and munitions to belligerents; and the bill is so carefully contrived to remove the slightest risk of trade with the warring nations leading to American implication in the conflict that it now seems likely, despite the vigorous opposition of the extreme isolationists, to become law in some form or other. Early next week the Senate will begin to debate it, and a majority of about 20 for the removal of the embargo is being forecast in Washington. Already the National Republican Club, made up of prominent Republicans from all over the United States, has registered an eight-to-one vote in favour of "cash and carry," which the President's bill would substitute for the embargo. It is very strictly, almost puritanically, a neutrality bill. Belligerents must take title for the arms or munitions they buy before the goods are shipped, and only non-renewable 90-day credits will be accorded. Belligerents must not sell securities in the United States. American vessels, by the bill, must carry no goods or passengers to belligerent countries, and no American vessels or citizens must enter "combat areas."

This out-and-out neutrality will not aid American shipping, and it is at Panama, where 21 American countries are in conference, that correlative compensations are being considered. Measures to organise and develop inter-American trade and communications are under discussion, together with plans to stabilise inter-American exchange rates and to furnish loans for South American countries. Indeed, it is already the cry of Nazi propagandists, busy in the Republics, that the United States is seeking to create an American economic empire under the cloak of joint American neutrality, and to create it in the very countries where German trade had its highest successes in pre-war penetration. None of the American countries will be turned from their path by belligerent protests. Their aim is to protect themselves, strategically and economically, against the repercussions of the war in Europe. They wish to clear their waters of belligerent vessels of war—German submarines have been seen close to land—and the United States proposal that the Americas should be ringed round with a "safety belt" of "international territorial waters" hundreds of miles wide will receive favourable attention. Both in Washington and at Panama it is honest neutrality that is the first aim, even though inter-American co-operation to secure it may well bring material economic advantages as well.

**The Commonwealth's Part.**—The war plans of the Dominion Governments are maturing with surprising speed. The Canadian Government has decided to raise an expeditionary force of two divisions, and from the number

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of applications that seem to have been received—in this direction Australia and New Zealand have the same story to tell—the only problem should be one of selection. According to an official statement by the reformed Cabinet (the most important change in which is Mr Norman Rogers's transfer from the Ministry of Labour to that of National Defence), plans are laid for the "maximum effective co-operation" with the British Government. At Canberra the House of Representatives has voted a bill to provide for a war loan of £20 millions. Part of this will go towards the equipment of an air expeditionary force to consist of four bomber squadrons and two fighter squadrons with some complement of ground staff, making a total of 550 men. Mr Menzies has stated that this force should be ready to go overseas before Christmas. It will be recruited from the 3,000 or 4,000 applicants in the Civil Air Reserve. Commercial measures which have been taken include a system of export licensing. In New Zealand the Government has set up a Primary Production Council to organise war-time production, and an Industrial Emergency Council to supervise labour matters. A special military force of 6,600 men is to be formed, and for this more than 13,000 recruits have applied. In India another step towards the definition of the Congress Party's policy towards the war in Europe has now been taken by a further meeting between the Viceroy and Mr Gandhi; the nice balance of the Congress Working Committee's compromise between its opposition to the British in India and its sympathies with their cause elsewhere will doubtless take time to evolve.

\* \* \*

**Russia in the Baltic.**—M. Selter's story shows the arbitrary way in which the balance of power is changing in Eastern Europe. On September 24th the Estonian Foreign Minister arrived in Moscow and had immediate discussions with M. Molotov, the Soviet Prime Minister. He was back in Tallinn the next day, evidently with disturbing news. On September 27th he was in Moscow once more, this time in company with M. Sarajoglu, the Turkish Foreign Minister, and with Herr von Ribbentrop and his thirty-eight legal and political luminaries. By that time the cat was far enough out of the bag to measure its distress. The Soviet Government, it appeared, was pressing on M. Selter the acceptance of some kind of "transit trade treaty"—Russian-Estonian transit trade is already subject to special concessions and amounts to little in weight or in value—and behind this screen further appeared the strong suspicion that the Russians wanted certain islands off the Estonian coast, presumably as a set-off to the still unfortified Aaland Islands, which are in Germany's sphere of influence, and to the islands which the Finns are known to have fortified off their coast. This was a pretty appendix to the long contested dispute over the Aaland fortifications, and it may be followed by others in the same sense. And in case M. Selter felt emboldened to hold out against these terms by the declaration of the Estonian Commander-in-Chief, General Laidoner, that Estonia would fight for her independence, the Soviet Government had meanwhile issued a number of minatory statements on the escape from Tallinn harbour of an interned Polish submarine, the Orzel, and what were supposed to have been that vessel's subsequent exploits in Baltic waters.

\* \* \*

**Mobilising Production.**—In the last war, a shortage of shells brought down a Government and threatened the issue of the war itself. This has not been forgotten. Last week, Mr Burgin, Minister of Supply, gave details of the new drive to make munitions, and to a point his account was impressive. His job, he said, was to ensure a smooth and ample flow of supplies, and to aid him he had called in ten leaders of industry, commerce and finance. On paper, the personnel of this Munitions Supply Council could scarcely be bettered; and the statistics which the Minister gave of the contractors, firms and factories now at work under his supervision were encouraging. Yet

Mr Burgin's *apologia* still left the House unconvinced that the errors and the delays of the last war were being surely obviated. The avowed reluctance of the Ministry to interfere with the normal course of industry until shortages or delivery difficulties have already arisen has aroused some misgiving ever since war broke out; and the Ministry's refusal to take advantage of its full statutory powers to take the whole sphere of war supplies under its central control leaves open the likelihood that a time will come once more when the sheer necessity of the forces' demand for material will compel a sudden and drastic overhaul of the machinery of supply. It is not present needs but future needs which should dictate Mr Burgin's use of his powers. It is to win the war and not simply to carry it on that is the prime objective. The dichotomy between Army supplies (including anti-aircraft), which the Minister controls, and Air Force and Admiralty supplies, which he does not, is fortuitous and, in the long run, wasteful of time and material. The Supply Council itself is made up of part-time experts who have normally other jobs to do. The thirteen officers, who are to assist Mr Burgin and the Council initiate an expansion of munitions output, are ex-Service officers not drawn from the active ranks of the engineering trades that are chiefly concerned. The Ministry has at present neither the authority nor the personnel to marshal the plant and labour of the entire engineering industry, even though it is precisely this marshalling which the needs of the war will require. This criticism can be couched too strongly. The Government is in an infinitely better position to furnish the forces with material than it was in 1914; and the early-war slump in civil businesses has automatically released resources for war needs. It is perfectly true that rigid regimentation of industry is neither needed nor desirable. But clear-sighted planning is; and it is precisely this which is put in danger by the ultra-cautious procedure of Mr Burgin's Ministry.

\* \* \*

**Unemployment.**—Early in 1914 an eminent politician announced that he intended to devote himself for the duration of the war to alleviating the lot of the unemployed. Those persons who have felt misgivings at the current increase in unemployment are likely to be reassured by the fact that six weeks of war were sufficient to show that this gentleman's devotion would not be required. They will also have welcomed Sir Samuel Hoare's broadcast statement and the official pronouncement of the Ministry of Labour that the present phase will quickly pass. But there is no solid assurance of immediate betterment. The reduction of 76,000 in the number of male unemployed in the month ending September 11th was outweighed by an increase of 175,000 in the number of unemployed women. Moreover, it is clear that the bulk of the increase occurred in the eight days which followed the declaration of war. And it is reasonably certain that the number of unemployed has continued to grow since that time. In fact, whatever the prospects of ultimate recovery, and they are undoubtedly good, the present position is unpleasant. London and the south-eastern counties have had an all-round increase in unemployment, and the prospects of a great improvement here are small. The main demands for workers will come from the regions concerned with heavy industry and ship-building, and they will not be met without migration and a certain amount of consequent hardship. A close watch will have to be kept on the size of these movements. It was widely recognised before the war began that a permanent population increase in those areas where employment is certain to fall off steeply as soon as war demands cease would be a disaster. Now is the time to decide how much new plant is wanted to meet war demands and to choose with an eye to the long term where the new works shall be built.

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**The Incidence of Income Tax.**—The effect of the proposed increases in the rates of income tax and surtax is illustrated in the following table. It is not possible to select more than a few examples from the many

that could be quoted. The cases of a single man with income all from investments and a married man with three children and an income wholly earned have been chosen as illustrating the two extremes. The tax is expressed as the effective rate charged in the £ of the taxpayer's total income.

| Income  | Single Man, all Investment Income |              | Married Man, three children all Earned Income |              |
|---------|-----------------------------------|--------------|-----------------------------------------------|--------------|
|         | Old Rate                          | 1940-41 Rate | Old Rate                                      | 1940-41 Rate |
| £       | s. d.                             | s. d.        | s. d.                                         | s. d.        |
| 125     | 0 10                              | 0 10½        | 0 10                                          | 0 10½        |
| 200     | 0 10                              | 1 10½        | 0 10                                          | 1 10½        |
| 350     | 2 5½                              | 3 7          | 0 11½                                         | 0 8½         |
| 500     | 3 4½                              | 4 9          | 1 3½                                          | 2 5½         |
| 800     | 4 5                               | 5 9½         | 1 11                                          | 3 3          |
| 1,000   | 4 9½                              | 6 7          | 2 9                                           | 4 3          |
| 1,500   | 4 11½                             | 6 10         | 3 5                                           | 5 0½         |
| 2,000   | 5 7                               | 7 6          | 4 6½                                          | 6 4          |
| 3,000   | 6 1½                              | 8 1½         | 5 4½                                          | 7 3          |
| 4,000   | 6 8½                              | 8 8½         | 6 1                                           | 8 0          |
| 5,000   | 8 7½                              | 10 9½        | 8 3½                                          | 10 5         |
| 10,000  | 12 5                              | 15 4½        | 12 4½                                         | 15 3½        |
| 50,000  | 13 9½                             | 16 5½        | 13 9½                                         | 16 5         |
| 100,000 |                                   |              |                                               |              |

This table illustrates the fallacy of discussing income tax in terms of the standard rate. It is necessary to have an income of £3,000 in the first case, and of over £4,000 in the other, before the effective rate of tax reaches the standard rate. This point has very great psychological importance. If the family man with an income of £800 had been told on Wednesday, not that the standard rate was to be 7s. 6d. in the £, but that he was to pay income tax at the rate of 2s. 5½d. in the £ of his income, he might even have imagined that his liability had been reduced. A standard rate, converted into a graduated scale by a complicated series of allowances at one end and by surtax at the other, has never been a very logical method of fitting assessment to the capacity to pay. With the rise to 7s. 6d., it has become a positive psychological handicap. There were phrases in the Chancellor's speech which suggested that he was contemplating an entirely new method of assessment which, so far as individuals are concerned, would substitute graded steps for the standard rate. This clearly cannot be done in the middle of a year; but he will be well advised to make the change in April.

\* \* \*

**Profiteering.**—The practice of charging excessive retail prices has spread. As was argued in these columns last week, the only just cause for increasing prices is a rise in costs. Ever since the war began the Government has recognised this, but it has been found that, in the case of goods whose prices are not actually controlled, official persuasion and public opinion are not enough to prevent profiteering. There are even instances of fixed prices being infringed. A week ago the President of the Board of Trade expressed his determination to put a stop to this. He admitted that there were good grounds for higher prices—the fall in sterling, the rise in world prices, transport difficulties, the cost of insurance and the expense of A.R.P. But the profiteers were taking a toll far heavier than these charges could justify. It is the Government's intention to take two steps: to bring the prices of many more goods under control and to introduce new and more severe sanctions against offenders. It was disappointing to learn that these sanctions are still only "under consideration." The difficulty has been foreseen for a long time, and it is precisely now that the ruthless stamping-out of petty profiteering is most urgently needed.

\* \* \*

**Civil Defenders.**—It has long been the contention of critics that an error was made in the organisation of A.R.P. when it was decided to give all parts of the country, both urban and rural, vulnerable and safe alike, passive protection on the same scale. This has now been recognised in official quarters. The feeling that too much money is being spent and too many men used in the watch and ward against air raids has grown; and it is likely that the corps

of civil defenders in small towns and country districts will soon be thinned out. In particular, many of the paid full-time firemen and wardens will be replaced by voluntary part-time workers. This economy is obvious common sense—provided it is not carried too far. The whole country is entitled to adequate protection, and such devices as the black-out must necessarily be nation-wide. Above all, as the Prime Minister urged on Tuesday, the absence of air raids so far must cause no relaxation at all in civil defence. A false sense of security might bring fatal consequences.

\* \* \*

**Japan on Her Own.**—In spite of the sparse news coming through, the battle for Changsha, begun by the Japanese in the middle of last week, seems to have taken the disguise of a major campaign. Neither side can yet claim a victory, though if the Japanese are as much in earnest as they seem the Chinese may be expected to be driven southwards further into Hunan. It is more likely that the news, chiefly from Japanese sources, is being coloured by a desire to herald with good military news the formation of Mr Wang Ching-wei's puppet government in South China. This is on the programme for early October, and is expected to take place at Nanking. The Japanese Government would then accord the South China Government its formal recognition and make it the occasion for at least a temporary suspension of hostilities. General Chiang Kai-shek, whose position with his own people seems to be as strong as ever, would presumably welcome this opportunity for further preparation and reconstruction. In Tokyo disillusion with the Germans is growing deeper, and is probably a factor in the Government's decision to prop Mr Wang Ching-wei on the top of some sort of peace structure in South China. Another effect seems to have been the decision to appoint as Foreign Minister (in place of Mr Arita) an admiral who was for some time Naval Attaché in Washington and is understood to be *persona grata* in the United States. Admiral Nomura's job, as far as can be seen, will be to do precisely nothing apart from keeping his good reputation. Towards Europe his bearing will in that case be one of polite interest qualified by heavy private suspicion. It might be worse.

\* \* \*

**Swedish Safeguards.**—There are no British ships in the Baltic, and so the Germans, retaliating in any way they can against the British Contraband Control, have taken to sinking Scandinavian ships bound for the United Kingdom, even if they are carrying goods not on the contraband list. Swedish and Finnish ships have been sunk this week, to the indignation of their owners and the respective Governments. This sort of thing may be expected to continue until the British and Swedish Governments have fixed up at least a temporary agreement for the regulation of their war-time commerce—and that will take some time—and have come to an arrangement about warship convoys. Shipment of goods via Norway and the North Sea need not be seriously considered, for the cost, especially at a time when the British Government has fixed maximum

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prices, would be prohibitive. In the present interval the Germans may be expected to do everything they can to ruin British-Swedish trade and to hamper the conclusion of the trade agreement made necessary by the Contraband Control. They will be hampered in these wrecking tactics, however, by the lively pro-British sentiment which exists in Sweden (to-day far more than in the last war) and by the general realisation that Swedish business, far from making war profits, will be lucky to escape incurring war losses.

**Serbo-Croat Federation.**—After a long examination of the completed federal agreement, both sides in Yugoslavia seem to be well satisfied of its fairness and workability. The extremist (Frankovci) wing of the Croat People's Party has made its anticipated complaints that the agreement was not drastic enough; but their opinion does not count for much, and Dr Matchek, who has the ruling say in Zagreb, has told the Press that he himself is content. Both the Skupstina and the Senate are now dissolved, the Government has received full powers to alter the electoral and other affected laws, and the next step must be new elections for a Parliament that will be more in accordance with public opinion. In the present troubled circumstances, the date of those elections is likely to be put off for longer than would have otherwise been possible or desirable; but in the meantime the Croatian *Ban* has been appointed in the person of M. Shubashitch, who was for long Dr Matchek's assistant, and the administration of Croatia has been provided for by the appointment of eight Croats and two Serbs, roughly proportionate to the population of the new self-governing province, to serve as departmental heads. Now that he has got his foundation, Dr

Matchek can go ahead with the superstructure while waiting for Parliamentary reorganisation; it is to be hoped that he will show patience and moderation. This easing of old frictions has left the bulk of Yugoslavs free to turn their minds to problems of foreign policy, and, with the Balkan balance of power altering daily, those problems are likely to demand more and more attention. There are signs that, in common with her neighbours, Yugoslavia is giving a good deal of that attention to Russia.

**Stagnant Capital Market.**—Capital issues statistics for the third quarter of any normal year are usually dull, but the figures for the past quarter can only be described, as abject. The period, of course, covers one month of war, a month of acute tension and a month affected by holidays. Thus, the capital issue statistics published for the first half-year in *The Economist* of July 1, 1939, might merely be repeated without causing any grave distortion of the facts. Issues by direct public offer for the first five months of 1939 amount to £50.7 millions, compared with £47.4 millions for the first half of the year and with £155.6 millions for the first nine months of 1938. Including securities for which permission to deal has been accorded, the nine months "new basis" total is £85.7 millions, compared with £74.7 millions for the first half of the year and with £217.8 millions for the first nine months of 1938. Expressed as a proportion of direct public offer business transacted in the first nine months of 1928, the total for the corresponding period this year represents no more than 17 per cent. The four tables set out at the foot of this page tell their own vivid story of a capital market which has ceased to function on a normal basis, and has now been brought under close control.

**Capital Market Control.**—The exiguous totals recorded this year—and particularly during the past quarter—are not, however, without some compensating advantages. Sir John Simon's Budget speech on Wednesday has clearly set before the gilt-edged market the size of its problems—to raise £938 millions for defence purposes this year. Already, however, a sum of £502.4 millions had been earmarked for borrowing before the outbreak of war. Hence, while the market needed no convincing that in principle it is right and proper to tax to the uttermost for defence purposes, it wisely keeps in its mind the probability that defence borrowing on this scale represents only the first instalment. Nor was any light shed in the Budget speech on the terms of prospective borrowing, except that the appeal would be nation-wide. In these circumstances no one would deny the importance of proper control over the capital market, the general basis of which was indicated in a Note on page 498 of *The Economist* of September 9th. But these general indications have not subsequently received any official clarification. For example, while the broad distinction between issues made for cash and other issues is clear, the bonus share apparently still remains on an undemarcated border-line. Clearly, bonus issues are not, proximately at any rate, issues for cash, although it would be possible to devise the conditions of their issue in such a way that they are tantamount to issues for cash—for example, if a substantial cash dividend were withheld and substituted by a scrip bonus. The technique of control over bonus issues—which must, of course, be submitted for approval—would thus appear to merit closer examination than it has yet received, though *bona fide* issues representing the capitalisation of tangible reserves should receive approval. At the same time, it may be asked, in view of the disclosures relating to local mortgages in a Note on page 612 of this week's issue, whether the apparent exemption of such issues from the purview of the Capital Issues Committee might not be reconsidered.

**German-Polish Self-Sufficiency.**—At a moment when Germany is threatened with losing the production of the Saar coalfield, which in a good year amounts to about 13,000,000 metric tons, it is of interest to calculate what raw materials she may hope to draw from the Polish territories in her hands. In coal the gains are considerable. The former Czechoslovak coalfield of Ostrava-Karvina, annexed by Poland in 1938, produces over eight million metric tons per year, and the three other Polish coalfields, all in German hands, together produce over 35 million tons per year. Of mineral raw materials, Germany will gain little. Polish iron ore production in 1938 amounted to 280,000 tons compared with Germany's production of over 3,000,000 tons and imports of 21,000,000 tons. Production of zinc was 107,000 tons compared with Germany's imports of 425,000 tons. Poland produces no copper, or bauxite (for aluminium), or manganese, and little lead. Agricultural products make a much better showing:—

AVERAGE OF 1936-7-8  
(000 metric tons)

|                                | Production | Exports | German Imports |
|--------------------------------|------------|---------|----------------|
| Wheat .....                    | 2,023      | 31      | 854            |
| Barley.....                    | 1,378      | 279     | 252            |
| Oats .....                     | 2,547      | 45      | 88             |
| Rye .....                      | 6,418      | 153     | 97             |
| Wheat and rye flour .....      | ...        | 118     | ...            |
| Maize .....                    | 111        | ...     | 1,409          |
| Meat .....                     | 769        | 62      | 1,289          |
| Butter.....                    | ...        | 11      | 84             |
| Eggs .....                     | ...        | 26      | 94             |
| Flax .....                     | 38         | 17      | 12             |
| Wood & timber (unplaned) ..... | ...        | 1,368   | 3,827          |

Poland was a large net exporter of grains and wood, and was slowly building up an export trade in meat and dairy produce. But she was on balance a net importer of oils and fats.

TABLE I

TOTAL BORROWING (Million £)

| First Nine Months of Each Year             | British    |                    |        |            | Empire | Foreign | Total Issues | Indices    |
|--------------------------------------------|------------|--------------------|--------|------------|--------|---------|--------------|------------|
|                                            | Government | Home Corporations* | Others | Total Home |        |         |              |            |
| By Direct Public Offer (Old Basis)         |            |                    |        |            |        |         |              | 1928 = 100 |
| 1928.....                                  | 84.3       | 10.0               | 117.3  | 211.6      | 52.2   | 26.9    | 290.7        | 100        |
| 1932.....                                  | 101.6      | 27.0               | 16.5   | 145.1      | 17.5   | Nil     | 162.6        | 56         |
| 1933.....                                  | 150.8      | 20.7               | 25.8   | 197.3      | 24.5   | 5.3     | 227.1        | 78         |
| 1934.....                                  | 42.7       | 16.0               | 41.3   | 100.0      | 24.0   | 1.4     | 125.4        | 43         |
| 1935.....                                  | 1.8        | 48.3               | 69.7   | 119.8      | 9.5    | 0.2     | 129.5        | 44         |
| 1936.....                                  | Dr. 0.8    | 56.4               | 61.8   | 117.4      | 14.4   | 0.6     | 132.4        | 45         |
| 1937.....                                  | 96.8       | 31.8               | 65.4   | 194.0      | 16.4   | 1.5     | 211.9        | 73         |
| 1938.....                                  | 76.8       | 24.9               | 30.4   | 132.1      | 20.7   | 2.8     | 155.6        | 54         |
| 1939.....                                  | Dr. 4.1    | 12.1               | 26.5   | 34.5       | 15.9   | 0.3     | 50.7         | 17         |
| Including "Permission to Deal" (New Basis) |            |                    |        |            |        |         |              | 1935 = 100 |
| 1935.....                                  | 1.8        | 51.5               | 151.8  | 205.1      | 19.6   | 1.4     | 226.1        | 100        |
| 1936.....                                  | Dr. 0.8    | 58.3               | 162.3  | 219.8      | 23.0   | 5.0     | 247.8        | 109        |
| 1937.....                                  | 144.2      | 32.3               | 170.5  | 347.0      | 56.8   | 3.3     | 407.1        | 180        |
| 1938.....                                  | 76.8       | 26.7               | 64.2   | 167.7      | 47.2   | 2.9     | 217.8        | 97         |
| 1939.....                                  | Dr. 4.1    | 12.1               | 50.2   | 57.2       | 25.3   | 2.2     | 85.7         | 38         |

\* Including county and public board loans.

TABLE II

TOTAL COMPANY ISSUES (Million £)

| First Nine Months of Each Year | 1932 | 1933 | 1934 | 1935  | 1936  | 1937  | 1938  | 1939 |
|--------------------------------|------|------|------|-------|-------|-------|-------|------|
| By Prospectus                  |      |      |      |       |       |       |       |      |
| Debentures .....               | 0.8  | 14.3 | 7.8  | 20.9  | 10.7  | 14.7  | 16.1  | 10.1 |
| Preference .....               | 8.0  | 7.3  | 13.4 | 26.8  | 14.9  | 16.5  | 9.2   | 2.7  |
| Ordinary .....                 | 5.6  | 6.8  | 37.0 | 30.1  | 48.2  | 47.9  | 19.5  | 10.9 |
| Total (Old Basis)              | 14.4 | 28.4 | 58.2 | 77.8  | 73.8  | 79.1  | 44.8  | 23.7 |
| Including "Permission to Deal" |      |      |      |       |       |       |       |      |
| Debentures .....               | ...  | ...  | ...  | 39.6  | 22.0  | 22.2  | 24.3  | 16.5 |
| Preference .....               | ...  | ...  | ...  | 41.3  | 29.8  | 26.3  | 15.4  | 8.1  |
| Ordinary .....                 | ...  | ...  | ...  | 88.5  | 131.1 | 176.4 | 64.6  | 32.6 |
| Total (New Basis)              | ...  | ...  | ...  | 169.4 | 182.9 | 224.9 | 104.3 | 57.2 |

TABLE III  
ANALYSIS OF NEW CAPITAL APPLICATIONS (EXCLUDING CONVERSIONS)

|                                                        | Total for First Nine Months |             |             |             |
|--------------------------------------------------------|-----------------------------|-------------|-------------|-------------|
|                                                        | Old Basis                   |             | New Basis   |             |
|                                                        | 1938                        | 1939        | 1938        | 1939        |
| British Government Loans ...                           | 76,700,000                  | Dr 4050,000 | 76,700,000  | Dr 4050,000 |
| Colonial Government Loans ...                          | 6,930,000                   | 12,022,000  | 7,886,500   | 12,621,000  |
| Foreign Government Loans...                            | Nil                         | Nil         | Nil         | 361,000     |
| British Corporations, Counties and Public Boards ..... | 24,884,700                  | 12,106,000  | 26,697,700  | 12,106,000  |
| Colonial Corporation Loans...                          | 2,183,900                   | Nil         | 2,183,900   | 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 .....                               | 344,600                     | Nil         | 344,600     | Nil         |
| South African Mines .....                              | 4,767,100                   | 1,808,600   | 5,869,500   | 3,403,600   |
| Other Mines .....                                      | 858,500                     | 1,415,900   | 2,790,100   | 4,965,900   |
| Exploration, Financial and Investment Trust .....      | 5,541,800                   | 866,300     | 9,294,600   | 3,390,900   |
| Breweries and Distilleries ...                         | 2,152,500                   | 538,400     | 4,937,100   | 1,181,600   |
| Merchants, Importers, etc. ...                         | Nil                         | 156,200     | Nil         | 156,200     |
| Stores and Trading .....                               | 1,540,000                   | 495,000     | 3,030,600   | 3,966,600   |
| Estate and Land .....                                  | 123,500                     | Nil         | 344,600     | Nil         |
| Rubber .....                                           | 56,200                      | 186,500     | 329,100     | Nil         |
| Oil .....                                              | 4,649,100                   | 3,045,000   | 22,964,500  | 276,800     |
| Iron, Coal, Steel and Engineering .....                | 1,337,900                   | 3,175,600   | 3,584,500   | 7,337,100   |
| Electric Light, Power, Telegraphs and Telephones.....  | 7,171,000                   | 5,838,300   | 13,321,900  | 7,042,100   |
| Tramway and Omnibus .....                              | 327,900                     | Nil         | 3,911,400   | 1,825,800   |
| Motor Traction and Manufacturing .....                 | Nil                         | 191,900     | Nil         | 308,300     |
| Gas and Water .....                                    | 787,300                     | 363,500     | 2,372,600   | 4,148,900   |
| Hotels, Theatres and Entertainment .....               | 2,715,900                   | 666,600     | 3,127,800   | 666,600     |
| Patents & Proprietary Articles .....                   | 900,000                     | Nil         | 1,200,000   | 16,500      |
| Docks, Harbours and Shipping .....                     | Nil                         | 20,100      | 1,114,500   | 136,000     |
| Banks and Insurance .....                              | 920,000                     | Nil         | 920,000     | Nil         |
| Manufacturing and Miscellaneous .....                  | 10,715,800                  | 4,484,000   | 25,180,800  | 13,784,800  |
| Totals .....                                           | 155,607,700                 | 50,717,400  | 217,848,000 | 85,725,700  |

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

|                          | 1934  | 1935  | 1936  | 1937 | 1938 | 1939 |
|--------------------------|-------|-------|-------|------|------|------|
| British Government ..... | 105.0 | Nil   | Nil   | Nil  | Nil  | Nil  |
| Other Conversions .....  | 81.7  | 125.9 | 181.1 | 45.6 | 19.9 | 21.4 |
| Total .....              | 186.7 | 125.9 | 181.1 | 45.6 | 19.9 | 21.4 |

## THE WORLD OVERSEAS

### Neutral Switzerland

(From our Geneva Correspondent)

**THOUGH** neutral by tradition and by her own will, Switzerland is nevertheless deeply affected by the European conflict. She has, in the first place, to defend her neutrality, and the whole of her Army is under arms. The new military organisation has proved excellent: on August 29th, within six hours, all the frontiers were occupied by the Frontier Defence Force, about 80,000 strong; general mobilisation began on September 2nd at 8 a.m., and on September 3rd—exactly ten minutes before the telegraph announced that England was at war with Germany—all the Army units, 500,000 men in all—were at their appointed places. This is no negligible burden for a small country, as mobilisation costs exceed 5 million francs a day (£1 = just over 17½ Swiss francs); and the funds for meeting these expenses will probably be obtained by the issue of short-term Government bonds.

The Federal Government has also been granted full powers by Parliament to take the measures necessary for the maintenance of neutrality and the economic defence of the country. The export of arms, war material, ammunition and explosives is strictly prohibited; and all other exports are controlled by the State and subject to licence.

The delicate task is to take steps for the revictualling of Switzerland. The country can live for about 36 weeks on its own production. It has no seaport or outlet to the sea. It is shut in between France, Germany and Italy, and wholly depends on other countries for maritime transport. On the outbreak of war, the Government at once imposed a series of restrictions with a view to avoiding the grave errors made in 1914-18. Then life continued as usual; the consumption

of food and fuel was not reduced; and hoarding and the raising of prices were not prevented. Nothing was done until, towards the middle of 1916, the situation grew so serious that drastic restrictions had to be imposed; rations were then insufficient; and the population suffered to some extent from under-feeding.

These mistakes have not been repeated this time. As soon as mobilisation became unavoidable the Government prohibited the sale of cereals and their by-products, rice, dried vegetables, sugar, fats and oils, methylated spirit and alcohol. Only small quantities of coffee, soap and other products can be purchased. Coal, oil and petrol were at once rationed, motorists being allowed about nine gallons a month, and

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motor traffic being suspended on Sundays, except for public transport, military and medical services. Ration cards will be issued within two months, and meanwhile the population must live on the foodstuffs it was ordered to store a few months ago. That does not mean that there is any shortage of foodstuffs and fuel. Actually, stocks of foodstuffs are sufficient for 18 months, and those of coal for over two years. But the Government intend to prevent speculation, hoarding and the raising of prices, and to enable present stocks to last as long as possible.

### Switzerland and her Neighbours

The position of Switzerland is not an easy one, as she depends on her neighbours for revictualing. Italy has put her ports at the disposal of Switzerland for the unshipping of liquid fuel and foodstuffs. France has allowed the forwarding of oil and petrol now stranded in French ports and railway stations. England is ready to supply her with foodstuffs and raw materials on condition that they will not be re-exported to Germany.

Germany, much disturbed by the beginning of the blockade, is now endeavouring to persuade neutral countries to trade with her as if there were no war. If any neutral abides by the rules of the British blockade and adopts an attitude "contrary to neutrality," Germany will be compelled "though with regret, to reconsider the loyal and objective attitude she has adopted in regard to neutrals." This disguised menace leaves the Swiss unmoved. They are neutral, both from the political and military point of view, but they do not accept the German theory of economic neutrality.

No foreign Government, it is said here, has the right to interpret according to its own views the character of Swiss neutrality. Switzerland mobilised all her forces to show her will to defend herself against any aggressor. She stopped the export of arms, and submitted all other exports to Government control, thus showing her resolve to remain wholly impartial and not to be a party in any blockade scheme. Switzerland is free to export her home products, but she will not re-export the goods and products she will get from the Allies for her own consumption. The revictualing of the country rests on Swiss probity, and the Federal Government as well as the people are decided to maintain that attitude strictly despite the veiled menaces of Nazi Germany.

September 22nd.

## The Foundations of the French War Economy

[FROM OUR PARIS CORRESPONDENT]

WHEN a state of war was declared between France and Germany it was the hour of the Army. The Army had first claim upon everything and everybody. But as soon as the Army was drawn up on the frontiers, it was the task of the Government to organise the home front in the rear to support and maintain the strength of the front line. What were the principles of the war economy thus begun? M. Reynaud has put it neatly: "In peace it is liberty, but in war it is control." Fifteen days after the outbreak of war a batch of decrees appeared in the *Journal Officiel* which laid down the foundations of France's war economy.

These decrees fall into two main classes. There were, first of all, a series of defensive measures designed to ensure the stability of money and prices. French holders of foreign assets were called upon to declare them before December 1st on pain of penalties running from six months to five years' imprisonment. The purchase of foreign securities was for the most part forbidden. The raising of prices above the level of September 1st was forbidden, except for agricultural prices, which were put under the control of the Ministry of Agriculture.

Two other decrees consolidated these enactments in principle. One instituted the control of foreign trade with the evident intention of reducing to a minimum the gap between imports and exports. The other placed limits upon increases in profits and wages. In sum all these measures will tend to preserve the equilibrium of the period of liberal economic policy and arrest the inflationary tendencies that would endanger the execution of war orders. They laid a foundation of stability.

The next step was to provide for the most rapid possible increase in industrial output. It is to this end that the second

batch of decrees is directed. There are measures to restore the smooth working of industries upset by the mobilisation orders; heaped-up stocks are freed; payment for goods requisitioned and for war orders is to be speeded up. Another enactment fixed the powers of the new Ministry of Armaments; it is charged with the task of ensuring supplies of material to the armed forces (excluding work for the Navy and Air Force), and with the supervision of all the many and varied industries supplying raw materials and semi-finished and finished goods for war purposes. Other measures gave the Minister of Commerce power to organise, within the framework of the country's economic regions, the whole of French production, and to plan ahead for the restocking of raw materials and for expanding manufacture.

Only the foundations have been laid. The substitution of control for economic freedom will raise complex problems. But the process of intensive re-armament in peace-time had already opened the door to war economy. Moreover, the Daladier-Reynaud Cabinet had already increased confidence in peace-time and expanded production by securing collaboration between all classes in the country; and a chief aid in this work was the German menace.

It is this confidence which has brought back to the country 26,000 million francs' worth of gold. It is this confidence which has appreciably raised the indices of industrial production and foreign trade. In August imports were valued at 3,845 million francs, against 3,712 millions in August, 1938; and exports were 2,908 millions, against 2,457 millions. The August import surplus was thus only 938 million francs, against 1,255 millions twelve months before; and of this 938 millions only 638 millions were on account of trade with foreign countries, the rest of the surplus being incurred in trade with the French colonies. In the first eight months of this year the import surplus was 8,707 million francs, compared with 11,786 millions in the first eight months of 1938; and in trade with foreign countries only the eight-months surplus fell from 8,800 millions to 6,260 millions.

This steady improvement was an encouraging prelude to the strain of war. Moreover, it occurred in a period of relatively stable prices. At the end of last month (just before the war-time price controls were put on) the general index of wholesale prices was 672 against 677 at the end of July and 644 at the end of August, 1938. The index of the cost of living was 129 (1930 = 100) against 128.7 in May and 118.6 in August, 1938.

The situation when war began was good. Money was stable; prices were steady; production was on the upgrade; fiscal receipts had been rising for some time; savings bank deposits were expanding; and it is an index of financial stability that this month, after rising to 146,000 million francs on September 7th, the fiduciary note circulation of the Bank of France fell back in the following week to 145,000 millions. After three weeks of war the war economy is going ahead under its own steam.

September 23rd.

## United States Business and the War

[FROM OUR NEW YORK CORRESPONDENT]

ON September 21st, the Congress assembled in special session to consider amendments for repeal of the Neutrality Act of 1935, prohibiting the export of arms and munitions to belligerents. Specifically, the principal item immediately concerned is airplanes. With this exception, it is not clear that its continuance or repeal is a major factor in the volume of our exports to Europe.

Its replacement by the so-called cash-and-carry plan is more incalculable, as it would probably involve a considerable re-routing of shipping. While opinion generally expects a material increase in certain types of exports to Europe, it imagines that other types will be curtailed, and is inclined to question the idea that our aggregate exports to Europe are about to increase greatly. On the other hand, it appears that a certain windfall of South American orders is already coming into our market.

The third week of the war found United States markets seeking some sort of equilibrium. Primary commodity prices climbed a little higher, gilt-edged bonds fell lower, and share prices advanced, then reacted, and finally rallied, arriving to-day at a level about equal to that of a week ago. In spite of the weakness in long-term Government securities, the Reserve Banks afforded little support—although several

reduced their discount rates, which are now purely nominal. In the past three weeks, this chronicle of the impact of war on America has concerned itself with markets because their movements are conspicuous, indicative, and reported daily. The movements of business activity, on the other hand, are less volatile, and statistical data are slower to appear. It is now clear that most, if not all, branches of business moved sharply upwards in the first three weeks of September. Steel operations are now running at nearly 80 per cent. of capacity, against an average of 50 per cent. in the first half of the year; and such significant indices as those of car-loadings and electric power production have risen steeply. Indeed, one hears conjectures that a freight-car shortage of sorts may appear at the time of the seasonal peak of activity, which ordinarily comes in early October. It is because of these signs that "forward buying" is again in evidence. This is only to be expected; but it is a little surprising that even the real estate market (at least in New York City) has been quickened after a decade of uninterrupted lethargy.

All these signs and portents quite definitely date from the outbreak of war. Nevertheless, they are only partially war phenomena. In part, they are seasonal, for in the American economy the advance in activity in the autumn, although less marked than in the spring, is still conspicuous. In part, too, these signs of improvement are cyclical; inventories had been reduced during the long period of the "buyers' market," and from the end of the coal strike in May down to the end of August, there had been a distinct upward trend in business, most evident in steel, most significant, perhaps, in car loadings and power production. This trend had found no reflection in either share or commodity markets. It was the war that gave the stimulus, and caused prices to rise.

It is the appearance of this "sellers' market" rather than the actual upturn in business activity that has revived inflation-mindedness. Inflation-mindedness is not new. Its symptom is an epidemic of conversations or discussions forecasting or foreboding a decline in the internal value of the dollar, as distinct from a rise in prices. It is not unlikely that the inflation-mindedness has had a part in the sound liquidation of gilt-edged bonds; another example is what is called "investment" buying of diamonds by individuals as a "store of value."

Simultaneously, one hears fears expressed about the deflationary consequences of the fall in sterling. The pound is now worth almost a dollar less in the exchange than the average of the five-year period 1934-38. Six months ago, a decline of this magnitude would have aroused fears of a flood of European imports; under the circumstances, it is recognised that European industry has its hands full. Hence, these fears are centred on primary commodity prices.

The final phase of the American price collapse of 1931-32 has always been attributed to the initial devaluation of sterling. It is recognised that general conditions are radically different now; and, confounding all theory, the fall in sterling has actually synchronised with a vigorous rise in commodity prices. None the less, a considerable body of opinion has always held that the dollar-sterling rate is a world economic factor of first importance, and that a sudden and material alteration in the exchange rates of the two is likely to be followed by important consequences. To the great relief of Wall Street, the disparity between the "official" and the "black" rates for sterling (mentioned last week) has narrowed. The spread has at times been as big as 20 or 30 cents—not wide, as such markets go, but disconcerting to persons who were shocked at the very idea.

September 22nd.

## Portugal's Economic Defences

[FROM OUR LISBON CORRESPONDENT]

PORTUGAL is strictly neutral and not at war, but it has been none the less necessary to take swift measures there to ensure that the war in Europe will not fray the life-lines of her economy. Immediate, and what look like being effective, steps have at once been taken by the Portuguese Government to maintain and guarantee supplies of food and other necessities. In August, 1914, there was chaos in these matters in Portugal. This time, an all-embracing decree, published on September 7th, gave ample and immediate powers to the authorities to prevent profiteering by retailers now or by speculators in the future. Some abuses, such as the doubling

in price of medical supplies coming from countries at war, although current stocks in the hands of Portuguese wholesalers are ample, have been stopped by the arrest and temporary detention of the offenders. Extension of these malpractices will mean the application of the extremest rigours of the law. Private hoarding is frowned upon; and, so far as possible, the economic life of the country has been kept upon a normally even keel.

Portugal lives by farming and fishing. This year the country has been blessed with good crops of the grains and pulses (beans, peas, etc.) which, with dried codfish, form the people's staple food. The year's fishing, off the Newfoundland banks and the Greenland coast, has also been exceptionally favourable. The fear that the oil market would slump because of the abundant supply and the end of the Spanish Civil War has now gone. There is a surplus of wine and wine products. In all, Portugal is well placed by the bounty of nature to face the near future; and the outlook for food supplies is very satisfactory for at least six months.

### The Importance of Overseas Trade

What is not perhaps so clear is the outlook for Portugal's export trade and industries. The maintenance of domestic manufactures is imperative for the country's well-being; and this is why the Government has set up a licensing system for several categories of exported merchandise. The list includes all metals (including tinplate, old iron and scrap), all forms of rubber, paper and rags, fish oil (including whale oil), machinery and coal. These are the things that Portuguese industry must have; supplies from overseas may be interrupted or cut down; and only after the needs of industry have been met will the export of any of these commodities be permitted.

This does not mean that Portugal's export trade is to be suspended. To carry it on is still a vital need, and the disposal of the country's chief export products—wine, cork, canned fish and (especially important now) resinous products—is a first concern. Given the open freedom of the seas, Portugal should be able to dispose of the bulk of these on favourable terms to France, Great Britain and the United States, her usual customers.

The case of resin and turpentine is not so simple. In peace-time 75 per cent. of Portugal's exports of these went to Germany. Nor is it likely that the demand for cork from Scandinavian countries will take up the large surplus now available.

It will be some months before these matters are made clearer. All one can say now, in the first throes of a terrible international upheaval, is that the outlook for Portugal is much better now than it was 25 years ago. That this is so is largely the achievement of Dr Salazar, President of the Council and executive head of the Government. And a not unimportant factor in the future will be the degree of assistance Britain and France will be able to give to Portugal in the task of carrying on her normal overseas trade.

September 19th.

## The Economic Outlook in Greece

[FROM OUR ATHENS CORRESPONDENT]

It is perhaps appropriate, while the war in Europe is still in its very early stages, to examine the immediate prospects for business in Greece. While unfavourable weather conditions adversely affected a number of crops, there is every sign that agricultural production, upon which Greece still mainly depends, will prove satisfactory. Tobacco production, for instance, is provisionally estimated at 57,000 tons, which is about 8,500 tons more than the output last year.

Industrial activity is brisk; and the foreign trade returns for July showed a fall in the value of imports compared with July, 1938, and an increase in exports. For the first seven

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months of the year the import surplus in merchandise trade was Drs. 3,567 millions (the market rate for sellers is £1 = 535 drachmas). This was Drs. 900 millions less than in the first seven months of 1938.

Internal trade, on the other hand, has been slack for some time. This is not unusual at this season of the year, but this year it has been made progressively worse by the gathering momentum of the European crisis.

The immediate task is to counter the less welcome economic consequences of actual European war. Already a Ministerial committee has been set up to co-ordinate the efforts of the authorities to ensure the supplies of the food-stuffs and commodities the country needs. But, though the text for the renewal of the commercial agreement with Germany has been initialled in Berlin, the facility of discounting clearing credits in Reichsmarks has been suspended since September 1st. Payment in drachmas will hereafter only be made so long as there exist German drachma balances in the clearing, representing the proceeds of imports from Germany. Meanwhile it is indicative of the impact of the war threat upon the ordinary Greek that the note circulation of the Bank of Greece jumped from Drs. 8,109 millions on August 23rd to Drs. 9,981 millions on August 31st. Bank deposits were withdrawn and notes were hoarded.

September 18th.

## Japanese Trade and America

[FROM OUR TOKYO CORRESPONDENT]

THE United States' Government's recent notice of the abrogation of the commercial treaty with Japan was rather sudden and unexpected, although it did not come out of the blue. If and when an embargo is imposed on American imports and exports, Japan will suffer considerably in view of America's predominant share in Japan's foreign trade.

In 1938 Japan purchased from America 34.3 per cent. of her total imports, and sold 15.8 per cent. of her total exports. The figures of trade by commodities reveal some even more important relations:—

|                                     | (000 yen) | Percentage of total % |
|-------------------------------------|-----------|-----------------------|
| Imports from U.S.A. :—              |           |                       |
| Ore and metals .....                | 262,866   | 36.2                  |
| Oils .....                          | 240,143   | 80.4                  |
| Raw cotton .....                    | 166,413   | 38.1                  |
| Machinery, etc. ....                | 158,110   | 50.4                  |
| Exports to U.S.A. :—                |           |                       |
| Raw silk .....                      | 297,883   | 81.8                  |
| Tinned and bottled provisions ..... | 12,021    | 13.1                  |
| Silk goods .....                    | 18,282    | 23.3                  |
| Pottery and porcelain .....         | 6,574     | 21.3                  |
| Toys .....                          | 6,093     | 24.3                  |

If, for example, the American Government imposes an embargo on oil, it will immediately present a serious problem to Japan, although she is able to buy it elsewhere. A ban on scrap iron, if imposed, will prove a blow to Japanese steelmakers, even though the steel industry is fast getting rid of its dependence on imported scrap. American machine tools, especially high-grade ones, are essential to certain branches of the Japanese engineering industry; but if America refuses to sell them, Japan can now manage to do without many of them, and the sufferer in this case would rather be the American manufacturers as a result of the loss of one of their principal markets.

Of Japan's staple exports to America, raw silk will not be so adversely affected by the termination of the treaty, since it is a raw material essential to the American silk industry, though silk goods may be liable to prohibitive restrictions. Tinned and bottled provisions also are not likely to be shut out; and toys will easily surmount any tariff barriers that may be raised. Unless America wants war she is hardly likely to apply economic sanctions wholesale, and on the other hand if an American embargo is imposed piecemeal the pressure it will bring to bear upon Japan will probably not be strong enough to hold her in check.

August 19th.

## Books and Publications

### The Actual Record

THE Blue Book\* concerning German-Polish relations and the outbreak of hostilities, published last week, makes an enthralling narrative, as its wide sales to the public have shown; read as a diplomatic and political record, it is an eye-opener on the history of the past twelve months. Here, in a regular gallery of crime, are all the failings and hot-tempered impetuosity which report has fastened on the Nazis; here, too, the almost diffident (and almost always prim) record of the British Government's part in the events which led up to the outbreak of war. Theirs comes out as an honourable record, and with these documents before them it will be difficult for the historians to find the chink in their diplomatic armour. Even the cold light of post-war disillusion will find there little on which to pour its intolerance and scorn.

Headed by a brief summary, the documents number 144, from the text of the German-Polish non-aggression agreement of January 26, 1934, running through a series of relevant quotations from Herr Hitler's Reichstag and other speeches (quotations which are completely damning of his integrity), then including a whole series of diplomatic reports and telegrams, and ending with the Prime Minister's broadcast talk to the German people on September 4th. There is thus presented what amounts to a consecutive narrative, and the documents have been compiled so effectively that the minimum of knowledge is required to fill in the gaps. It is therefore right that they should reach, as they are doing, a wide public. On the British side this is good democratic diplomacy.

The methods of German diplomacy are often new, but the theme is an old one. Once the stage was set, and the Germans

were hesitating to invade Poland only so long as they thought it worth while to work at the British Government to stay neutral, then the Anglo-German conflict of wills came plainly to the surface. On August 23rd, we read in a telegram from Sir Neville Henderson to Lord Halifax recording an interview with Herr Hitler that the latter "began by asserting that the Polish question would have been settled on the most generous terms if it had not been for England's unwarranted support." Sir Neville Henderson, who comes out of the whole thing with much credit, then "drew attention to the inaccuracies of this statement, our guarantee having been given on March 31st and the Polish reply on March 26th," Herr Hitler "retorted by saying that the latter had been inspired by a British press campaign, which had invented a German threat to Poland the week before." On August 29th Sir Neville Henderson was again telling Herr Hitler "that he must choose between England and Poland." Time after time the British Government's determination to honour their obligations to Poland was stated and restated. Their position was crystal clear.

One of the most interesting features of this collection of documents is the light it casts on Hitler's mentality. It is strange, but very understandable, that the British Ambassador should think it necessary to preface his reports, on more than one occasion, with comments on the Fuehrer's bearing. "During the whole of this conversation Herr Hitler was excitable and uncompromising . . ."; while a day later he was "quite calm and never raised his voice once." On August 26th he was "absolutely calm and normal and spoke with great earnestness and apparent sincerity"; on August 29th "the interview was of a stormy character, and Herr Hitler was far less reasonable than yesterday." And so it goes on, with Herr von Ribbentrop screaming away at second fiddle.

It is all there, in cold undeniable print. The manner of diplomacy should be precise; the Nazis have made theirs

extravagant. It should be restrained; theirs is a curious blend of the pompous and the puerile. It should have at least some traffic with the truth; theirs has none. It should show respect for the other side; theirs has made a virtue of vituperation. The spectacle of this humiliation is instructive, but it is not pleasant, and even while we rejoice in the incompetence of our enemies we may regret that so great a people as the Germans could find such unworthy rulers.

### Stalin's Past

WHY did Stalin make a pact with Hitler and partition Poland? Everyone is asking this question, and time alone will tell the true reply. Meanwhile, here is an answer from a renegade Communist source,\* built into nearly 700 pages of rather dreary biography recounting Stalin's part in the last forty years of the long-winded and unintelligible doctrinal vicissitudes of Russian Communists. How authoritative the answer is seems doubtful. M. Souvarine's clear aim is to denigrate Stalin. Lenin he wholly approves. Trotsky he admires, but writes off as a supreme individualist, oddly out of place in that *galère* of Communists.

Even so, quite a liberal allowance for M. Souvarine's bias still leaves Stalin's part scarcely noble.

Stalin is too rude (wrote Lenin himself soon before his death), and this fault . . . becomes insupportable in a General Secretary. Therefore I propose to appoint another man who in all respects differs from Stalin only in superiority—namely, *more patient, more loyal, more polite and more attentive to comrades, less capricious.*

A quarter of a century ago Stalin was strongly suspected in the Party (on no tangible evidence, it must be straightway admitted) of denouncing his comrades to the police. Always, in the wilderness days, he revealed the capacity "of secretly urging others to action while remaining himself aloof." Never did he express a single original opinion on the political situation or the future of the revolution. He was content to bide his time.

In the Revolution he was never in the van. His reputation was won as an "organiser" behind the scenes, and whenever he came to the fore his judgments appear to have been wrong ones. He came to power, according to this version of his career, because he intrigued for it, consistently and continuously; and he was saved from failure by Lenin's death, just when a break had become inevitable, and by the maladroitness in which Trotsky dealt with the Opposition that cast him out.

Once in power he stayed there by the same means, and he now had the repressive powers of the State to aid him. He tripped and threw down his rivals one by one. The consistency of his career so described is not the consistency of Communism or, indeed, of any set of ideas. It is the consistency of sheer opportunism.

So it is, in this view, with his foreign policy. It has always been devised with an eye to the main chance. After 1933, in spite of the ideological antipathy of the U.S.S.R. to Fascism, Stalin hoped to come to terms with Hitler, as he had done with Mussolini. But Hitler, hot in his tirades against Bolshevism, would not have it. Instead, Stalin made his own regime more and more Nazi, with concentration camps, purges and the national instead of international slogans. Afraid of attack by Germany, he supported the League of Nations and even toyed with the Peace Front. Intervention in Spain and China showed the principle of limited liability upon which the "war against Fascism" was based.

In the end it was first thoughts which won. His new nationalism wanted security and Russian Poland: in the Peace Front he would have had to be prepared to fight for them, and even then he might not have got any of Poland; as an uneasy and provisional friend of the Reich he has gone to Warsaw with scarcely a skirmish.

The pieces of M. Souvarine's argument fit nicely. But it may be quite wrong. It is the speech of counsel for the prosecution. The course of history may be counsel for the defence, and there may be sound and acceptable reasons for Russia's latest moves. At present it is hard for the democracies to see them.

\* Stalin. By Boris Souvarine. Secker and Warburg. 690 pages. 15s.

### Shorter Notices

"An Outline of International Price Theories." By Chi-Yuen Wu (Ph.D.Econ.). With an introduction by Professor Lionel Robbins. Routledge. 373 pages. 15s.

Dr Wu received the scholarship in economics granted for the years 1934-37 by the Board of Trustees of the Administration of the Sino-British Foundation in Nanking. He spent the period at the London School of Economics under the guidance of Professor Robbins, and finally produced the doctoral thesis published in the present volume. It is an exhaustive study of the theories of international trade in Western Europe from the earliest mercantilists down to Professor Bertil Ohlin at the present day. Taking the background of economic history over the long period covered by the book as given, Dr Wu studies each thinker and the school to which he belongs in a severely academic way. The result is a very formidable volume, but one whose careful and disciplined style will appeal to the serious student of pure theory. It is a summary of almost everything that has been written about a very contentious subject. At present the author is boxed up, along with his fellow students, thousands of miles in the interior of China. One hopes that his work will go on.

"Switzerland and Her Industries." Edited and published by the Swiss Office for the Development of Trade. Lausanne. 128 pages. No price stated.

This short and pleasantly written guide provides a succinct description of Swiss economic activities and includes some excellent photographs. Among other interesting facts is the surprisingly small proportion of the population engaged in agriculture and the growth of the traffic of the port of Basle.

### Official Publications

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

Law Revision Committee. Seventh Interim Report (Rule in Chandler v. Webster). Cmd. 6009. 2d. net. Eighth Report (Contributory Negligence). Cmd. 6032. 4d. net.

Assurance Companies' Returns, 1938. £1 7s. 6d. net.

Building Societies, Statistical Summary, 1928-38. 2d. net.

Report of the Unemployment Assistance Board for the Year ended December 31, 1938. Cmd. 6021. 3s. net.

Final Report on the Fifth Census of Production and the Import Duties Act Inquiry, 1935. Part II. 8s. net.

Palestine: Statement of Policy. Cmd. 6019. 2d. net.

Education in 1938. Cmd. 6013. 3s. 6d. net.

Ministry of Labour Report for the Year 1938. Cmd. 6016. 2s. net.

Report of the Inter-Departmental Committee on Abortion. 2s. 6d. net.

Gas Undertakings in Great Britain for the Year 1937. Part II. Finance and Prices. 10s. 6d. net.

Report from the Select Committee on the Official Secrets Acts. 2s. net.

Department of Overseas Trade: Australia, December, 1938. 3s. 6d. net. Brazil, December, 1938. 2s. net. Hungary, March, 1939. 1s. net. Estonia, March, 1939. 9d. net. Malaya, March, 1939. 2s. net. Sweden, April, 1939. 2s. net. Turkey, April, 1939. 1s. 3d. net. Siam, April, 1939. 1s. 3d. net. Morocco, May, 1939. 1s. 3d. net. Bulgaria, May, 1939. 1s. 6d. net.

Appendices to the Report of the British Guiana Refugee Commission to the Advisory Committee on Political Refugees Appointed by the President of the United States of America. Cmd. 6029. 2s. net.

Colonial Reports. No. 1891. Trinidad and Tobago, 1937. 1s. 3d. net. No. 1892. Zanzibar Protectorate, 1938. 1s. 3d. net. No. 1893. The Gambia, 1938. 1s. 3d. net. No. 1894. British Honduras, 1938. 9d. net. No. 1895. Cyprus, 1938. 1s. 3d. net. No. 1896. Jamaica, 1938. 1s. 3d. net. No. 1897. Leeward Islands, 1937. 1s. net. No. 1898. Basutoland, 1938. 1s. 6d. net. No. 1899. Bermuda, 1938. 9d. net. No. 1900. Gibraltar, 1938. 6d. net. No. 1901. Bahamas, 1938. 1s. net.

Report to the Lord Chancellor on H.M. Land Registry for the Financial Year 1938-39. 4d. net.

The Colonial Empire. Statement relating to the Period 1st April, 1938, to 31st March, 1939, to Accompany the Estimates for Colonial and Middle Eastern Services, 1939. Cmd. 6023. 1s. 6d. net.

Statistical Abstract for British India from 1927-28 to 1936-37. No. 3444. (Delhi) Manager of Publications. Department of Commercial Intelligence and Statistics, India. Rs. 5.10.

Report on Scottish Agricultural Marketing Schemes for the Year 1937. Cmd. 6030. 2s. net.

\* Documents, etc. Miscell. No. 9 (1939). H.M. Stationery Office. 195 pages. Price 1s.

# THE BUSINESS WORLD

## Investment and War — Prospect

IN *The Economist* of September 16th we examined the behaviour, during the war of 1914-18 and after, of a number of leading groups of British securities. The conclusions suggested by our examination, broadly, were (1) that the decline in gilt-edged prices, in relation to war-time financial needs, was not catastrophic; (2) that industrial equities as a class afforded only a partial "hedge" against war investment risks, and (3) that in the groups whose war-time trend was upwards, the armament industries, as such, were much less conspicuous than the commodity-producing, shipping and "essential consumptive" trades. The course of prices under present abnormal Stock Exchange conditions—in which the temporary freezing up of the gilt-edged market is enforcing selling of other securities on grounds of mere immediate saleability rather than future merits—clearly affords no guidance whatever to prospects when markets, and the British economy generally, have settled down into a war rhythm. At first sight it might seem that any attempt, however tentative, to estimate the probable trend of security prices during the course of this war, would be subject to so many imponderable but vital factors as to be almost valueless. Closer study, however, reveals a number of basic assumptions whose validity can hardly be contested. In the following article we propose to state some of them, and to ask our readers whether, once they have admitted their validity, they can logically disregard the conclusions, for investment policy, which flow directly from them.

The greatest of all imponderables, of course, is the duration of the war itself. In view, however, of the past fortnight's events, investors can hardly regard the Cabinet's adoption of a minimum period of three years' hostilities as the basis for its war-time plans as over-pessimistic. If the war ends sooner, so much the better for everyone, but in investment calculations it is best to err on the conservative side. Secondly, it now appears reasonably certain that this country will be committed to a maximum effort by sea, air and land—all three, and not in any one element alone. Developments during the last twelve months—or for that matter the last four weeks—have removed all possibility of Britain participating on a basis of limited liability. Consequently, the task of so organising the entire national resources as to produce the maximum striking power at every point of contact with the enemy will involve, first, a definite increase in national production and, secondly, a deliberate transfer of productive resources, human and material, from less to more essential goods and services—"essential" in this context meaning indispensable for the successful waging of war. Finally, to achieve this result it will be right and necessary for the Government to use its power to tax or to borrow from its citizens, like all other weapons in its armoury, solely with reference to the contribution its policy will make to the securing of the main objective. Peace-time limits, conventional or theoretical, to the portion of the national income which the State ought to take into its coffers and redistribute, by way of taxation and Government expenditure, will have to go by the board. There will be an increasing tendency to use taxation as an instrument, on the one hand, for reducing national consumption of "inessential" products to the lowest limit compatible with the maintenance of national morale, and, on the other, for leaving producers of essential materials and services with sufficient additional re-

ward to stimulate the additional effort which the national interest requires, and no more.

How can these basic conditions, which, thus enunciated objectively, are likely to command general assent—be applied in a Stock Exchange context? At the outset investors may abandon all thought of "benefiting" from the war. The ultimate benefits to markets—and to humanity—of a victory ensuring the maintenance of free institutions, will be incalculable, but they will be intangible and deferred until the struggle is over. The investor's immediate purpose is so to arrange his financial affairs as to "spread" the inevitable cost of achieving victory in the most economic way, from the community's viewpoint as well as his own. Obviously he will be called upon to take considerable quantities of new gilt-edged stocks into his portfolio. But he realises that the Emergency Budget which Sir John Simon opened on Wednesday this week has applied at once the experience which the Government took three years to acquire in the last war. The imposition of heavy additional taxation has roughly equated this year's burden between taxation and borrowing—a superior initial achievement, at least, compared with that, say, of the later years of the last war, despite the greater probable intensity and cost of the national effort under present conditions. In the last war and after, much the greater part of the Government's actual borrowing was effected between 1916 and 1920, but during that period the average price of 2½ per cent. Consols dropped only 11 points, from 58 to 47. The biggest drop occurred between 1914 and 1916, when the average fell from just under 75 to 58. In other words, the effect of the Government's borrowing was, to a very considerable extent, discounted in advance of the actual borrowing operations. In 1914 the Government's re-armament programme had to be extemporised in the period of the war itself. This time we are not starting from scratch, and there is particular investment significance in the fact that between 1937 and to-day—a period which economically has a close resemblance with 1914-16—the price of 2½ per cent. Consols has already declined by approximately 23 points. In the last war, 5 per cent. became an effective market rate for long-term gilt-edged securities, only in the period after hostilities, when the heavy expenditure of the last few months of the war was being funded. If the analogy between 1939 and, say, 1916 (not 1914) holds good, we are effectively starting to-day on a slightly lower level of interest rates than before—the price of 2½ per cent. Consols on the last day of free market dealings before the German invasion of Poland was 65½, against an average of 58 for the year 1916. The various Government "controls" designed to reduce the export of capital and competitive claims at home, are more effective, and have been more speedily applied to-day, than in the last war, and the technique of catering for all possible tastes and requirements, in the way of short, medium and long-term stocks, is better understood. On the whole, investors may not be over-optimistic in concluding that the rise in interest rates, in a war of moderate duration, will be no more catastrophic in the present war than in the last; that it will, in any case, represent a temporary disturbance rather than a permanent upward adjustment of the rate of interest, so that holders of Government stocks may fare relatively as well in the lifetime of the present generation as they did in that of the last; and, consequently, that investors who take British Government war stocks into their

portfolio in coming months will be usefully serving their country's long-term interest without prejudging their own.

The course of industrial share values, in war as in peace-time, will be the resultant of three distinct factors. The first will be the level of interest rates, which is a determinant in the capital price investors will pay for a given prospective rate of income. The second is the amount of gross profit which a company is considered as being likely to earn, and the third, the proportion of that amount which it is likely to distribute in dividends—after meeting taxation claims and the cost of that insurance against future contingencies which is represented by allocations to reserve. The effect of the first of these forces has been discussed above. Under the second heading there will undoubtedly, taking companies as a whole, be a net rise—for, *ex hypothesi*, the total volume of national production will rise in war-time, apart altogether from any increase in the monetary value of a given volume of production owing to inflation. But the increase will be anything but uniform between different trades, and in some cases there may be an actual decline. It is not difficult to draw up a list of industries—including some of the newer industries like private motor-cars, radio, the entertainment trades, etc.—which are vulnerable to any tendency towards a lower popular standard of living, and are therefore particularly vulnerable in war-time. On the other hand, those trades which have no special war-time equity, but cater for mass needs which must be satisfied even in war-time—the food industries and retail trade generally, for example—may suffer some initial disturbance but are likely to recover before the war ends. These are, so to speak, the "neutrals" of the ordinary share market in war-time. The shares with a positive war equity are, first, those of companies in the

armament and quasi-armament trades at home (i.e. the textile producers, etc.), and secondly, the companies whose services will be in special demand overseas, like shipping concerns and the producers of essential primary commodities like oil, rubber, tin, copper, etc. Of these, the former are the more in the public eye, and the more accessible to special taxation measures than the latter, the price of whose services, even in war-time, is determined to some extent by international influences—and to that extent is less susceptible to control measures by a single country, however powerful. These conditions, broadly, will determine the grading of industrial shares, according to the extent of their direct war equity, on this occasion as on the last. The third influence—the gap between gross profits and divided profits—is the hardest to assess, but on the whole it may not be unreasonable for investors to conclude that the State-intercepted portion of profits, in the case of all companies, will not be less, and may well be more, in this war—which within a month has seen the introduction of a 60 per cent. tax on excess war profits.

In brief, the conclusions suggested by this article would appear to be: first, that a "balanced" portfolio—balanced both as regards its spread between fixed interest and variable dividend securities, and between short- and long-dated maturities—is no less desirable in war than in peace-time; and secondly, that, in the purchase of equity shares, the need for selectivity will be paramount. The war-time advantages of ordinary shares, as such, are largely illusory; for ordinary shares are a hedge, not against war, but against inflation, which may or may not be one of war's concomitants. But the conditions outlined in this article furnish a basis on which different investment groups will be analysed in future issues.

## Wood Pulp

ONE of the visible effects of the war has been the reduction in the size of the daily papers. This restriction is partly due to the fact that Britain's supplies of wood pulp, the raw material for paper, are largely drawn from Scandinavia, and are therefore liable to interruption by Germany. The commercial importance of wood pulp is of comparatively recent origin, yet the growth of its uses during the past decade is an outstanding example of the great influence which the achievements of chemistry have had on industrial progress. Until a century ago paper was made chiefly from rags, which were introduced in Europe as a paper raw material by the Arabs instead of certain silk fibres used by the ancient Chinese paper makers. A new era in the paper industry began with the introduction of wood pulp by the Frenchman Réaumur at the beginning of last century, and with the subsequent development and improvement of the pulping process by British, Swedish, German and Dutch pioneers. Since then the forests of the world have to an ever increasing extent been tapped to satisfy the rising demand for paper and other products made from wood pulp, including a great variety of recently introduced manufactures, such as rayon, transparent wrapping paper, cellulose wadding, plastics, containers and vulcanised fibres.

Wood pulp occupies an important place among the products obtained from timber. In 1937 the value of world wood pulp exports accounted for 14.5 per cent. of total timber exports. The proportion of the timber production made into wood pulp varies considerably in different countries; it amounts to about 5 per cent. in the United States and to no less than 38 per cent. in Scandinavia.

The raw material for pulp—pulp wood—is chiefly derived from coniferous soft woods, such as spruce, pine and fir, not suitable for the saw mills because of their small size. Pulp wood is converted into cellulose as used by the paper, rayon and various other industries by either a mechanical or a chemical process. About 40 per cent. of the total output of pulp is produced by the mechanical, and the remainder by the chemical, process. The

mechanical process consists in reducing the wood to pulp by pressing it against a revolving grindstone. The pulp mass is then beaten and refined and passed to the paper machine. In the chemical process the wood is cleaned and chipped into small pieces, and then heated under pressure with certain chemicals, in order to remove the lignin which binds the fibres. The two main varieties of chemical cellulose are sulphite and sulphate. Whereas by the mechanical process the wood with all its contents is converted into a paper sheet, the chemical treatment involves the extraction of all non-cellular material. Thus, mechanical pulp is used for inferior products (chiefly for newsprint in mixture with chemical pulp), whereas chemical pulp is required for the manufacture of high grade paper, rayon, plastics, and a host of other commodities.

The rapid increase in the consumption of wood pulp is due chiefly to the improvement in the chemical treatment

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of cellulose and the introduction of a great number of new paper products. Since 1925 the world's consumption of wood pulp has doubled, and the increase is likely to continue. The paper industry is by far the largest consumer of wood pulp (something like a third of the total output is made into newsprint alone), and although comparatively small quantities are required by the rayon, plastics and various other industries, wood pulp is the basic material for these manufactures.

The growth of production and consumption of wood pulp in the principal countries, as well as in the world as a whole, is shown in the table below:—

WORLD OUTPUT AND CONSUMPTION OF WOOD PULP (ALL GRADES)  
(In thousands of tons)

|                    | Production |        |        | Consumption |        |        |
|--------------------|------------|--------|--------|-------------|--------|--------|
|                    | 1929       | 1932   | 1937   | 1929        | 1932   | 1937   |
| United States..... | 4,342      | 3,356  | 5,893  | 5,972       | 4,638  | 7,760  |
| Canada.....        | 3,590      | 2,378  | 4,457  | 2,866       | 1,986  | 3,700  |
| Sweden.....        | 2,500      | 1,965  | 3,363  | 754         | 698    | 861    |
| Finland.....       | 957        | 1,243  | 2,125  | 322         | 320    | 698    |
| Norway.....        | 943        | 886    | 1,059  | 402         | 345    | 431    |
| Germany.....       | 2,050      | 1,645  | 2,460  | 1,948       | 1,472  | 2,478  |
| Great Britain..... | 115        | 91     | 140    | 1,254       | 1,302  | 1,936  |
| France.....        | 129        | 166    | 351    | 581         | 557    | 1,000  |
| Soviet Russia..... | 272        | 429    | 731    | 330         | 432    | 731    |
| Japan.....         | 609        | 542    | 873    | 689         | 644    | 1,340  |
| Total.....         | 16,941     | 14,018 | 23,222 | 17,016      | 14,180 | 23,301 |

† Including other countries.

The principal producers of wood pulp are the United States, Canada and Scandinavia; these countries supply almost three-quarters of the world's output. But while the North American pulp mills use the bulk of their output at home, as do, incidentally, the German producers, the Scandinavian industry, although converting large quantities of pulp into paper products, caters largely for the export market and contributes almost 75 per cent. to the world's pulp shipments.

In Sweden, the leading exporting country, the cellulose industry occupies a prominent position, for it uses more timber than the saw mills and exports almost twice as much as the latter. Sweden produces chiefly chemical pulp, while Norway is the largest producer of mechanical pulp in Europe. Finland's wood pulp exports have risen more rapidly than those of any other country during recent years, her main product being sulphite pulp. She is the only Scandinavian country whose cellulose output could be further increased without a material reduction in her timber resources, while Sweden is just maintaining a balance between cutting and growth in her forests, and Norway at times even imports pulp wood from Russia and Finland.

Canada possesses huge untapped sources of pulp wood, and is, with her comparatively small domestic consumption, an important potential world supplier of pulp and paper products. She exports her surplus output of chemical pulp mainly to the United States, whereas her output of mechanical pulp, amounting to 65 per cent. of her total wood pulp output, is largely converted into newsprint, a prominent item in Canada's export trade. Adjoining Canada, Alaska may in future become an important supplier of raw material for the paper factories of the United States, and Newfoundland is the only British country contributing materially to the pulp requirements of Britain. Her pulp and paper industry is largely controlled by British capital, and the recent acquisition of the International Power and Paper Company at Cornerbrook by the Bowater Paper Mills indicates that increasing supplies will be drawn from Newfoundland.

In spite of her big domestic output, the United States imports about 30 per cent. of her requirements; mechanical pulp and bleached sulphite pulp are drawn from Canada, whose pulp mills are largely controlled by United States paper makers, whereas unbleached sulphite and sulphate cellulose are mainly imported from Sweden. A factor of considerable importance for the future development of the cellulose markets is the rapid expansion of the pulp and paper industry in the southern states of the United States. They are already adding about 1.2 million tons of kraft cellulose annually to the domestic output, and are capable of further expansion. The United States has for some time been aiming at self-sufficiency in paper material, and the imposition of an import duty on cellulose has been widely discussed. In recent years the United States has considerably increased her exports of certain grades of wood pulp of which she has a surplus.

Great Britain imports the bulk of her wood pulp requirements from countries bordering on the Baltic Sea. While only 4 per cent. of Britain's total imports come from Empire countries, mainly Canada, Finland supplies 34 per cent., Sweden 31 per cent. and Norway 14 per cent. Until the outbreak of war a regular supply of wood pulp was assured by close collaboration between British consumers and Scandinavian suppliers. But as Germany is in a position to cut off supplies from the Baltic it will be necessary to look to North America for alternative sources of supply, for the establishment of a large pulp industry in Britain is impracticable. While the North American pulp mills cannot be expected to be capable of replacing at short notice the Scandinavian shipments, they should be able substantially to increase their exports and to relieve any likely shortage in Britain. There can be no doubt, however, that in a prolonged war the world's wood pulp industry will be seriously dislocated.

unprecedented. On two occasions in 1932, when Bank rate was descending from the 6 per cent. level reached on the departure from gold in 1931, the reductions to 5 and then 4 per cent. were made in bounds of 1 per cent. The customary adjustments to the lower Bank rate have been duly made. The clearing bankers' deposit rate has been reduced from 2 to 1 per cent., while the minimum rate for short loans secured by bills has come down from 3 to 2 per cent., and for similar loans secured by bonds from 3½ to 2½ per cent. Open market rates are rapidly adjusting themselves to the lower official minimum. The full three-months' bill, which is a popular end-December maturity, is already being quoted about 2½ per cent. On the last batch of Treasury bills, which were discounted at about 3½ per cent., the market will therefore make a quick and substantial profit. But that automatic profit will but neutralise the equally automatic loss which was incurred when Bank rate was doubled on August 24 last. The market has already begun talking about the next reduction, which it is expected will be reserved for the eve of the first of the New Defence Loan operations.

## Finance and Banking

**Bank Rate Down.**—Bank rate was reduced on Thursday from 4 to 3 per cent. The move was not unexpected. The previous increase from 2 to 4 per cent. occurred ten days before the outbreak of the war, when his country was still operating a comparatively free economy, and when it was urgently necessary to stem the rush to liquidity which was then gathering such massive impetus. To-day the exchange and capital markets are rigidly controlled; the tendency to convert credit into cash has been arrested and for two consecutive weeks there has been a net reflux of currency to the Bank of England. The need for a higher Bank rate has suffered other attacks in its reality. One is the substantial influx of gold and foreign currency into the Exchange Equalisation Account following the issue of the Defence Regulations. Another is the centralised control over commodity prices, which has become effective with astonishing speed and efficiency. The reduction in Bank rate may be regarded as a moderate counterpoise to the Budget both in the sphere of psychology and in that of more practical economics. The reduction by a full 1 per cent. is against precedent, though not

**The Break in Bill Rates.**—Confident anticipations of an imminent reduction in Bank rate have been very clearly reflected in the trend of discount rates over the past week. The Treasury bills issued last Friday went at £3 6s. 1d. per cent., or about 5s. per cent. lower than the previous Friday's average. This fall was due not only to expectations of a lower Bank rate but to the fact that the £55,000,000 of bills tendered for included the end-of-year maturities. The market naturally focused its applications on these bills, and as a consequence virtually the whole of the payments for new bills this week have been postponed until Saturday. At the same time, it is on this day that the bulk of the week's maturities are concentrated. Dealings in bills have thus been kept down to a minimum this week, most of the business done being on a forward basis. The demand for bills has been exceptionally keen, originating both from clearing banks and outside quarters. Such business as has been transacted has therefore been done on the basis of a steadily falling level of rates. The "hot" bill was bid for during the first part of the week down to 2½ per cent., the demand coming mostly from outside quarters. In this outside demand, funds which would normally have been canalised to the Stock Exchange have played a prominent part. The list of gilt-edged minimum prices being what it is, there has been a natural inducement to invest money in the form of three months' bills when the return on such investment seemed not unduly less favourable than that indicated by the minimum prices on longer term securities. Running brokers, who have been keen bidders of December bills at 3 per cent., and must therefore have sold those bills at a fraction under this figure, have in fact added important Stock Exchange names to their list of clients in recent weeks.

**Clearing Banks and the Treasury Bill Tender.**—Clearing banks themselves have also been keen buyers of bills, but at the rate of 3½ per cent. for December maturities, which they maintained during the first part of the week, they have found the supply of bills exceptionally meagre—certainly far smaller than the amounts dictated by their current maturities and by the state of their cash reserves. The difficulty experienced by the banks in getting adequate supplies of bills, taken in conjunction with the knowledge of substantial allotments of Treasury bills having been made to the market, has led to a good deal of complaining by the banks. They appreciate the desire of the market to make as good a profit as possible on their turnover of bills, and they understand the reluctance of the market to sell bills when there is a universal expectation of an imminent reduction in Bank rate. But this is not a case where *tout comprendre c'est tout pardonner*. The banks must have the bills, and there have been veiled threats that if those bills are not forthcoming from the discount market they will have to be obtained by the revival of direct tendering for Treasury bills by the banks. Such a development would be highly distasteful to the market.

**Bank Loans and Capital Issue Restrictions.**—The Treasury have this week exempted two types of domestic issues of securities from the compulsory reference to the Capital Issues Committee required by the Defence (Finance) Regulations. They are: (1) issues of securities such as mortgages to banks in respect of advances or overdrafts obtained in the ordinary course of business, and (2) the receipt by local authorities of loans from a bank for the repayment of capital expenditure incurred before September 13th last. In the case of the first type of now authorised transaction it is laid down that it shall not be a condition of the secured advance from the bank that it will be wholly or partly repaid out of the proceeds of a subsequent issue of securities. In other words, short-term bank borrowing by an industrial undertaking in anticipation of a future long-term issue, as yet unauthorised by the Committee, is not to be permitted. In the case of the now authorised local authorities' loans, however, such short-

term borrowing in anticipation of a subsequent appeal to the longer term capital market will be permissible provided the funds are needed to cover capital expenditure incurred before September 13th. It is interesting to note that the complete stoppage of new issue business allied to the abnormal A.R.P. and other expenditure incurred by local authorities has led to a big expansion in the raising of rates loans and other short-term accommodation by various local bodies.

**War Risks Insurance.**—The trading community's criticisms of the Government scheme for the war insurance of stocks have grown in urgency and vigour. In many cases the first quarter's premium, amounting to 1½ per cent. of the value of stocks, is in excess of available or liquid resources. The onerousness of the premium does not appear to be much alleviated, in the view of those who have to pay it, by the reflection that loss of stocks through enemy action would be a far greater calamity than payment of an insurance premium in advance. Moreover, not only the height of the premium rate but also some other features of the scheme have been under attack. One obvious deficiency was the failure to allow for any elasticity in the sum insured. The introduction of weekly declarations of stock values on quarterly policies and the granting of monthly policies with a fixed sum insured have now, however, removed this particular grievance. But there remains dissatisfaction at the compulsion to insure all stocks valued at more than £1,000. The issue last week of a list of goods now excluded from the scheme on the grounds of their indestructibility or unsaleability (e.g. coal, iron and steel of certain descriptions, certain objects of art) has not allayed this feeling. It seems plain, nevertheless, that a complete reversion from the principle of compulsion to that of voluntary insurance would, in the absence of such a complete system of differential rating as is impossible in this sphere, involve selection of risks against the State. On the whole, it now appears that any desirable concessions concern the height of the premium. In the first place, the projected revision of the rate at the end of the first quarter—completely overlooked in many circles where complaint is most bitter—might be anticipated by, say, one month; in the second place, some allowance might be made for variations in the turnover of stocks in different trades. The trader whose stocks move slowly certainly has a larger value at risk at any given time, but since this cannot be an actuarially accurate insurance scheme there is little point in purist objections to some mitigation of his premium payment.

**Forward Exchanges Again.**—After a suspension of three weeks, the forward exchange market has again begun to function this week. The Bank of England on Tuesday published a list of buying and selling rates for the more important foreign currencies. Transactions in the forward market must, as in the case of spot dealings, be made through an authorised dealer. They will only be allowed if the commercial character of the operation underlying the forward deal can be proved. The rates quoted hitherto are for one month. In the case of neutral currencies such as dollars, guilders and belgas the Bank of England is prepared to buy at par with the spot rate and to sell at premiums amounting to about 3 per cent. per annum. In the case of the French franc it is the selling rate which is at par while the buying rate is at 25 centimes discount,

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equivalent to about 1½ per cent. per annum. Most of these rates are likely to apply to a one-way market, and the readiness of the authorities to sell foreign exchange forward, on terms which cannot be regarded as abnormally expensive or considerably out of alignment with interest rate parities, must be deemed an assurance of the likely stability of spot rates at their present pegged level.

\* \* \*

**Surrender of Foreign Currency.**—In a statement this week in the House of Commons the Chancellor of the Exchequer announced that the compulsory offer to the Government of foreign exchange held by residents in this country must be made forthwith. The Regulation in question specified no date or time limit for such sales, because the order it contained was in the present imperative. The result of the Chancellor's statement has already become apparent in a considerable acceleration of the flow of foreign currency and gold coins to the authorities. Sir John Simon in his statement said that the regulation applied "to every person resident in the United Kingdom," and when pressed on this point in later supplementary questions he pointed out that foreigners resident here "ought to comply with this most important regulation." It is understood, however, that the Treasury has already granted complete dispensation from this regulation to all United States residents whose domicile in the United Kingdom has been less than seven years. This concession was the result of very strong protests made by official United States quarters here. As yet it has not been extended to nationals of other

countries, though at first sight this appears to be a matter where the "most-favoured-nation-clause" principle should apply. If this principle is not made to apply, the result will be the creation of ill-feeling for which the paltry amounts of foreign currencies collected by the Government from the foreign nationals concerned will be very inadequate recompense.

\* \* \*

**Australia's Exchange Control.**—The provisional scheme of exchange control hurriedly introduced in Australia on the morrow of the similar step taken here has during the past week been appreciably tightened up. This has been done by subjecting the whole of Australian export trade to an official licensing system. Under the Customs Act the export of all goods except under licence has been prohibited. As a corollary step exporters have been instructed to place the whole of the foreign exchange proceeds of their external sales at the disposal of the Commonwealth Bank. The conditions require the licensee to deliver shipping documents together with bills of exchange and other documents to the Commonwealth Bank or its agents. For this purpose and that of effecting the conversion of the exchange proceeds into Australian currency, the Australian trading banks have been appointed as agents. With the finishing touches thus being put to the Australian exchange control every Dominion, with the exception of South Africa, has now come into line with the scheme of control introduced in the United Kingdom on the outbreak of the war.

## MONEY MARKET NOTES

THE recovery of sterling in New York, noted towards the end of last week, has continued. Closing of the substantial bear position opened before the outbreak of war has been chiefly responsible for this improvement; and the pound has been quoted at around \$4.00 during most of the week, rising to \$4.01½ on Wednesday. No change has been made in the official London quotations for either U.S. or Canadian dollars. Among other currencies, belgas, Swiss francs and guilders weakened on Monday owing to uneasiness over German military plans in the West. The official quotation for belgas rose from 23.40-70 to 23.50-80; for Swiss francs from 17.55-75 to 17.60-80; and for guilders from 7.45-55 to 7.50-60. Belgas and guilders rallied slightly on Tuesday. Argentine pesos appreciated on the announcement that the Argentine Government's new official import rate has been fixed at \$15 to the pound sterling

for necessary foodstuffs and raw materials, the old rate of \$17 continuing for other imports.

\*

The Bank return shows few changes of importance compared with last week. The note circulation is down again, but the return of notes has been more than offset by a reduction of £1.6 millions in Government securities and of £5 millions in other securities. On the other hand, public deposits have fallen by £1.7 millions, so that bankers' deposits show very little change on the week. They are £7.2 millions higher than the figure given in the corresponding return of last year, which was issued at the height of the Czecho-Slovakian crisis.

\*

The price of silver remained unchanged until Thursday, when a big

drop of ½d. for spot and ¾d. for forward was shown. The covering demand has abated somewhat, but it was sufficient to maintain the price at 23½d. per ounce throughout the greater part of the week, in spite of sales from the Indian Government and from unofficial sources attracted by the present high level.

\*

Northern Ireland Treasury Bills, to an amount of £600,000, were placed recently at a rate of about 3¼ per cent. The extent of the present demand for bills may be measured by the fact that applications totalled over £5 million. The bills were a popular end-December maturity. Paisley Corporation has also placed some three-month bills, amounting to £100,000, for which the discount rate was 3½ per cent.

## MONEY MARKET RATES

|                                | Sept. 29, 1938 | Sept. 21, 1939 | Sept. 28, 1939 |
|--------------------------------|----------------|----------------|----------------|
| Bank Rate .....                | 2              | 4              | 3              |
| London Deposit Rate ...        | 1½             | 2              | 1              |
| Short Loan Rates:              |                |                |                |
| Clearing Banks .....           | 1½-1*          | 3-3½†          | 2-2½           |
| Others .....                   | ¾              | 2½-2¾          | 2-2½           |
| Discount Rates:                |                |                |                |
| Treasury Bills (3 mth.)        | 1½             | 3¼-3½          | 2½             |
| Three months' bank bills ..... | 1½             | 3½-3½          | 2½             |

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

## THE BANK RETURN

|                            | Sept. 28, 1938 | Sept. 13, 1939 | Sept. 20, 1939 | Sept. 27, 1939 |
|----------------------------|----------------|----------------|----------------|----------------|
| Issue Dept.                | £ mil.         | £ mil.         | £ mil.         | £ mil.         |
| Gold .....                 | 326.4          | 0.1            | 0.1            | 0.1            |
| Value per oz. fine .....   | 85s.           | 168s. 0d.      | 168s. 0d.      | 168s. 0d.      |
| Notes in circulation ..... | 500.9          | 553.5          | 546.5          | 541.8          |
| Banking Dept.              |                |                |                |                |
| Reserve .....              | 26.9           | 27.2           | 34.2           | 39.0           |
| Public Depts. ....         | 11.4           | 12.0           | 21.5           | 19.8           |
| Bkrs' Depts. ....          | 99.9           | 109.6          | 107.9          | 107.1          |
| Other Depts. ....          | 40.2           | 40.8           | 39.9           | 40.5           |
| Govt. Secs. ....           | 112.8          | 123.7          | 121.9          | 120.3          |
| Dis. & Adv. ....           | 7.3            | 3.9            | 2.5            | 2.5            |
| Other Secs. ....           | 22.8           | 25.9           | 28.9           | 23.9           |
| Proportion .....           | 17.7%          | 16.7%          | 20.2%          | 23.2%          |

## THE BULLION MARKET

| Date         | Gold                  |  | Silver |           |
|--------------|-----------------------|--|--------|-----------|
|              | Price per ounce fine* |  | Cash   | Two Mths. |
| 1939         | s. d.                 |  | d.     | d.        |
| Sept. 22 ... | 168 0                 |  | 23½    | 23½       |
| " 25 ...     | 168 0                 |  | 23½    | 23½       |
| " 26 ...     | 168 0                 |  | 23½    | 23½       |
| " 27 ...     | 168 0                 |  | 23½    | 23½       |
| " 28 ...     | 168 0                 |  | 23     | 22½½      |

\* Bank of England's official price.

# Investment

**The First War Budget.**—If the Stock Exchange sheltered any illusions regarding the first war Budget they have been rudely dispelled. The Chancellor—in marked contrast to his line of policy in April—has established the principle that war can only be won by a painful reduction in general consumption, and has taxed to hurt. The mixture of a stiff increase in income taxation, sweeping aside all preconceived ideas that 6s. in the £ represented the absolute maximum, coupled with substantial increases in sumptuary taxation (of which only the increase in the sugar duty hits an essential foodstuff) will be acceptable to most investors. Yet these increases cover a relatively minor part of the total burden of the cost of war, even in early stages. And there was already a peace-time legacy of £502.4 millions to finance by loan, apart from the further sum of £43½ millions which is to be met by borrowing. The figures are stupendous, and they can only be secured, firstly, by the diversion of expenditure on current consumption to the subscription of new defence loans, and, secondly, by the elimination of competition for new capital which might prejudice the paramount claims of the State. Sir John Simon emphasised that all sections of the community would be enjoined to respond to the appeal for subscriptions to new loans. By the apportionment of the quota between the small saver, the larger investor, and the institutional investor, the sums can be raised. In an ultimate sense, it is irrelevant whether they are borrowed or raised by taxation; the important point is that normal consumption of essential products can be diverted to assist the war. It is on this basis of calculation that the investor will approve, even if he does not relish, the Budget.

\* \* \*

**New Borrowing and Gilt-Edged.**—Sir John Simon contented himself with the statement that the present time was not opportune for the launching of a defence loan programme, and indicated that, when the time came, the appeal would be directed to the widest possible public. It is impossible to criticise either of these points. Clearly, the gilt-edged market at the moment is in no condition to absorb large loans. Pre-Budget dealings this week were slightly freer, partly on the stimulus of Mr Churchill's speech and partly on the lively expectation (confirmed on Thursday) that Bank rate would be reduced. But technical expedients by which purchases of certain "shorts" at several points above minimum levels were linked with sales of the "longs" at minimum prices have illustrated the unreality of the present minima. It is wholly undesirable that facilities should thus be accorded, in effect, for dealing in gilt-edged below minimum prices by methods well known in Great Portland Street, but not hitherto practised on the Stock Exchange. The hard truths of the Budget, however, dispelled any feeling of optimism. And the market was inclined to complain that although the Chancellor had given a full statement of his borrowing requirements, he failed to give the slightest clue regarding his prospective financial policy. The reduction of Bank rate will have afforded some general indication that the authorities intend to finance the war effort without impeding their objectives by slavish adherence to high interest rates. But that general indication deserves official confirmation at the earliest opportunity.

\* \* \*

**The Market's Reaction.**—The decisive phase in this week's markets was not the loosening of dealing conditions earlier in the week, but the tussle for predominance on Thursday between a stringent Budget and the reduction in Bank rate. It can hardly be said that the gilt-edged market has reached any new dealing basis as a result of the contest;

but it can be recorded that, whereas the impact effect of the Budget was again to freeze the market completely, lower Bank rate was followed by some tentative efforts to deal, and certain stocks—particularly Conversion 4½ per cent., whose relative strength has been in contrast to the remainder of the market—staged a moderate improvement. But during the greater part of Thursday no appreciable consequences for long-dated securities were to be observed. Again, although the indirect taxation imposed by the Budget had been largely discounted in the industrial market, the latter naturally remained cheerless after the disclosure of its new burdens. Imperial Tobacco, for example, declined from 5½ to 5¼, though a later recovery took the price to 5½ after the reduction of the Bank rate. This must be regarded as a meritorious performance for a share which has been exposed to two taxation increases in five months, and—as a tax-free dividend payer—is vulnerable to the increased rate of tax. The course of leading gilt-edged and industrial prices this week is shown in the following table:—

| Description                        | Minimum Price | Sept. 21, 1939 | Sept. 22, 1939 | Sept. 23, 1939 | Sept. 26, 1939 | Sept. 27, 1939 | Sept. 28, 1939 | Yield % |
|------------------------------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|---------|
| 2½% Consols .....                  | 62            | 62½            | 62½            | 62½            | 62½            | 62½            | 62             | 4.01    |
| 3% Local Loans .....               | 73½           | 73½            | 73½            | 73½            | 73½            | 73½            | 73½            | 4.11    |
| 3½% Conversion Ln .....            | 87½           | 87½            | 87½            | 87½            | 87½            | 87½            | 87½            | 4.01    |
| 3% Funding .....                   | 87½           | 87½            | 87½            | 87½            | 87½            | 87½            | 87½            | 3.80    |
| 4½% Conversion .....               | 100¾          | 101            | 100½           | 100¾           | 100½           | 101¼           | 101¼           | ?       |
|                                    | High-est 1939 |                |                |                |                |                |                |         |
| L.M.S. 4% 1st Pref. ....           | 63½           | 49½            | 49½            | 49½            | 50             | 50             | 51½            | 7.77    |
| L.N.E. 4% 2nd Guar. ....           | 68½           | 55½            | 55½            | 55½            | 55½            | 55½            | 55½            | 7.20    |
| B.A. Tobacco £1 ...                | 104/4½        | 82/6           | 82/6           | 80/-           | 78/9           | 81/3           | 83/9           | 4.80†   |
| Bar Rattiff, etc. £1 ...           | 133/6         | 95/-           | 95/-           | 95/-           | 97/6           | 97/6           | 96/3           | 5.19†   |
| Carreras 'A' £1 ...                | 6½½           | 5¼             | 5¼             | 5¼             | 5¼             | 5¼             | 5¼             | 5.70    |
| Distillers Co. £1 ...              | 97/9          | 85/-           | 85/-           | 85/-           | 85/-           | 87/6           | 86/9           | 5.19    |
| Guinness 'A' £1 ...                | 113/-         | 77/6           | 82/6           | 82/6           | 82/6           | 80/7½          | 82/6           | 6.45    |
| Imperial Chemcl. £1 ...            | 32/6          | 27/3           | 26/9           | 27/3           | 25/9           | 26/3           | 27/4½          | 5.85    |
| Imperial Tobacco £1 ...            | 7½            | 5¼             | 5¼             | 5½             | 5½             | 5½             | 5½             | 4.72†   |
| Marks and Spencer 'A' £1 ...       | 66/6          | 46/3           | 45/-           | 45/-           | 45/-           | 46/3           | 46/3           | 4.42    |
| Tate and Lyle £1 ...               | 65/-          | 52/6           | 52/6           | 53/9           | 53/9           | 53/9           | 53/1½          | 6.58    |
| Watney Combe Reid Def. Ord. £1 ... | 68/3          | 50/-           | 50/-           | 51/3           | 51/3           | 51/3           | 51/3           | 7.00    |
| Woolworth (F. W.) 5/- .....        | 65/7½         | 52/6           | 52/6           | 52/6           | 51/10½         | 52/6           | 54/4½          | 5.98    |

† Free of income tax.

Broadly speaking, the direct Budget victims have behaved manfully in face of their new burdens. The E.P.T. will take a large slice of any increased profits in those industries which are fortunate enough to secure them. There may be some "spill-over" of profits to the equity investor after taxation and controls have done their part. But, on the evidence of the Budget alone, there is very little ground for the too frequent distinction drawn—to the prejudice of the latter—between equities and gilt-edged in wartime.

\* \* \*

**Budget Victims.**—The slimming process, however, will be a painful one, not merely for the private investor, but also for many of the consumption trades which have provided such satisfactory investments in the past. Retail trade, in the widest sense, must suffer. Perhaps the fate of this week's Budget victims is an omen of burdens in store for other trades. It is popularly supposed that beer taxation was already at an effective maximum—though the argument owes more to the vagaries of the trade cycle than to ultimate fiscal truth. But the penny on the pint must affect consumption—that is its point. It is impossible to guess the effect upon consumption, though experience in the 1931 emergency Budget—for what the parallel is worth—is enlightening. As a result of the penny increase in September, 1931, plus the emergence of trade depression, consumption of beer fell from 25,047,000 bulk barrels in 1930-31 to 22,217,000 barrels in 1931-32. Moreover, the brewing industry will face increased costs due to higher taxation on sugar,



higher prices for hops, and increased transport costs. In particular areas—steelmaking centres and heavy industrial districts—increased purchasing power may offer an antidote to these depressing factors. For the tobacco industry, the second increase of 2s. per lb. in the tobacco duty within five months must upset all calculations. The growth of the industry into a supplier of a conventional necessity has been assisted by improved quality and low prices. Demand must inevitably be seriously checked by the rises in duty alone. And for the manufacturers the fall in sterling must imply a considerable increase in the cost of leaf tobacco, which must be equalised over a period of years. Finally, the sugar industry is perhaps most fortunately situated, for it is sufficiently homogeneous to pass the duty to the consumer, and its product is an essential commodity whose consumption, in normal times, shows comparatively small response to variations in prices or the national income.

\* \* \*

**Gross and Net Yields.**—The composite income-tax rate of 7s. in the £ which the Chancellor of the Exchequer proposes for the current fiscal year involves a recalculation of the conversion factor for translating net into gross yields, and *vice versa*. For expressing free of tax yields on a gross basis, it is necessary to multiply the net return by 1.538. Conversely, to reduce a gross yield to a tax-free basis, it is necessary to multiply by 0.65. It may be questioned, perhaps, whether the declaration of dividends free of tax will be so widely practised in future. Obviously, many companies will be tempted to follow the lead given by Courtaulds in 1936, and make the transition from tax free to gross dividends. To maintain any given rate of tax-free dividend, when the standard rate of tax has been basically increased from 5s. 6d. to 7s. 6d. in the £—with no necessary guarantee of permanence—would prove a costly matter. Certain preference shareholders will also be affected by the new rate, in cases where their dividends are payable free of income tax up to 6s. in the £—the previous maximum. A selection of typical examples with a comparison of gross yields on the two bases is given below. The yield at the higher rate of tax gives effect to the full relief of 6s.:—

| £1 shares or units           | Price,<br>Sept. 27,<br>1939 | Gross Yield %                         |                                       |
|------------------------------|-----------------------------|---------------------------------------|---------------------------------------|
|                              |                             | With income<br>tax at 5/6<br>in the £ | With income<br>tax at 7/-<br>in the £ |
| Austrian 6% "B" pref. ....   | 23/9                        | £ s. d.<br>6 19 7                     | 7 4 7                                 |
| Calcutta Elec. 5% .....      | 23/-                        | 6 0 0                                 | 6 4 5                                 |
| Lanc. Elec. 6% .....         | 33/-                        | 5 0 5                                 | 5 4 2                                 |
| Morris (Herbert) 5% .....    | 27/6                        | 5 0 5                                 | 5 4 0                                 |
| Phillips (Godfrey) 6% "B" .. | 30/-                        | 5 10 5                                | 5 14 5                                |
| Silazengers 6% .....         | 23/1½                       | 7 3 2                                 | 7 8 5                                 |
| Vickers 5% .....             | 23/9                        | 5 16 2                                | 6 0 7                                 |

Further investment complications will arise by the adjustment of tax deductions at source from dividend payments, in order to establish a joint rate of deduction of 7s. in the £ for the fiscal year, on both interim and final dividends.

\* \* \*

**Excess Profits Tax.**—The replacement of the Armaments Profits Duty (itself a sop to the public conscience, rather than a determined fiscal instrument) by a general Excess Profits Tax, based on the same principles of computation, completes the systematic curtailment of consumption and should assist the prevention of any inflationary dangers arising from the defence borrowing programme. The yield of the new tax will be negligible during the current year, but in succeeding years its importance may rival that of the income tax itself. Until fuller details are available in the Finance Bill, E.P.T. must be described by analogy with A.P.D. The £200,000 arms turnover criterion, characteristic of A.P.D., of course disappears. The criterion for E.P.T. is an excess of profits over those of one of the following alternative periods: the

year 1935; the year 1936; an average of 1935 and 1937; or an average of 1936 and 1937. These optional base periods are fair, in a sense in which the first version of N.D.C. was not fair, for they represent a level of earnings close to the cyclical peak. This point is clearly shown in the following table of index numbers of profits for leading industrial groups:—

| PROFITS INDICES, CALENDAR YEARS (APPROX.) | 1935 1936 1937 1938 |      |      |      |
|-------------------------------------------|---------------------|------|------|------|
|                                           | 1935                | 1936 | 1937 | 1938 |
| Breweries .....                           | 100                 | 109  | 116  | 111  |
| Iron and steel .....                      | 100                 | 134  | 178  | 187  |
| Motors and aviation .....                 | 100                 | 128  | 143  | 137  |
| Oil .....                                 | 100                 | 136  | 165  | 152  |
| Rubber .....                              | 100                 | 165  | 298  | 181  |
| Building materials .....                  | 100                 | 112  | 117  | 110  |
| Food, provisions, etc. ....               | 100                 | 102  | 103  | 102  |
| Electrical equipment .....                | 100                 | 121  | 144  | 142  |
| Miscellaneous industrial .....            | 100                 | 113  | 123  | 112  |
| All companies .....                       | 100                 | 114  | 129  | 120  |

Any excess over the best option available to the traders concerned is accordingly clearly established as due to benefits of war, and 60 per cent. of that excess will be absorbed by the State. Details of the manifold adjustments in respect of new businesses and increased capital will doubtless be forthcoming later, although in view of the generalised character of the tax it is to be presumed that exceptional depreciation on capital extensions effected since January, 1937 (which was fixed at 10 per cent. under A.P.D.), will not be conceded. The incidence of the tax on individual companies cannot be calculated at this stage; moreover, it may be noted that, if E.P.T. calculated on this basis falls below the amount due for National Defence Contribution, the latter will remain payable—a point of importance to those companies which show no growth in profits during war.

\* \* \*

**Local Mortgage Offers.**—While gilt-edged prices are maintained at the prescribed minima, there is no index of the true level of current interest rates. That fact would not necessarily be disadvantageous in a market which is now subject to close, if not totalitarian, control. There is no flow of new issues to test the market's real conception of the current rate of interest. To that extent the control exercised by the Capital Issues Committee is effective, and not unwelcome, for the primary task, as all investors recognise, is to finance the war-time borrowing programme. But for some reason best known to the authorities, the new issue control does not extend to local mortgages. Such borrowers are free to issue mortgage obligations, usually of a strictly short-term character, at highly attractive rates of interest. There are two reasons why this form of finance is undesirable in present circumstances. First, it permits a local authority to scale the barrier to the capital market; secondly, the local mortgage, particularly if it carries a high rate of interest, is a debilitating instrument of local finance, and an encouragement to the creation, through the "tap," of a large volume of short-dated and costly debt, which may prove difficult to renew. Such is the pressure for funds, however, that outside houses are actively offering loans of local authorities, usually for fixed amounts, and at highly attractive rates. A list published this week includes the following items:—

| Amount       | Borrower              | Rate        | Term |
|--------------|-----------------------|-------------|------|
| 50,000 ..... | Gateshead .....       | 4½          | 3    |
| 50,000 ..... | W. Hartlepool .....   | £4 16s. 3d. | 5*   |
| 45,000 ..... | Welwyn Garden City .. | 5           | 6    |

\* Subject to mutual break at end of third year.

The first two loans are available to trustees, and all are offered in multiples of £1,000. All are doubtless sound

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

securities in their class. It is the method by which they are issued, and the threat to any stability of market rates of interest if that method should be extended, which is open to reservation. Returns such as those shown above for ultra-short-dated securities must, if unchecked, prejudice the entire structure of interest-rates. Meanwhile, those authorities who can demonstrate the most pressing urgency of their financial needs can presumably meet those needs with the assistance of the Local Loans Fund.

## Company Notes

**Thomas W. Ward Results.**—The reduction in Thomas W. Ward's interim dividend in the spring of this year from 3½ to 3 per cent. had already prepared shareholders for a decline in profits from the "abnormal level" of 1937-38—to quote the chairman's description at the meeting last October. The accounts published this week show trading profits of £193,225 for the year to June 30th after working expenses and taxation, against £241,698 in the previous year. This 20.2 per cent. setback, on which the directors' report offers no comment, no doubt indicates a fairly general decline in the company's extractive, productive and merchanting activities towards the end of 1938, which subsequent industrial recovery to June apparently failed to make good. After allocating £45,576, against £56,601, to depreciation and making provision for preference dividends and the 5 per cent. (tax free) dividend on employees' shares, a surplus of £101,637 results, compared with £139,897 the year before. The directors, possibly deriving encouragement from the present outlook, have recommended a liberal dividend of 10 per cent. on the ordinary shares (covered with an earnings margin of 2.7), against 12½ per cent. in the previous year, when the margin was 4.8 per cent. A transfer of £15,000 is again made to reserve, and £105,940 is carried forward, against £99,053 brought in. Profits for the past three years are analysed below:—

|                        | Years to June 30 |           |           |
|------------------------|------------------|-----------|-----------|
|                        | 1937             | 1938      | 1939      |
| Trading profit† .....  | £ 288,593        | £ 241,698 | £ 193,225 |
| Total income .....     | 292,600          | 245,095   | 196,542   |
| Depreciation .....     | 52,005           | 56,601    | 45,576    |
| Interest, etc. ....    | 5,241            | ...       | 2,000     |
| Preference divs. ....  | 43,984           | 43,594    | 43,125    |
| Employees' divs. ....  | 3,952            | 5,003     | 4,204     |
| Ordinary shares: ..... |                  |           |           |
| Earned .....           | 187,417          | 139,897   | 101,637   |
| Paid .....             | 82,844           | 100,719   | 79,750    |
| Earned (%) .....       | 22.6             | 17.3      | 12.7      |
| Paid (%) .....         | 10               | 12½       | 10        |
| To reserve .....       | 80,000           | 15,000    | 15,000    |
| Carried forward .....  | 74,874           | 99,053    | 105,940   |

† After charging working expenses and taxation. ‡ Including 2½ per cent. special bonus.

According to the balance sheet, sundry creditors (which includes provision for charges, etc.) shows a considerable decline from £644,458 to £559,435, while general reserve now stands at £135,000. The company is apparently continuing its policy of employing liquid resources to the full. Land and buildings are now valued at £595,225, against £562,919, while shares in subsidiary companies have increased from £339,943 to £542,409. The latter figure excludes the Triumph acquisition, which was announced earlier this month. Stocks show a considerable fall from £1,056,144 to £706,295. Both the company's fixed assets and its stocks are well distributed geographically in the present emergency, and the latter probably avoid liability, to some extent, under the War Risks Insurance (General Exceptions) Order, 1939, from the commodity insurance scheme. The wide scope of the group's activities, which now extend over the whole field of essential war industry from cement and, potentially, through the Triumph acquisition to aircraft manufacture, should ensure satisfactory profits. The £1 shares are quoted at 18s. 9d.

**Rover Company Profits.**—Shareholders have every reason for satisfaction with Rover Company's operations for the difficult year which ended August 5, 1939. Net profits, as disclosed in the preliminary statement, amounted to £205,957, after depreciation, compared with £168,938 for the previous year, and thus increased by almost 22 per cent. The directors point out that, except for a small fee received for operating a shadow factory, the whole of the year's profit has been earned in the motor-car business. Clearly, the company has adequately maintained its position in the medium-priced car market in this period. Taxation again requires £70,000, leaving earnings of £135,957 available for the ordinary shares against £86,938. The directors are therefore able to repeat last year's 15 per cent. dividend and to supplement it by an additional 2½ per cent. cash bonus. Since the latest year's earnings have increased from 19.2 to 30.1 per cent. this distribution is still cautious, as the circumstances dictate. War contingencies reserve receives £50,000 and £55,233 is carried forward, against £48,446 brought in. The company's prospects now depend upon the adaptation of the company's plant to armaments work, and upon the supplemental assistance to profits provided by the shadow factory. But they will undoubtedly be assisted by the £50,000 allocation to war reserve and by the company's liquid position. The directors' comments on the difficulties of the present period of transition and on the long-term prospects of the company will be awaited with interest.

\* \* \*

**Harrisons and Crosfield's Outlook.**—Mr Eric Miller's survey of the past year's results of Harrisons and Crosfield strengthened the general satisfaction with the accounts, for all sections of the business made their due contribution to profits. The special interest of Mr Miller's speech, however, lay in the light which it might shed on prospects of the rubber and tea industries in war-time. Mr Miller's survey of the outlook, however, was necessarily limited in scope, for it is too soon fully to assess the effects of war on the plantation industries. There is no likelihood of any shortage of tea, but it is important that other consumers of tea, such as the U.S.A., Canada and Australia, should be able to obtain their normal supplies from the East. As for the rubber industry, Mr Miller expressed surprise that U.S.A. manufacturers had allowed their rubber stocks to decline to an abnormally low level, and considered that this policy had been partially responsible for fluctuations in the quota. The Regulation Committee, however, should have no difficulty in fulfilling its function, in Mr Miller's view; war activities were likely to call for more rubber. In 1937 and 1938, Germany, Austria and Czechoslovakia imported an annual average of 110,000 tons (for comparative purposes it may be noted that world exports in 1939 are estimated at 970,000 tons), but further supplies are unlikely to reach the Reich. Poland took nearly 8,000 tons in 1938, and supplies to continental neutral countries would presumably be rationed according to need. But although the data at present is slender, the war-time outlook for rubber and tea producers may be provisionally regarded as relatively hopeful.

\* \* \*

**Qualcast Dividend Policy.**—The Qualcast general meeting was to have been held last Tuesday, but owing to the war the directors have postponed the meeting until a later date—at present unspecified—when the directors' recommendations will be made. Meanwhile, the next best course has been adopted: the accounts have been issued, and though no actual recommendations for final dividend and transfers to reserves are made, the report shows, for information only, the proposals that would have been made in normal times. The following table sets out the profits figures, but it must be emphasised that, so far as distribution is concerned, the final ordinary dividend, general

reserve allocation and carry forward are shown for purposes of record only and are not definitive:—

|                                  | Years ended June 30 | 1937   | 1938   | 1939    |
|----------------------------------|---------------------|--------|--------|---------|
| Profit, after depreciation, etc. | £                   | 74,900 | 80,070 | 97,553  |
| Taxation                         | £                   | 10,747 | 13,245 | 26,359  |
| Expenses                         | £                   | 10,804 | 12,345 | 15,212† |
| Prof. dividend                   | £                   | 3,970  | 3,872  | 3,915   |

|                  |   |        |        |         |
|------------------|---|--------|--------|---------|
| Ordinary shares: |   |        |        |         |
| Earned           | £ | 49,379 | 50,608 | 52,067  |
| Paid             | £ | 32,461 | 33,676 | 10,875* |
| Earned %         |   | 45.6   | 45.1   | 47.6    |
| Paid %           |   | 30.4   | 30     | 10*     |

|                 |   |        |        |           |
|-----------------|---|--------|--------|-----------|
| General reserve | £ | 25,950 | 25,000 | (22,750)‡ |
| Carry forward   | £ | 47,882 | 39,814 | (36,288)§ |

\* 10 per cent. interim only; final dividend in abeyance, 20 per cent., costing £21,967. † Including £1,494 A.R.P. and £462 patents bought. ‡ Of which 7½ per cent. on old capital. § In abeyance.

During the year to June 30th last, Qualcast acquired nearly the whole capital of Follows and Bate, who were competitors in the lawn-mower business, and also took over the lawn-mower department of another business. The Follows and Bate accounts cover eighteen months, so as to synchronise them with those of the parent company. As a result of these changes, it is accordingly difficult to pass judgment upon the £17,483 increase in total profits. But shares in subsidiaries at cost have risen from £15,158 to £95,845, and in relation to the apparent outlay on the Follows and Bate shares, the results suggest that the expansion of interests has enhanced the results of a satisfactory year. Until the revised recommendations of the directors are made known, however, the main interest of the accounts must necessarily be concentrated in the balance sheets. The parent company's balance sheet discloses a number of important changes. Interests in subsidiaries are £103,864 higher, debtors total £64,389 against £40,298, and there is an increased holding in Government securities. As the Follows and Bate purchase involved the issue of only 3,000 Qualcast 5s. shares, the cash position has entirely changed, in spite of a fall in stocks from the exceptional level of £108,408 to £70,913. Compared with cash holdings of £60,102 a year ago, there is now an overdraft of £47,891, on which interest has been charged before striking the total profits figure. For the first time, a consolidated balance sheet is presented, which shows total assets of £516,220—a figure which differs only slightly from the parent com-

pany's total assets. It is satisfactory that no value is attributed to goodwill and trade marks. On the whole, the results are satisfactory, though the cash position, as well as the war, may have played some part in the final dividend decision. Qualcast 5s. shares stand at 18s. 9d.

\* \* \*

**Horlicks Setback.**—It is hardly surprising that this patent food and beverage manufacturing company records rather disappointing results for the year to March 31, 1939. Profits, after debenture interest, depreciation and other expenses, have declined from £243,099 to £191,717. This fall of 21 per cent. is apparently due to political uncertainties and increased costs. Taxation requires £61,938 compared with £77,327 in 1937-38, and the earnings percentage on the ordinary stock thus shows a fall from 43.7 per cent. to 34.3 per cent. The directors, however, again recommend a final dividend of 16½ per cent., which maintains the full year's distribution at 30 per cent. In consequence, only £15,000 is put to reserve in the latest year, compared with £50,000 for the previous year, and £20,449 is carried forward against £19,554 brought in. The balance sheet shows an expansion in plant and machinery from £202,215 to £253,236, while stocks have increased from £106,099 to £144,773. Investments, however, have fallen from £621,473 to £568,486. Though the prospects for the company must necessarily be somewhat obscure in wartime, there should be a satisfactory demand for a well-advertised food product both from the forces and from the public. But whether these possible supports to the company's turnover will prove sufficient to offset rising costs is another question. The 5s. ordinary stock units are quoted at 20s.

\* \* \*

**The Week's Company Profits.**—Our usual analysis of profit and loss accounts appearing on page 626 covers 27 companies, whose latest net profits show a 6 per cent. fall to £1,199,000 against £1,274,000. Aggregate net profits of 1,786 companies reporting in 1939 to date are £223,359,000, and are 8 per cent. lower than the total of £242,679,000 earned by the same companies a year ago. The week's results are discussed in preceding Notes and on page 615 under the heading "Shorter Comments."

## THE STOCK EXCHANGES

### London

Note: All dealings are for Cash

THE main factor this week has been the Budget, and in the absence of fresh war developments, business became subdued in the earlier part of the week. Turnover was small, and prices tended to drift downwards from sheer neglect. Paradoxically, the tone was distinctly better immediately before the Budget speech, and the general impression is that the effects of fresh taxation had been adequately discounted. The lowering of Bank rate softened the blow for markets. It became possible to deal again in four or five leading gilt-edged stocks, and ordinary shares recovered their initial losses.

Earlier this week, the gilt-edged market remained in a state of inaction, interest being confined to the Conversion 4½ per cent., which was dealt in just comfortably above the minimum. But on Wednesday there was considerably more freedom of dealing on hopes of a Bank Rate reduction and on bear covering before the War Budget. On the lowering of Bank Rate to 3 per cent., gilt-edged

confidence recovered sufficiently to permit of freer dealings. Conversion 4½ per cent., which closed at 101½ on Wednesday, and opened at 101 on Thursday morning, had recovered to 101½ by the close.

Foreign bonds lacked uniformity, though they had on the whole a steadier appearance in mid-week after a poor beginning. The trend of European issues was mostly lower, while there was occasional support for Japanese and Argentine bonds. Home rails were quietly firm at first on hopes of an announcement of Government compensation terms. Demand for the ordinaries and marginal stocks became relatively brisk towards mid-week, and the prior charges attracted business at or above their unofficial minima. One of the main features of the railway market, however, was demand for Canadian Pacific on expectations of increased freight activity.

There was little activity in industrials up to the time of the Budget, and though there was some recovery in prices towards mid-week—after a previous tendency to drift—the increase in business was very tentative. Adequate

allowance, however, had been made for possible taxation proposals, and the market withstood the shock of a merciless Budget very well.

Iron and steel shares again showed the uncertain trend that has been in evidence since war started. Small losses were widespread on Tuesday, but there was a firmer tone in mid-week. Coal shares lost ground, though Wm. Cory rallied on Wednesday. Electrical equipment issues ruled lower on the whole, and the number of transactions was small. Motor issues made a mixed showing, as there was no clear trend, and demand was selective. Rover responded to the good results. Aircraft shares were again quiet and only slightly changed. Textile and rayon shares proved steady if uninteresting. Breweries, apparently discounting increased taxation, had a firm appearance this week, while tobacco shares after some nervousness on Monday became imbued with a similar optimism and advanced accordingly on Tuesday and Wednesday. The stores group slipped back early in the week, led by Woolworths, but later wiped out some of the losses, while Cerebos was a firm feature among pro-

vision and catering issues on Wednesday. Shipping shares, apart from general fractional improvements on Tuesday, have moved irregularly. Further weakness was displayed after the week-end by the miscellaneous group, but the trend was reversed on Wednesday, with Imperial Chemicals, British Oxygen and Dunlop firm features. The response of industrial shares to the combination of the Budget and lower Bank rate was not wholly unfavourable. Many initial losses on Thursday were more than regained by the close.

\*

Oil shares made a good showing after the week-end led by "Shell." An easier tendency developed on Tuesday, despite only limited trading of a professional character in mid-week. Some of the earlier losses were recovered. Trinidad issues were a firm feature all week. Rubber shares have been quiet this week, the setback in the commodity price on Tuesday occasioning only limited liquidation. Tea shares have been dull pending the Budget announcement and the Government scheme of tea marketing in war time.

In the mining market business has been difficult to negotiate this week, light selling pressure being sufficient to cause somewhat severe marking down in prices. On Monday, producing affairs moved irregularly but Sub Nigel and Geduld were weak features. The downward movement developed towards mid-week, assisted by rumours of French liquidation. Developing issues followed the general trend. Finance issues have been particularly weak, led by General Mining and Gold Fields. Leading West African issues, though never really tested, have held their ground all week. Among base metals, Rhodesian copper shares were first adversely affected by a moderate volume of selling, and though a half-hearted rally developed on Tuesday, prices slid back later in quiet trading. In shares have moved irregularly, and a particular trend developed.

### "FINANCIAL NEWS" INDICATORS

| 1939     | Total Bargains† | Corres. Day 1938 | Security Indices |                |
|----------|-----------------|------------------|------------------|----------------|
|          |                 |                  | 30 ord. shares*  | 20 fixed int.† |
| Sept. 22 | 2,045           | 5,370            | 67.3             | 110.6          |
| " 25     | 2,705           | 5,370            | 66.7             | 110.0          |
| " 26     | 2,295           | 5,045            | 66.4             | 110.0          |
| " 27     | 2,470           | 5,140            | 67.1             | 110.0          |
| " 28     | 2,090           | 6,285            | 66.9             | 109.8          |
| 1938     | ...             | ...              | 88.0             | 123.5          |
| Mar. 10  | ...             | ...              | 66.4             | 109.8          |
| Sept. 28 | ...             | ...              | ...              | ...            |

\* Approx. total recorded in S.E. List. \* July 1, 35 = 100. † 1938 = 100.

### ACTUARIES' INVESTMENT INDEX

THE Actuaries' Index of fixed-interest securities for September brings out interesting comparisons with the crisis month of September, 1938. Industrial debentures and preference shares, which are not subject to minimum prices, show a greater relative fall both since August and since September, 1938, than Old Consols. It is hoped at publication of the Actuaries' index, now temporarily suspended, will shortly be resumed. The customary monthly particulars of fixed-interest securities are given as follows.

| Group (and No. of Securities) | Prices (Dec. 31, 1928 = 100) |               |                |
|-------------------------------|------------------------------|---------------|----------------|
|                               | Sept. 27, 1938               | Aug. 29, 1939 | Sept. 26, 1939 |
| Fixed Interest:—              |                              |               |                |
| 2½% Consols (1).....          | 119.1                        | 113.9         | 110.5          |
| Misc. ind. deb. (14)....      | 118.7                        | 105.4         | 98.6           |
| Misc. ind. pref. (26).....    | 111.6                        | 98.9          | 93.9           |
| Group                         | Yields (%)                   |               |                |
|                               | Sept. 27, 1938               | Aug. 29, 1939 | Sept. 26, 1939 |
| Fixed Interest:—              |                              |               |                |
| 2½% Consols (1).....          | 3.75                         | 3.92          | 4.04           |
| Misc. ind. deb. (14)....      | 4.02                         | 4.51          | 4.83           |
| Misc. ind. pref. (26).....    | 4.42                         | 4.95          | 5.22           |

### WEEKLY AVERAGES

|                | 1939        |             |               |                |                |
|----------------|-------------|-------------|---------------|----------------|----------------|
|                | Low Apr. 12 | High Jan. 4 | Sept. 6, 1939 | Sept. 13, 1939 | Sept. 20, 1939 |
| 347 Ind'ls.... | 92.8        | 114.5       | 109.5         | 113.7          | 112.2          |
| 32 Rails.....  | 23.3        | 32.5        | 27.6          | 31.2           | 31.1           |
| 40 Utilities   | 77.8        | 89.9        | 83.2          | 84.7           | 83.7           |
| 419 Stocks     | 79.3        | 95.6        | 92.0          | 95.5           | 94.4           |
| Av. yield*...  | 4.42%†      | 3.31%‡      | 3.82%         | 3.68%          | 3.71%          |

\* 50 Common Stocks. † Aug. 2nd ‡ Aug. 23rd.

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

| Sept. 14 | Sept. 15 | Sept. 16 | Sept. 18 | Sept. 19 | Sept. 20 |
|----------|----------|----------|----------|----------|----------|
| 128.6    | 128.3    | 126.3    | 121.9    | 126.8    | 126.8    |

1939 High: 130.3 January 4th. Low: 98.8 April 8th.

### TOTAL DEALINGS IN NEW YORK

| 1939         | Stock Exchange |               |
|--------------|----------------|---------------|
|              | Shares 000's   | Bonds \$000's |
| September 21 | 1,730          | 15,470        |
| " 22         | 1,660          | 16,620        |
| " 23*        | 1,560          | 6,010         |
| " 25         | 1,230          | 13,520        |
| " 26         | 1,710          | 16,920        |
| " 27         | 2,340          | 20,910        |

\* Two-Hour Session.

## Capital Issues

### CAPITAL ISSUE TOTALS

| Week ending                                | Nominal Capital       | Conversions           | New Money   |
|--------------------------------------------|-----------------------|-----------------------|-------------|
| September 30, 1939                         | £                     | £                     | £           |
| To the Public.....                         | Nil                   | Nil                   | Nil         |
| To Shareholders.....                       | Nil                   | Nil                   | Nil         |
| By S.E. Introduction....                   | Nil                   | Nil                   | Nil         |
| By Permission to Deal                      | 42,095                | ...                   | 42,095      |
| Saving Certs., week to Sept. 23, 1939..... | Dr. 150,000           | ...                   | Dr. 150,000 |
| Year to date                               | Including Conversions | Excluding Conversions |             |
| 1939 (New Basis).....                      | 108,088,669           | 85,562,727            |             |
| 1938 (New Basis).....                      | 237,719,105           | 217,828,142           |             |
| 1939 (Old Basis).....                      | 71,673,052            | 50,242,973            |             |
| 1938 (Old Basis).....                      | 174,498,546           | 155,587,678           |             |

### Destination (Excluding Conversions)

| Year to date          | U.K.        | Brit. Emp. ex U.K. | Foreign Countries |
|-----------------------|-------------|--------------------|-------------------|
| 1939 (New Basis)..... | 58,042,847  | 25,274,148         | 2,245,732         |
| 1938 (New Basis)..... | 167,367,209 | 47,590,756         | 2,850,177         |
| 1939 (Old Basis)..... | 34,082,882  | 15,840,091         | 320,000           |
| 1938 (Old Basis)..... | 131,663,375 | 21,104,231         | 2,820,072         |

### Nature of New Borrowing (Excluding Conversions)

| Year to date          | Deb.        | Pref.      | Ord.       |
|-----------------------|-------------|------------|------------|
| 1939 (New Basis)..... | 44,812,640  | 8,119,649  | 32,630,438 |
| 1938 (New Basis)..... | 137,870,097 | 15,376,492 | 64,581,553 |
| 1939 (Old Basis)..... | 37,458,921  | 2,686,459  | 10,919,413 |
| 1938 (Old Basis)..... | 126,841,813 | 9,252,053  | 19,493,812 |

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.

## SHORTER COMMENTS

**Company Results of the Week.**—Satisfactory progress is shown by HORSELEY BRIDGE and THOMAS PIGGOTT and by STOTHERT AND PITT, who both pay higher dividends. Total profits of the former company are £106,824 against £87,365, though there is a reduction in net profits owing to higher taxation. RANSOME AND MARLES BEARING COMPANY report a substantial increase in sales, and there is some improvement in earnings. The setback in J. HEPWORTH AND SON net profits from £86,156 to £66,143 is somewhat sharp, but the 5 per cent. dividend is repeated. Though there is no alteration to the 20 per cent. dividend, net profits of ASPRO, LTD., amount to £181,341, against £168,260.

(Continued on page 620)

## New York Prices

|                                 | Close Latest Sep. 21, 1939 | Close Latest Sep. 28, 1939 |
|---------------------------------|----------------------------|----------------------------|
| 1. Rails and Transport          |                            |                            |
| Atchafalaya.....                | 3114                       | 3254                       |
| Balt. & Ohio.....               | 77                         | 85                         |
| Ches. & Ohio.....               | 4214                       | 4554                       |
| G.N. Ry. P. C.....              | 3058                       | 3214                       |
| Illinois Cent.....              | 1478                       | 1514                       |
| N.Y. Central.....               | 2058                       | 2178                       |
| Northern Pac.....               | 1114                       | 1238                       |
| Pennsylv. R.....                | 2478                       | 2678                       |
| Southern Pac.....               | 1612                       | 18                         |
| Southern Ry.....                | 1812                       | 2014                       |
| Union Pac.....                  | 9912                       | 10412                      |
| 2. Utilities and Communications |                            |                            |
| Am. W. Works.....               | 1358                       | 1418                       |
| Con. Edison.....                | 30                         | 3058                       |
| Col. Gas & El.....              | 754                        | 778                        |
| Nat. Pwr. & Lt.....             | 812                        | ...                        |
| N. American.....                | 22                         | 23                         |
| Pac. Gas & El.....              | 36                         | ...                        |
| Pub. Serv. N.J.....             | 3818                       | 3918                       |
| United Corp.....                | 3                          | 3                          |
| Un. Gas Imp.....                | 1314                       | 1358                       |
| Amer. Tel.....                  | 16114                      | 161                        |
| Inter. Tel. For.....            | 518                        | 514                        |
| Westn. Union.....               | 3512                       | 3454                       |
| Radio.....                      | 578                        | 6                          |
| 3. Extractive and Metal         |                            |                            |
| Am. Rol. Mill.....              | 2134                       | ...                        |
| Beth. Steel.....                | 9318                       | 9118                       |
| Republic St.....                | 2778                       | 2758                       |
| U.S. Steel.....                 | 7812                       | 7638                       |
| Am. Metal.....                  | 26                         | 2654                       |
| Am. Smelting.....               | 5814                       | 56                         |
| Anacostia.....                  | 3412                       | 33                         |
| Cerro de Pas.....               | 42                         | 4058                       |
| Int. Nickel.....                | 39                         | 3654                       |
| Kennecott.....                  | 43                         | 4078                       |
| U.S. Smelt.....                 | 6658                       | ...                        |
| 4. Manufacturing                |                            |                            |
| Briggs.....                     | 2314                       | 2414                       |
| Chrysler.....                   | 89                         | 89                         |
| Gen. Motors.....                | 54                         | 5454                       |
| Boeing Airplan.....             | 2858                       | ...                        |
| Douglas Air.....                | 7734                       | 7712                       |
| United Aircraft.....            | 4418                       | 4354                       |
| Dupont.....                     | 180                        | 189                        |
| Urd. Carbide.....               | 62                         | ...                        |
| Gen. Electric.....              | 4112                       | 4138                       |
| West. Elec.....                 | 1154                       | 11712                      |
| American Can.....               | 112                        | 112                        |
| Caterpillar.....                | 6054                       | ...                        |
| Int. Harvester.....             | 6912                       | 6958                       |
| Johns Manville.....             | 8058                       | 77                         |
| Corn Prods.....                 | 6012                       | ...                        |
| J.I. Case & Co.....             | 88                         | 88                         |
| Glidden.....                    | 1754                       | ...                        |
| Celanese of A.....              | 2678                       | 2614                       |
| Eastm'n Kdk.....                | 15812                      | 158                        |
| Loews.....                      | 3318                       | 3214                       |
| 20th Cen. Fox.....              | 13                         | 1278                       |
| 5. Retail Trade, etc.           |                            |                            |
| Mont. Ward.....                 | 5344                       | 5414                       |
| Seam Roebek.....                | 7854                       | 78                         |
| Woolworth.....                  | 38                         | 3854                       |
| Nat. Dairy.....                 | 1512                       | 1534                       |
| Am. Tob. B.....                 | 7718                       | 7614                       |
| Nat. Distillers.....            | 2234                       | 2318                       |
| 6. Finance                      |                            |                            |
| Com. Credit.....                | 4334                       | ...                        |
| Com. Inv. Tr.....               | 4734                       | ...                        |

\* Id.

Owing to cable delay we are unable to print the usual Standard Statistics stock indices. For purposes of record we reproduce last week's figures (1926 = 100).



# Industry and Trade

**Employment and the War.**—The outbreak of war has naturally caused some dislocation in industry. There has been an abrupt decline in the activity of a number of trades ministering to the consumer, especially luxuries, and an acceleration of output in the defence sector of industry. The effect on insured employment was a fall of 76,000 in the number of unemployed males between August 14th and September 11th and an increase of 175,000 in the number of females on the registers of unemployment exchanges. The increase in unemployment among women has been accentuated by evacuation. So far as individual industries are concerned, unemployment has shown an increase in the hotel and boarding-house and distributive trades, and in the entertainments, sports and fishing industries. Increases are also reported from the furniture, tailoring, dressmaking and millinery trades, from some of the textile trades, and from the motor industry. On the other hand, there has been a further improvement in the coal-mining, iron and steel, engineering and ship-building industries. Since September 11th, unemployment in the consumption goods industries is understood to have shown a further increase, while a number of trades engaged on war work have been hampered by the difficulty in obtaining banking accommodation.

**Unemployment in Key Industries.**—As a result of the rapid expansion of the industries supplying the means of warfare since the beginning of this year unemployment has been substantially reduced and, in many cases, virtually eliminated. The following table shows the number of persons engaged in selected important industries in July, 1938, together with the percentages unemployed in August, 1938, and August, 1939:—

|                                        | UNEMPLOYMENT IN IMPORTANT INDUSTRIES |                         |                         |
|----------------------------------------|--------------------------------------|-------------------------|-------------------------|
|                                        | No. insured July, 1938 ('000)        | Percentage August, 1938 | Percentage August, 1939 |
| Coal-mining .....                      | 858                                  | 18.0                    | 11.1                    |
| Chemicals .....                        | 113                                  | 7.0                     | 4.8                     |
| Pig iron .....                         | 17                                   | 20.9                    | 9.1                     |
| Steel melting, rolling .....           | 183                                  | 25.7                    | 9.0                     |
| Tinplates .....                        | 27                                   | 42.8                    | 5.8                     |
| General engineering .....              | 640                                  | 7.8                     | 4.5                     |
| Electrical engineering .....           | 118                                  | 5.3                     | 2.9                     |
| Marine engineering .....               | 57                                   | 7.7                     | 6.0                     |
| Motors, cycles, aircraft .....         | 388                                  | 7.4                     | 4.0                     |
| Shipbuilding and repairing .....       | 175                                  | 20.4                    | 17.1                    |
| Electric cable, apparatus, lamps ..... | 180                                  | 7.1                     | 4.0                     |
| Hand tools, etc. ....                  | 32                                   | 17.8                    | 9.1                     |
| Explosives .....                       | 30                                   | 3.4                     | 2.9                     |

In a number of industries, including pig iron, steel melting and rolling, and tinplates, unemployment has been more than halved in the past twelve months, while in the chemical and explosives trades, as well as in general and electrical engineering, in the motors, cycles and aircraft section, and in electric cable and apparatus manufacture the percentage of insured persons unemployed was already below 5 in August. This does not mean, however, that output cannot be further increased; thus the Amalgamated Engineering Union has agreed to dilution, which should enable output to be speeded up. Moreover, a substantial proportion of the capacity of some of these trades is still employed on civil work and could in case of need be diverted to military ends.

**Coal Production in War.**—Consultations are taking place between representatives of colliery owners and miners and between the industry and the Government, with a view to increasing the production of coal. In the last war over 250,000 miners enlisted, or nearly one-fourth the personnel in August, 1914, and although nearly 75,000

persons were in this period drafted into the industry, largely from other employments, the production of coal in the United Kingdom in 1915 was only 253.2 million tons, compared with 287.4 million tons in 1913. Meanwhile, inland consumption had increased from 189 million tons to about 200 million tons, and as a consequence of the fall in production at a time when inland consumption as well as the bunker requirements of the Allied Fleets (then coal-burning) were increasing, neutral countries had to be severely rationed. Far-reaching changes have taken place during the past twenty years in the structure, output capacity and in the nature of the coal trade. There are now only about 2,000 mines at work, compared with over 3,000 in 1913; while the number of persons employed has been reduced from over 1.1 millions to less than 770,000; moreover, during the first half of the current year production was at the rate of about 236 million tons per annum, compared with 287½ million tons in 1913; and the quantity exported as coal, coke and patent fuel (in terms of coal) was at the rate of 51 million tons, compared with 98.3 million tons. By the Schedule of Reserved Occupations, and by the provisions of the Armed Forces (Conditions of Service) Act and the National Service (Armed Forces) Act, the Government has taken steps to ensure that the man-power essential to the industry shall not be unnecessarily diminished, and arrangements between the Minister of Labour and the War Office have led to the temporary demobilisation of key men from the Territorial Army and to the return of others who had enlisted for full-time A.R.P. work or taken up Government contract employment. It is difficult to say how far it may be possible to reopen pits at which operations have been suspended, to reopen collieries which have closed down, to employ miners who have been for years out of work, and to reduce the normal rate of absenteeism. These questions are now being investigated, but the need for an increase in coal production is imperative, and it is particularly gratifying to know that the industry itself has never before been so united in its desire to serve the national interest.

**Cotton Trade Wages.**—Although no definite action has yet been taken, several meetings of the cotton trade unions have been held in Manchester this week, and it is fairly certain that within the next few days the operatives in all sections of the industry will make an application to the employers for higher wages. Individual employers have already been approached by their workpeople for concessions and in some cases an advance has been granted. For a long time before the outbreak of war the scarcity of labour, especially of young persons, has been a serious problem in the cotton industry, and the shortage has been accentuated during the last few weeks, as many of the operatives have attempted to leave the mills in order to secure the higher wages paid in the National Services or in other trades. It is understood that some managers of mills have offered inducements to employees at other factories to transfer their labour. In the circumstances it is expected that the employers will have to grant a general increase in wages. Negotiations are also continuing on the subject of working hours during the winter months. It has been proposed that operations should be restricted to daylight hours, but manufacturers engaged on Government contracts who have made the necessary arrangements to black-out their mills are not prepared to agree. Arrangements are being made to appoint joint committees of representatives of the employers and the trade unions to discuss the necessary changes in working hours and conditions.

**Sheffield's Steel Production.**—Compared with 1918, Sheffield's capacity for steel production has increased by at least one-half. Measured by value, the city's steel output

has more than doubled, for a much higher proportion of the total production is now worked up into high-priced articles such as precision tools. Trade in Sheffield's own specialities—alloy and stainless steels—is increasing rapidly. Manganese steel, for instance, invented in Sheffield nearly forty years ago, is in great demand for dredging machinery, coal screens and conveyors, tramway points, and other uses in which resistance to wear cannot be countered by lubrication. Stainless steel is being used to an increasing degree in household and canteen fittings, and the first stainless steel lifeboat was exhibited last year in Glasgow. Greatly increased quantities are now required for all types of tools and for various kinds of armaments. In spite of enlarged production the demand for acid and basic billets cannot be satisfied. Railway engines and wagons and commercial road vehicles are in very strong request and orders are rapidly coming in to hand for quarry and cement machinery, for heavy shipbuilding steel, and for steel sheets for civil defence. The restriction of imports of timber is likely to increase the pressure on the steel-making capacity of this country, and Sheffield will probably produce this year some 1,800,000 tons of steel, mostly of the very valuable types, compared with an output in 1913 of only 800,000 tons.

**August Imports by Commodities.**—The preliminary overseas trade returns for August, which were noted on page 578 of last week's *Economist*, revealed that compared with a year ago, there was a considerable rise in the value of imports and a smaller rise in the value of British exports. The increase in imports was due partly to a larger

RETAINED IMPORTS—MONTH OF AUGUST

| Items and Measure                    | 1937   | 1938   | 1939   |
|--------------------------------------|--------|--------|--------|
| Wheat .....                          | 8,588  | 10,313 | 10,815 |
| Beef and veal .....                  | 1,181  | 1,202  | 1,387  |
| Mutton and lamb .....                | 593    | 426    | 620    |
| Sugar (unrefined) .....              | 3,551  | 4,523  | 3,796  |
| Iron ore and scrap .....             | 691    | 32     | 114    |
| Raw cotton .....                     | 645    | 903    | 621    |
| Sheep's and lambs' wool .....        | 374    | 259    | 548    |
| Flax, hemp and jute .....            | 18,019 | 19,806 | 17,960 |
| Crude petroleum .....                | 42,966 | 56,894 | 49,625 |
| Hides, wet and dry .....             | 217    | 133    | 219    |
| Wood pulp .....                      | 172    | 140    | 171    |
| Rubber .....                         | 414    | 389    | 46     |
| Unwrought copper .....               | 37,904 | 22,876 | 29,077 |
| Pig lead .....                       | 27,379 | 30,442 | 23,877 |
| Tin: Ore and concentrates .....      | 5,091  | 3,870  | 807    |
| Blocks, ingots, slabs and bars ..... | 2,932  | 710    | 480    |
| Iron and steel manufactures .....    | 213    | 50     | 237    |
| Machinery .....                      | 12,667 | 8,723  | 10,706 |

BRITISH EXPORTS—MONTH OF AUGUST

| Item and Measure                         | 1937    | 1938    | 1939    |
|------------------------------------------|---------|---------|---------|
| Coal .....                               | 3,529   | 2,863   | 3,005   |
| Iron and steel scrap .....               | 12,818  | 26,310  | 4,676   |
| Pig-iron and ferro-alloys .....          | 14,231  | 4,241   | 7,715   |
| Railway materials .....                  | 23,838  | 11,653  | 8,387   |
| Total, iron and steel manufactures ..... | 201,352 | 135,068 | 135,651 |
| Textile machinery .....                  | 5,858   | 8,331   | 4,017   |
| Total machinery .....                    | 34,723  | 33,869  | 30,303  |
| Cotton yarns .....                       | 13,577  | 8,967   | 9,686   |
| Cotton piece-goods .....                 | 161,992 | 108,177 | 126,051 |
| Wool tops .....                          | 3,303   | 2,631   | 3,547   |
| Worsted yarns .....                      | 2,025   | 1,900   | 1,614   |
| Woolen tissues .....                     | 8,377   | 6,443   | 6,349   |
| Worsted tissues .....                    | 4,145   | 3,160   | 3,583   |
| Linen piece-goods .....                  | 6,494   | 3,809   | 5,311   |
| Leather boots and shoes .....            | 35,494  | 28,017  | 25,078  |
| Leather .....                            | 18,201  | 14,700  | 13,436  |
| Paper and cardboard .....                | 393,353 | 255,148 | 295,381 |
| Locomotives and parts .....              | 1,653   | 2,125   | 512     |
| Motor vehicles and chassis .....         | 8,433   | 5,056   | 6,505   |

intake of meat, wood and timber, wool, iron and steel manufactures and machinery. There was a noticeable fall in the exports of iron and steel scrap, railway materials and locomotives, but exports of pig iron and ferro-alloys, of textile piece goods, of wool tops and of paper showed considerable increases.

**Fish Again at Billingsgate.**—At the outbreak of war it was decided to bring immediately into effect the plans for the decentralisation of the distributive side of

the fish industry. These plans, which were based on the expectation of heavy air raids on London and other ports immediately war was declared, provided for the setting up of a number of inland fish distributive centres and for the allocation of fish merchants and buyers to the appropriate centres. The natural difficulties which beset any such scheme of decentralisation were aggravated by the small supplies of fish available and by the difficulties of transport due to interrupted train schedules, to the commandeering of vehicles and to the black-out. Further, the allocation of fish to the different centres gave rise to many complaints, since the types of fish demanded by fish friers are quite different to those required by the high-class fishmonger. During the fortnight that this experiment was in force its effect was shown chiefly by the dearth of fish, and the announcement that the Ministry of Food had decided to abandon the scheme was greeted with general approval. Regulation of fishing boats remains, together with powers to control prices in the event of a shortage. Meanwhile, the fish market has been reinstalled at Billingsgate and the customary auctions have been resumed at the fishing ports.

**Supplies from the Dominions.**—To prevent an interruption in the normal flow of food supplies the Ministry of Food has taken over the task of providing the main foods for the civilian population. In order to compensate for the expected fall in imports from the Baltic and North Sea countries, farmers in this country have been called upon to grow more food, and the Dominions, who have seen in the last six years one limit after another placed on their exports to this country, have also taken up with enthusiasm the task of supplying the British population. The New Zealand Government, which already controls, through its Dairy Products Marketing Department, the export of the main New Zealand products, has reserved for the British market all the surplus food produced. The Australian Government has taken over the 1939 wheat harvest and is negotiating with the British Government over the selling price of the entire wool clip. The Canadian Government has announced that it will supply to the United Kingdom as much of the surplus wheat as is required, and has set up an Exchange Control Commission to regulate the import and export trade. Since all these Dominions in recent years have been concerned with the problem of excess productive capacity of the staple foods such as grains, meat and fruit, a rapid increase in production can be expected. Provided, therefore, that the loss of ships can be kept down, it seems likely that the Ministry of Food will not be called upon after the first few months to allocate rations for a diminished food supply, except possibly for special commodities such as bacon. The problems of internal transport and of distribution to a scattered population may indeed be eventually of more importance.

**Trade of Neutral Countries.**—During the last week in August and the first in September most of the European countries took steps to bring their import and export trade under the control of the State; an outline of such legislation has been given week by week in the *Board of Trade Journal*. In order to conserve home supplies of foods and other important commodities, all European neutrals prohibited temporarily their export; some States also set up an import monopoly of these types of commodities. Exports of armaments have been entirely prohibited by the States concerned in their manufacture. A second step has been the control of exports to belligerent countries, which has involved the setting up of licensing departments and trade councils of the important industries concerned. Countries with large mercantile fleets such as Norway and Holland have also instituted insurance against marine war risks. Measures have also been necessary to control more closely dealings in foreign exchange and foreign securities; the fall in the value of sterling in the last month has further intensified the financial difficulties of foreign trade for the Baltic and Scandinavian States.

## INDUSTRIAL REPORTS

**BROADLY**, there has been a recession in industries ministering to the consumer in recent weeks, while defence work has been speeded up further. The growth of the defence sector of British industry, however, has not been sufficient to offset the decline in civil work. The home demand for coal has shown a tendency to expand, partly because of the desire of householders to lay in stocks before rationing becomes effective. The iron and steel industry, too, is rapidly expanding its output in order to meet the increase in demand, mainly for defence purposes. Further details concerning the general trend of business and the position of individual industries will be found in the *Trade Supplement* published with this week's *Economist*.

## Coal

**Sheffield.**—The inland market is very strong, and prices firm. Steam-raising smalls are in sharp demand, but stocks are ample for all requirements. Household buying has been heavy in anticipation of rationing, and utility undertakings are calling for heavy deliveries under contract. Coking smalls are fully taken up as a result of the demand for blastfurnace coke, and patent oven and central heating qualities are moving freely. Export business is being arranged under licence, prices being about a shilling above those ruling at the outbreak of war.

★

**Newcastle-on-Tyne.**—The market is fairly steady; export licences are granted fairly freely, but at the present there is no scarcity of any class of coal. Patent oven coke is in good demand from neutral countries, but most makers are fully booked. From midnight last Friday Northumberland steam prices for export were increased 2s. per ton to 21s. per ton for prime large steam coal, with singles and doubles at 19s. 6d. per ton f.o.b. A similar increase has been made in Durhams for export, which brings prime coking coal up to 22s. 6d. per ton and gas coals up to 21s. per ton f.o.b.

★

**Glasgow.**—Full-time activity continues in the Scottish coal trade. Home business, in particular, is on an extensive scale, and several collieries are arranging to increase their outputs. The position will, no doubt, ease once the rationing arrangements for domestic consumers come into force, as the recent demand has been largely for stocking purposes. Public utility undertakings, both in the land-sale market and on coastal shipping account, have also taken in extra tonnages. The shipping market is steadily adjusting itself to the new conditions, but is on a restricted basis, partly as a result of the extreme pressure in the home market. New export price lists have been issued involving increases ranging from 1s. 6d. to 2s. 6d. per ton f.o.b. This increase is due partly to higher wages and increased costs of pitwood, but it is also

a co-ordinating movement to align the prices of the various districts.

★

**Cardiff.**—The market is rapidly settling down under the emergency regulations. Production suffered through enlistments and the migration of a number of craftsmen to other war-time employments, but the Government is co-operating with the industry with a view to improving the labour position. There has been a substantial increase during the past week in the quantity of coal shipped at the South Wales docks, and more neutral tonnage has been available for employment. In the inland trade industrial deliveries are regular and plentiful, but there are still delays in supplying domestic orders. In the rationing of supplies several administrative details have still to be adjusted, notably the determination of "basic" quantities and their relation to actual consumption rather than to the dates of purchases in each of the quarterly periods. In the consideration of such matters there is close and active co-operation between the Mines Department, the Chamber of Coal Traders, and the Central and District Wholesale and Retail organisations, and it is expected that these problems will be solved without much difficulty.

## Iron and Steel

**Sheffield.**—The restrictions imposed by Government control of iron and steel are reflected in the market. Attendance appears to be more for discussion than for transaction of business, but difficulties are being rapidly smoothed out. There is a better demand for all types of pig iron. Supplies of basic steel billets are still behind users' requirements, and pressure for other steel materials is fully maintained.

Production of steel in this district is at a very high level, but steps are being taken to increase it still further. High quality steels are in specially urgent demand. Good supplies of iron and steel scrap are available. Maximum prices have been arranged for most classes, but with certain exceptions sales and purchases are exempted for the time being from licence requirements.

★

**Glasgow.**—Intense activity is maintained in every branch of the iron and steel trade in the West of Scotland. Steelmakers are overwhelmed with work on orders already on the books and there is in addition a constant stream of new orders from shipbuilders and from the various engineering trades, not only in this district but from all parts of the country. Sheet makers and other re-rollers are working continuously and present stocks of raw material are sufficient for immediate requirements. At the same time stocks of semis and other material are quickly being absorbed, but it seems to be generally accepted that further supplies will be available in sufficient quantity to ensure continuity of operations. Improvement is maintained in the light castings trade and full time working is general.

**Cardiff.**—The heavy branches of the iron and steel industry in South Wales continue to be fully employed and the re-rolling branches are as busy as the supply of raw materials allows. In the tinplate trade production under the pooling scheme has recovered to 70.38 per cent. of capacity, and the licensing regulations governing exports are now operating smoothly. Under the revised schedule of scrap prices heavy cast iron has been raised from 60s. 3d. to 65s. 3d. for East Wales and 67s. 9d. for West Wales; light scrap iron from 55s. 3d. to 60s. 3d. and 62s. 9d., respectively, while good cast iron machinery has been raised from 75s. to 75s. 9d. per ton. There is no abatement in the heavy pressure of the demand for sheets.

★

**News from Abroad.**—Uneasiness is still prevailing on international steel markets. The main obstacles in the way of contracting and carrying out orders are the transport conditions and costs and the reluctance of shipowners to contract freights. Even transactions between neutral countries are often subject to these difficulties, and American exporters, who entered the market on the outbreak of war on a large scale, are not entirely satisfied with the actual execution of sales transactions. A certain improvement has recently taken place, but the insecurity of the seas continually raises new problems. Prices also contribute to the unsatisfactory conditions, both from the point of view of sellers and from that of buyers who, owing to the instability of freight and insurance costs, are not in a position to calculate their actual c.i.f. costs. Belgian sellers have abandoned sterling quotations, and are trying to find a new level which meets the circumstances.

The distribution of exports among the large steel exporting countries will undergo considerable changes during the war, certain features of which are already discernible. Thus, Germany will cater largely for the Eastern European countries and will endeavour to maintain her supplies to the Baltic countries in order to secure foreign currency. Germany's former overseas customers, however, will have to draw supplies, as far as possible, from the Western European countries, and, to a larger extent, from the United States.

## Textiles

**Cotton (Manchester).**—Although many difficulties have been experienced in arranging price and delivery, many producers have sold freely at figures which show a distinctly wider margin of profit than a month ago. In most sections of the industry a sellers' market has been established. American prices show little change, but there has been a rather sharp fall in rates for the Egyptian staple in Liverpool. There have been substantial sales of American yarn, especially coarse counts. The question of delivery has tended to become more acute, and some spinners have refused to sell without a guarantee from customers that the material is wanted for Government contracts. Egyptian yarns have been purchased in limited lots, but spinners complain that

it is difficult to secure sufficient orders from home users to equal the lost export trade. Demand for piece-goods has been persistent. Home trade buyers have wanted to ensure future supplies of standard makes and some considerable transactions have been arranged. The stronger position of spinners and manufacturers is apparent in practically all sections of the industry.

★

**Wool (Bradford).**—During the past fortnight there have been important developments in connection with wool control. Last Monday the trade was officially informed that the Department was in further need of a large supply of medium crossbred tops, etc., to cover important orders for war fabrics. Also, that if and when a higher scale of prices was announced the raw materials taken over would be subject to such increase.

During the past three weeks sellers have refused to deal as control prices for many qualities of wool and tops are regarded as totally insufficient for anyone to make even a small profit. In addition, the British Government has made overtures to the Commonwealth of Australia to purchase the current clip, and the impression prevails that higher prices will have to be paid than the control prices here, in which case an increase will be made in the latter. Although wool and tops are controlled, yarn and piece-goods can be sold at any price spinners and manufacturers care to quote. Mills are still exceedingly busy.

★

**Jute (Dundee).**—Subject to licence, members of the jute trade can now transact business in all sections of the industry. The control of prices has been temporarily suspended, after three weeks of idleness. Spinners' and manufacturers' prices are as yet undetermined as there is still much uncertainty in regard to raw material prices. Jute brokers are offering the fibre for sale at about £30 to £31 per ton for Daisee-2/3 for October/November shipment, but with all the surcharges for war risk insurance, expected increase of freight, etc., it may cost many pounds per ton more by the time the material arrives in spinners' warehouses. The authorities can order a steamer to discharge its cargo at any port, and the buyer must pay the additional cost of transit from that port to Dundee. Calcutta goods also come into this category and buyers are rather chary of buying for shipment at to-day's prices, which are 31s. 8d. for 10-oz. 40-in. and 26s. 8d. for 8-oz., October/November/December shipment. Spinners and manufacturers are all very busy on orders on hand. It will probably take some days before the market can settle down under the new conditions and definite prices can be established. Meantime, they are all nominal.

## THE COMMODITY MARKETS

The commodity markets have not yet settled down to the new conditions, and trading in many materials, especially those controlled by the Government, remains difficult. There have

been no major price changes this week, either in this country or in the United States. In the absence of sufficient data it is still not possible to resume the calculation of *The Economist's* price indices. Moody's index of the prices of sensitive commodities in the United States (December 31, 1931 = 100) fell slightly from 171.1 to 170.7 during the week ended Wednesday. Among commodities in which dealings are comparatively free in this country, raw cotton and tin are virtually unchanged on the week, while rubber was slightly cheaper.

## Metals

A new order of the Ministry of Supply has laid down that licences will be needed in future for the delivery of copper, lead and zinc required in Government contracts, as in other work. Scrap from these metals is not covered by the licensing system, and maximum prices apply only to zinc scrap. Deliveries of semis will not require licences.

Trading in copper, lead and spelter on the London Metal Exchange is still suspended, and the maximum prices have remained unchanged.

★

**Tin.**—The tin market has been less active. Last week's rise in the tin quota for the September quarter was followed by a wave of selling, which was accentuated by an announcement from the Ministry of Supply that the maximum price of £230 per ton must include the cost of war risk insurance. As a result, the standard cash price fell to £227 15s. per ton, the lowest price since mid-June, on Friday last. The three months' forward price fell at one time to £227 10s. Since Monday selling has ceased, and although demand remained small the cash price has recovered to £229 10s. per ton and the forward price to £227 10s. per ton, representing an improvement of 10s. in cash and a loss of 5s. in forward. An announcement is expected shortly regarding sales of tin in this country and the Straits Settlements. In the meantime British dealers have been permitted to trade with the United States market at a reasonable profit. In New York the September price advanced late last week to well above 70 cents per lb., but in the meantime a reaction has taken place, and on Wednesday the price was quoted at 65 cents per lb.

## Grains

DEALINGS have not yet been resumed. Deliveries of English wheat from farms are proceeding slowly; from August 1st to September 23rd deliveries totalled 574,000 cwt., compared with 1,786,000 cwt. in the corresponding weeks of the previous season. Sales of barley and oats are also small. At Antwerp, No. 2 Northern Manitoba on passage has been quoted at 44s. 2d. per quarter (excluding war risk insurance) and Rosafloat at 38s. 2d. per quarter, including insurance. It has been announced that the United States has resumed payment of the wheat export subsidy, but the amount of the subsidy has not been disclosed; the Minister of Agriculture has advised farmers, notwithstanding

the European war, to keep their wheat sowings within their allotted acreage, so that the authorities in the United States clearly do not envisage any shortage of supplies in the coming year.

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

| From               | Week ended     |                | From Aug. 1 to |                |
|--------------------|----------------|----------------|----------------|----------------|
|                    | Sept. 16, 1939 | Sept. 23, 1939 | Sept. 24, 1938 | Sept. 23, 1939 |
| N. America.....    | 294            | 388            | 4,076          | 3,915          |
| Argentina.....     | ...            | ...            | ...            | ...            |
| Uruguay.....       | 354            | 372            | 1,066          | 3,370          |
| Australia.....     | ...            | ...            | 2,012          | 612*           |
| Russia.....        | ...            | ...            | 2,707          | 56             |
| Danube and dist.   | 128            | 189            | 629            | 828            |
| India.....         | ...            | ...            | 392            | ...            |
| Other countries... | ...            | ...            | ...            | 268            |
| Total.....         | 776            | 949            | 10,882         | 9,049          |

\* Shipments up to Sept. 2, 1939

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

| From                  | Week ended     |                | From Apr. 1 to |                |
|-----------------------|----------------|----------------|----------------|----------------|
|                       | Sept. 16, 1939 | Sept. 23, 1939 | Sept. 24, 1938 | Sept. 23, 1939 |
| Argentina.....        | 302            | 295            | 6,256          | 9,733          |
| Atlantic America...   | 1              | 3              | 10,706         | 506            |
| Danube Region.....    | 13             | ...            | 2,161          | 1,084          |
| S. & E. Africa.....   | 125            | 143            | 646            | 2,068          |
| Indo-China, etc. .... | 33             | 29             | 977            | 809            |
| Total.....            | 474            | 470            | 20,746         | 14,200         |

## Other Foods

**Provisions.**—During the week, the two price grades of butter have been abolished, and the retail price of all types has been stabilised at 1s. 7d. per lb. Maximum wholesale prices remain unchanged for other provisions. Fish supplies are still short, but the reopening of Billingsgate has eased the problem of distribution. Difficulties still occur with the distribution of meat, but the new scheme is now in working order.

★

**Colonial Produce.**—Higher prices were paid for good grades of Costa Rica and Kenya coffee, and cocoa prices also rose during the week. Sugar prices were unchanged during the week, but were marked up on Thursday with the increase in duty.

## Miscellaneous Commodities

**Oils and Oilseeds.**—It was hoped that official prices would become effective from last Monday, but their introduction has again been delayed, probably until the first week of October. Trade at current prices (the average of those ruling in the week ended September 2nd) is very limited. There is still some delay in the granting of delivery permits even for urgent transactions. Good accounts are received of the condition of the new Argentine linseed crop.

★

**Rubber.**—During the past week the market has been irregular, and business has been on a small scale. Prices in New York fell sharply during the week, with some reaction on the London market, but the American rubber prices are still considerably higher than those in London.



## CURRENT STATISTICS

| Sales in               | Number     | Purchase Price |
|------------------------|------------|----------------|
| Thirty-six weeks to :— |            | ₹              |
| Sept. 10, 1938 .....   | 22,746,831 | 17,060,123     |
| Sept. 9, 1939 .....    | 20,991,900 | 15,743,889     |
| Week to :—             |            |                |
| Sept. 10, 1938 .....   | 571,746    | 428,804        |
| Sept. 2, 1939 .....    | 389,081    | 291,811        |
| Sept. 9, 1939 .....    | 333,215    | 249,911        |

|                                   | 1938         | 1939          |               |               |               |
|-----------------------------------|--------------|---------------|---------------|---------------|---------------|
|                                   | Sept.<br>28  | Sept.<br>6    | Sept.<br>13   | Sept.<br>20   | Sept.<br>27   |
| <i>Issue Dept. :</i>              |              |               |               |               |               |
| Notes in circ.                    | 500·9        | 549·9         | 553·5         | 546·5         | 541·8         |
| Notes in bank-<br>ing dept. ....  | 25·5         | 30·2          | 26·7          | 33·6          | 38·3          |
| Govt. debt and<br>securities .... | 199·4        | 754·8         | 578·0         | 526·7         | 576·4         |
| Other secs. ....                  | 0·5          | 3·5           | 1·5           | 2·9           | 3·7           |
| Silver coin ....                  | 0·0          | 0·7           | 0·5           | 0·3           | 0·2           |
| Gold, valued<br>at s. per f. oz.  | 326·4        | 0·1           | 0·1           | 0·1           | 0·1           |
|                                   | <i>84·96</i> | <i>168·00</i> | <i>168·00</i> | <i>168·00</i> | <i>168·00</i> |
| <i>Deposits :</i>                 |              |               |               |               |               |
| Public .....                      | 11·5         | 15·0          | 12·0          | 21·5          | 19·8          |
| Banks' .....                      | 99·9         | 111·3         | 109·6         | 107·9         | 107·1         |
| Others .....                      | 40·2         | 41·2          | 40·8          | 39·9          | 38·0          |
| Total .....                       | 151·6        | 167·5         | 162·4         | 169·3         | 167·4         |
| <i>Bkg. Dept. Secs.</i>           |              |               |               |               |               |
| Government ..                     | 112·8        | 123·7         | 123·7         | 121·9         | 120·3         |
| Discouts, etc.                    | 7·3          | 6·0           | 3·9           | 2·5           | 2·5           |
| Other .....                       | 22·2         | 25·2          | 25·6          | 28·9          | 23·9          |
| Total .....                       | 142·8        | 154·0         | 153·5         | 153·3         | 146·7         |
| Banking dept.<br>reserve .....    | 12·7         | 30·8          | 27·2          | 34·2          | 39·0          |
| " Proportion "                    | 17·7         | 18·3          | 16·7          | 20·2          | 23·2          |

\* Government debt is £11,015,100; capital £14,553,000.

**Manvers Main Collieries.** — Total income for year ended June 30, 1939, £132,335 (£117,547). Trading profits £129,620 (£114,512). Depreciation £29,639 (£32,208), interest £8,563 (£7,529). Ordinary dividend 6 against 5½ per cent., to reserve £25,000 (£15,000). Carried forward £30,293 (£28,857). Balance sheet shows stocks £101,129 (£73,981), bank overdraft £52,085 (£43,369).

| Company                             | *Int.<br>or<br>†Final | Total | Pay-<br>able | Prev.<br>Year |
|-------------------------------------|-----------------------|-------|--------------|---------------|
| <b>BANKS</b>                        |                       |       |              |               |
| Candn. Bk. of Comm.<br>TEA & RUBBER | 2                     | ...   | Nov. 1       | 2             |
| Layang Rubber .....                 | ...                   | 3     | Oct. 23      | 4             |
| Malaysian Plantations               | 6†                    | 10    | Oct. 24      | 10            |
| Reviewrubber Rubber ...             | 2½*                   | ...   | Sept. 22     | 2*            |
| S. Wanarajah Tea                    | 2½*                   | ...   | Sept. 30     | 2½*           |
| <b>INSURANCE</b>                    |                       |       |              |               |
| Sea Inscd.....                      | 8½*                   | ...   | Oct. 19      | 8½*           |
| World Marine & Gen.                 | 10*                   | ...   | Oct. 4       | 10*           |
| <b>MINING</b>                       |                       |       |              |               |
| Hongkong Tin.....                   | 5*                    | ...   | Oct. 31      | 5*            |
| Martha Gold (Waihi)                 | 10*                   | ...   | Nov. 2       | 15½*          |
| St. John Del Rey .....              | 33½*                  | ...   | Nov. 10      | 33½*          |
| Tekka .....                         | 11*                   | ...   | Oct. 7       | Nil           |

| Company                 | *Int.<br>or<br>†Final | Total | Pay-<br>able | Prev.<br>Year |
|-------------------------|-----------------------|-------|--------------|---------------|
| <b>MINING—cont.</b>     |                       |       |              |               |
| Tekka Taping.....       | 21½*                  | ...   | Oct. 14      | Nil           |
| Transvaal Gold.....     | 21½*                  | ...   | ...          | 21½           |
| <b>INDUSTRIALS</b>      |                       |       |              |               |
| Access Investment ...   | ...                   | 7½    | ...          | 7½            |
| Aspro .....             | 15†                   | 25    | ...          | 25            |
| Associated Cement ...   | 71½*                  | ...   | Sept. 30     | 71½           |
| Betts .....             | †11½*                 | ...   | ...          | †11½          |
| Blythe (Wm.) .....      | 3*                    | 5     | Sept. 30     | 3*            |
| British Oases Stores    | ...                   | 5     | ...          | 5             |
| British Portland Ring   | 17½†                  | 17½   | Sept. 30     | 20½†          |
| Brit. Portland Cement   | 71½†                  | ...   | ...          | 71½†          |
| Callender's Cable.....  | 5*                    | ...   | Nov. 2       | 5*            |
| Carter, B. and F.....   | ...                   | 5     | ...          | 6½†           |
| Cook (M.) and Son.....  | ...                   | 33½   | ...          | ...           |
| Duckham, Alex. ....     | 5*                    | ...   | ...          | 5*            |
| Firth (T.) & Brown (J.) | †6*                   | ...   | Oct. 14      | †6*           |
| Goodbody, J. and L. F.  | 6†                    | ...   | ...          | ...           |
| Hopkinsons .....        | 5†                    | 30    | ...          | 2½†           |
| Horlicks .....          | 16½†                  | 30    | ...          | 15            |
| Johnson (R.), Clapham   | 11½†                  | 15    | ...          | ...           |
| Lancs. Ord. Trans. ...  | 4*                    | ...   | Oct. 28      | 4*            |
| Latin Am. Inv. Tr. ...  | ...                   | 2     | Oct. 17      | 3             |
| Lawsons .....           | 6†                    | ...   | Nov. 1       | 5*            |
| Leethems (Twifit) ...   | 5*                    | 9     | ...          | 9             |
| London City Freehold    | 2†                    | ...   | Nov. 1       | 2*            |
| London Ltd. Laundry     | 2½†                   | 5     | ...          | 7*            |
| McNeill, B. ....        | 3*                    | ...   | ...          | 5*            |
| Marconi Wireless .....  | 31*                   | ...   | Sept. 30     | 31*           |
| Midland Elec. Corp'n.   | 3*                    | ...   | ...          | 3*            |
| Newall Engineering...   | 5*                    | ...   | Oct. 16      | Nil†          |
| Phillips, Godfrey ..... | 21½*                  | ...   | Oct. 30      | 21½*          |
| Rhondha Transp. ....    | †4*                   | ...   | ...          | 14            |
| Rover Co. ....          | ...                   | 17½   | ...          | ...           |
| Ste. Madeleine Sugar    | ...                   | 5     | ...          | 2½            |
| Seven Valley Gas ...    | 23½*                  | ...   | Oct. 12      | 23½           |
| Smith's Stamping ...    | ...                   | 10    | ...          | 10            |
| Southcock Stores .....  | 71½†                  | 12½   | Oct. 27      | 10            |
| St. Lond. Dwellings ..  | 2†                    | ...   | ...          | Nil           |
| Summers, John, A Ord.   | 33½*                  | ...   | ...          | 21½           |
| Do. B Ord. ....         | 11½*                  | ...   | ...          | Nil           |
| Taylor (C. F.) .....    | 31½*                  | ...   | Oct. 24      | 31½*          |
| Third Conv. Inv. Tr.    | 21½†                  | ...   | Nov. 1       | 8½†           |
| Thom (Alex) .....       | 21*                   | ...   | ...          | 21*           |
| U.K. Gas .....          | 3½*                   | ...   | Nov. 17      | 2*            |
| Ward, Thos. W. ....     | 7†                    | 10    | ...          | 12½           |
| Wardmount Coal .....    | 5*                    | ...   | ...          | 5*            |
| Wests and Moultons      | 5*                    | ...   | Oct. 16      | 6½*           |
| Witan Invest. ....      | 2*                    | ...   | Oct. 16      | 21½           |
| <b>UNIT TRUSTS</b>      |                       |       |              |               |
| First Protected.....    | Pence                 | ...   | ...          | Pence         |
| Investors Gold Share    | £3.7098               | ...   | Sept. 30     | £3.664        |
|                         | £6.157                | ...   | Oct. 2       | £6.394        |

## OVERSEAS BANK RETURNS

NOTE.—The last return of the Bank of Poland appeared in *The Economist* of September 22nd; and of Danzig, of August 26th. The latest return of the National Bank of Egypt appeared in our issue of August 26th; of Bohemia and Moravia of September 2nd; Turkey, of September 9th; International Settlements, and Federal Reserve Reporting Members, of September 16th; Denmark, Hungary, Java, Jugo-Slavia, Lithuania, Reichsbank, Roumania, South Africa and Switzerland, of September 23rd.

## U.S. FEDERAL RESERVE BANKS

| Million \$'s                                       |                |               |                |                |
|----------------------------------------------------|----------------|---------------|----------------|----------------|
| 12 U.S.F.R. BANKS                                  | Sept. 29, 1938 | Aug. 31, 1938 | Sept. 21, 1939 | Sept. 28, 1939 |
| Gold certifi. on hand and due from Treas.          | 10,863         | 14,312        | 14,622         | 14,657         |
| Total reserves                                     | 11,255         | 14,661        | 14,964         | 15,003         |
| Total cash reserves                                | 383            | 340           | 334            | 339            |
| Total bills discounted                             | 9              | 6             | 6              | 6              |
| Bills bt. in open mkt.                             | 5              | 1             | 1              | 1              |
| Total bills on hand                                | 10             | 7             | 12             | 12             |
| Industrial advances                                | 16             | 12            | 12             | 12             |
| Total U.S. Govt. secs.                             | 2,564          | 2,426         | 2,826          | 2,804          |
| Total bills and secs.                              | 2,589          | 2,445         | 2,844          | 2,822          |
| Total resources                                    | 14,524         | 17,812        | 18,660         | 18,603         |
| LIABILITIES                                        |                |               |                |                |
| F.R. notes in circn.                               | 4,219          | 4,609         | 4,678          | 4,684          |
| Aggregate of excess mkt. bank res. over reqt. res. | 2,890          | 4,800         | 5,280          | 5,330          |
| Deposits — Member-bank reserve account             | 8,197          | 10,951        | 11,549         | 11,621         |
| Govt. deposits                                     | 864            | 709           | 619            | 552            |
| Total deposits                                     | 9,399          | 12,268        | 12,949         | 12,945         |
| Cap. paid in and surplus                           | 209            | 312           | 312            | 312            |
| Total liabilities                                  | 14,524         | 17,812        | 18,660         | 18,603         |
| Ratio of depts. and F.R. notes to circn.           | 82.6%          | 86.9%         | 84.9%          | 85.1%          |
| U.S.F.R. BANKS AND TREASURY COMBINED RESOURCES     |                |               |                |                |
| Monetary gold stock                                | 13,714         | 16,638        | 16,902         | 16,925         |
| Treasury and Nat. Bk. currency                     | 2,738          | 2,905         | 2,915          | 2,914          |
| Money in circulation                               | 6,574          | 7,141         | 7,236          | 7,238          |
| Treasury cash and deposits with F.R. Bks.          | 3,680          | 3,036         | 2,891          | 2,812          |

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

|                                        | Sept. 29, 1938 | Aug. 31, 1938 | Sept. 21, 1939 | Sept. 28, 1939 |
|----------------------------------------|----------------|---------------|----------------|----------------|
| Total gold reserves                    | 4,653.0        | 7,045.6       | 7,164.5        | 7,153.7        |
| Total bills discounted                 | 4.2            | 2.7           | 1.9            | 2.6            |
| Bills bt. in open mkt.                 | 0.2            | 0.2           | 0.2            | 0.2            |
| Total U.S. Govt. secs.                 | 780.1          | 706.2         | 857.1          | 848.6          |
| Total bills and secs.                  | 788.2          | 711.2         | 861.3          | 853.5          |
| Deposits — Member-bank reserve account | 4,058.8        | 6,084.4       | 6,284.8        | 6,275.5        |
| Reserve to depts. and F.R. notes       | 86.9%          | 91.7%         | 90.0%          | 90.2%          |

## BANK OF FRANCE.—Million francs

| Assets                                       | Sept. 22, 1938 | Aug. 24, 1938 | Sept. 14, 1939 | Sept. 21, 1939 |
|----------------------------------------------|----------------|---------------|----------------|----------------|
| Gold                                         | 55,808         | 97,266        | 97,266         | 97,266         |
| Bills: Commercial                            | 13,926         | 12,973        | 12,411         | 12,853         |
| Bought abroad                                | 726            | 592           | 189            | 189            |
| Advances on securities                       | 3,823          | 3,851         | 3,756          | 3,677          |
| Thirty-day advances                          | 583            | 1,719         | 1,942          | 1,575          |
| Loans to State without interest: (a) general | 3,200          | 10,000        | 10,000         | 10,000         |
| (b) provisional                              | 44,634         | 20,577        | 20,577         | 20,577         |
| Negotiable bonds                             | 5,570          | 5,466         | 5,467          | 5,466          |
| Sinking Fund Dept.                           | 4,129          | 5,556         | 5,873          | 6,001          |
| Other assets                                 | 109,568        | 129,978       | 145,009        | 143,937        |
| Notes in circulation                         | 2,951          | 4,375         | 2,930          | 2,556          |
| Deposits: Public                             | 17,143         | 20,798        | 16,628         | 18,106         |
| Private                                      | 2,738          | 2,850         | 2,914          | 3,006          |
| Other liabilities                            | 43.0%          | 62.6%         | 59.1%          | 59.0%          |

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

CENTRAL BANK OF ARGENTINA  
Million paper pesos

| Assets                                      | Sept. 31, 1938 | Aug. 31, 1938 | Sept. 14, 1939 | Sept. 21, 1939 |
|---------------------------------------------|----------------|---------------|----------------|----------------|
| Gold at home                                | 1,224          | 1,224         | 1,224          | 1,224          |
| Other gold & for. exch.                     | 101            | 99            | 96             | 105            |
| Non-int. Govt. bond                         | 119            | 119           | 119            | 119            |
| Treasury bonds                              | 397            | 396           | 396            | 396            |
| LIABILITIES                                 |                |               |                |                |
| Notes in circulation                        | 1,089          | 1,119         | 1,118          | 1,135          |
| Deposits: Government                        | 115            | 209           | 221            | 169            |
| Banks                                       | 379            | 379           | 375            | 430            |
| Certs. of participation in Treasury bonds   | 277            | 132           | 121            | 114            |
| Gold and for. exch. to note and sight liab. | 83.8%          | 77.4%         | 76.9%          | 76.5%          |

NATIONAL BANK OF BELGIUM  
Million belgas

| Assets                 | Sept. 22, 1938 | Aug. 24, 1938 | Sept. 14, 1939 | Sept. 21, 1939 |
|------------------------|----------------|---------------|----------------|----------------|
| Gold                   | 3,103          | 3,629         | 3,634          | 3,635          |
| Silver and other coin  | 90             | 45            | 38             | 42             |
| Foreign exchange, etc. | 987            | 865           | 933            | 933            |
| Bills and securities   | 616            | 636           | 927            | 920            |
| Advances               | 58             | 65            | 216            | 194            |
| LIABILITIES            |                |               |                |                |
| Notes in circulation   | 4,501          | 4,782         | 5,446          | 5,414          |
| Deposits: Govt.        | 11             | 10            | 5              | 5              |
| Other                  | 209            | 356           | 206            | 214            |

## AUSTRALIAN COMMONWEALTH BANK.—Million £'s

| Assets                   | Sept. 26, 1938 | Aug. 18, 1938 | Sept. 18, 1939 | Sept. 25, 1939 |
|--------------------------|----------------|---------------|----------------|----------------|
| Gold and English stg.    | 16.01          | 16.03         | 16.03          | 16.03          |
| Other coin, bullion, &c. | 5.39           | 4.30          | 4.53           | 4.53           |
| Call money, London       | 23.05          | 15.87         | 13.17          | 15.64          |
| Secrts. and Treas. bills | 92.45          | 101.05        | 105.09         | 106.24         |
| Discounts and advances   | 14.21          | 17.62         | 17.83          | 18.06          |
| LIABILITIES              |                |               |                |                |
| Notes issued             | 49.03          | 48.53         | 50.77          | 51.02          |
| Res. pm. on gold sold    | 7.75           | 7.75          | 7.75           | 7.75           |
| Deposits, etc.           | 87.30          | 87.26         | 87.66          | 91.35          |

## NATIONAL BANK OF BULGARIA

| Assets                                 | Sept. 7, 1938 | Aug. 30, 1938 | Sept. 30, 1939 | Sept. 7, 1939 |
|----------------------------------------|---------------|---------------|----------------|---------------|
| Gold holdings                          | 2,003         | 2,006         | 2,006          | 2,006         |
| Balances abroad and foreign currencies | 595           | 767           | 842            | 843           |
| Discounts and advances                 | 1,031         | 1,026         | 1,814          | 2,140         |
| Advances to Treasury                   | 3,468         | 3,417         | 3,417          | 3,417         |
| LIABILITIES                            |               |               |                |               |
| Notes in circulation                   | 2,981         | 3,094         | 3,960          | 4,397         |
| Sight liab. and deposits               | 3,181         | 3,188         | 3,014          | 2,869         |
| Ratio, gold to sight liab. and notes   | 33.0%         | 32.3%         | 29.0%          | 27.9%         |

## BANK OF CANADA.—Million \$'s

| Assets                                   | Sept. 14, 1938 | Aug. 6, 1938 | Sept. 13, 1939 | Sept. 20, 1939 |
|------------------------------------------|----------------|--------------|----------------|----------------|
| Reserve, of which                        | 212.4          | 256.0        | 285.0          | 276.1          |
| Gold coin and bullion                    | 181.1          | 205.2        | 225.4          | 225.7          |
| Securities                               | 184.4          | 159.1        | 182.4          | 194.0          |
| LIABILITIES                              |                |              |                |                |
| Note circulation                         | 171.5          | 173.1        | 193.5          | 203.2          |
| Deposits: Dom. Govt.                     | 17.6           | 28.6         | 53.0           | 36.5           |
| Chartered banks                          | 20.7           | 20.1         | 20.2           | 21.0           |
| Reserve to notes and deposit liabilities | 54.1%          | 62.3%        | 62.2%          | 60.1%          |

BANK OF ESTONIA  
Million Estonian kronas

| Assets                                     | Aug. 31, 1938 | July 31, 1938 | Aug. 31, 1939 | Aug. 31, 1939 |
|--------------------------------------------|---------------|---------------|---------------|---------------|
| Gold coin & gold bullion                   | 34.27         | 40.91         | 40.90         | 40.90         |
| Net foreign exchange                       | 17.12         | 9.03          | 8.73          | 9.45          |
| Home bills discounted                      | 8.88          | 11.12         | 11.00         | 12.24         |
| Loans and advances                         | 13.20         | 16.37         | 14.29         | 18.24         |
| LIABILITIES                                |               |               |               |               |
| Notes in circulation                       | 48.36         | 53.09         | 55.12         | 56.98         |
| Sight dep. and current accounts, of which: |               |               |               |               |
| (a) Government                             | 16.30         | 8.12          | 8.24          | 9.30          |
| (b) Banks                                  | 15.17         | 16.53         | 10.92         | 16.26         |
| Reserve to current liabilities             | 62.6%         | 62.1%         | 64.6%         | 59.2%         |

BANK OF FINLAND  
Million F. marks

| Assets                    | Sept. 8, 1938 | Aug. 31, 1938 | Sept. 8, 1939 | Sept. 15, 1939 |
|---------------------------|---------------|---------------|---------------|----------------|
| Gold reserve              | 620.5         | 1,128.1       | 1,183.2       | 1,182.6        |
| Foreign correspondents    | 2057.9        | 2,219.1       | 2,111.9       | 2,047.0        |
| Foreign bills, etc.       | 106.9         | 83.7          | 66.8          | 66.9           |
| Int. bills and home loans | 1325.8        | 1,113.7       | 1,155.0       | 1,174.6        |
| Finnish & foreign bonds   | 397.4         | 638.6         | 639.5         | 632.3          |
| LIABILITIES               |               |               |               |                |
| Notes in circulation      | 2032.1        | 2,162.4       | 2,261.9       | 2,427.0        |
| Sight deposits: Govt.     | 203.1         | 173.2         | 242.3         | 267.4          |
| Other                     | 1,190.1       | 1,079.3       | 906.4         | 690.3          |
| Cover to sight liab.      | 74.3%         | 89.9%         | 87.0%         | 87.7%          |

## BANK OF GREECE.—Million drachmas

| Assets                    | Sept. 15, 1938 | Aug. 15, 1938 | Sept. 15, 1939 | Sept. 22, 1939 |
|---------------------------|----------------|---------------|----------------|----------------|
| Gold and for. exchange    | 3,302          | 3,408         | 3,410          | 3,437          |
| State sec. in for. curr.  | 522            | 128           | 329            | 128            |
| Bills discounted          | 684            | 709           | 837            | 837            |
| Advances                  | 7,507          | 10,071        | 12,429         | 12,589         |
| State debt                | 3,783          | 4,083         | 4,083          | 4,083          |
| LIABILITIES               |                |               |                |                |
| Notes in circulation      | 6,960          | 7,886         | 10,677         | 10,635         |
| Dep. and current accts.   | 8,052          | 10,309        | 9,983          | 10,093         |
| Foreign exch. liabilities | 197            | 297           | 323            | 300            |

## BANK OF JAPAN.—Million yen

| Assets                 | Aug. 27, 1938 | July 29, 1938 | Aug. 19, 1939 | Aug. 26, 1939 |
|------------------------|---------------|---------------|---------------|---------------|
| Coin & bullion         | 501.3         | 501.3         | 501.3         | 501.3         |
| Spec. for. exch. fund  | 300.0         | 300.0         | 300.0         | 300.0         |
| Discounts and advances | 536.2         | 501.5         | 448.3         | 448.7         |
| Government bonds       | 1,256.7       | 1,685.7       | 1,497.1       | 1,850.4       |
| Agencies' accounts     | 148.6         | 208.4         | 255.8         | 249.1         |
| LIABILITIES            |               |               |               |               |
| Notes issued           | 1,892.8       | 2,446.1       | 2,243.5       | 2,460.6       |
| Deposits: Government   | 353.1         | 500.6         | 511.8         | 652.2         |
| Other                  | 147.0         | 111.7         | 84.5          | 83.3          |

BANK OF LATVIA  
Million lats

| Assets                    | Sept. 12, 1938 | Aug. 14, 1938 | Sept. 11, 1939 | Sept. 11, 1939 |
|---------------------------|----------------|---------------|----------------|----------------|
| Gold coin and bullion     | 77.60          | 97.87         | 97.87          | 97.87          |
| Silver coin               | 13.67          | 11.99         | 11.44          | 10.21          |
| Foreign currency          | 38.13          | 35.11         | 36.67          | 36.81          |
| Treas. notes and change   | 7.34           | 10.77         | 7.01           | 6.83           |
| Short-term bills          | 50.11          | 52.74         | 59.72          | 62.18          |
| Loans against securities  | 81.43          | 89.93         | 105.40         | 106.50         |
| LIABILITIES               |                |               |                |                |
| Notes in circulation      | 62.61          | 77.77         | 107.28         | 115.91         |
| Deposits & currnt. accts. | 141.54         | 141.52        | 129.11         | 121.41         |
| Government accounts       | 56.01          | 65.54         | 76.4           | 66.03          |

† Amended figures.

## RESERVE BANK OF INDIA

| Assets                        | Sept. 23, 1938 | Aug. 25, 1938 | Sept. 15, 1939 | Sept. 22, 1939 |
|-------------------------------|----------------|---------------|----------------|----------------|
| Gold coin and bullion         | 444            | 444           | 444            | 444            |
| Rupee coin                    | 701            | 755           | 758            | 756            |
| Balances abroad               | 6              | 74            | 148            | 159            |
| Sterling securities           | 695            | 595           | 595            | 595            |
| Indian Govt. rupee securities | 324            | 374           | 374            | 374            |
| Investments                   | 62             | 86            | 63             | 63             |
| LIABILITIES                   |                |               |                |                |
| Notes in circn.: India        | 1,666          | 1,694         | 1,890          | 1,914          |
| Burma                         | 67             | 95            | 102            | 101            |
| Deposits: Govts.              | 190            | 151           | 101            | 122            |
| Banks                         | 202            | 270           | 210            | 178            |
| Gold and sterling liabilities | 52.7%          | 47.9%         | 47.9%          | 47.9%          |

## BANQUE MELLÉ IRAN

| Assets                | Aug. 6, 1938 | July 23, 1938 | Aug. 7, 1939 | Sept. 1, 1939 |
|-----------------------|--------------|---------------|--------------|---------------|
| Gold                  | 1938         | 1939          | 1939         | 1939          |
| Silver                | 312.6        | 310.7         | 310.7        | 310.7         |
| Discounts             | 405.7        | 405.8         | 406.8        | 406.8         |
| Public departments    | 247.4        | 358.8         | 349.9        | 362.2         |
| Other debit accounts  | 691.1        | 784.7         | 774.0        | 784.2         |
| LIABILITIES           |              |               |              |               |
| Notes in circulation  | 768.1        | 922.9         | 915.6        | 931.9         |
| Public departments    | 557.0        | 568.1         | 594.3        | 604.8         |
| Other credit accounts | 1002.8       | 1260.2        | 1251.4       | 1311.8        |

N.B.—Market value is: † 434.6 million rial; ‡ 328.0 million rial. (Based on London price and exchange.)

## NETHERLANDS BANK

| Assets                                | Sept. 26, 1938 | Aug. 28, 1938 | Sept. 18, 1939 | Sept. 25, 1939 |
|---------------------------------------|----------------|---------------|----------------|----------------|
| Gold                                  | 1481.0         | 1129.4        | 1104.4         | 1111.8         |
| Silver                                | 15.4           | 16.8          | 4.9            | 4.9            |
| Home bills, etc.                      | 12.0           | 48.2          | 85.7           | 90.4           |
| Foreign bills                         | 4.1            | 1.6           | 1.6            | 1.6            |
| Loans and advances in current account | 289.8          | 245.2         | 239.6          | 233.7          |
| LIABILITIES                           |                |               |                |                |
| Notes in circulation                  | 1053.1         | 1122.5        | 1156.8         | 1142.1         |
| Deposits: (a) Govt.                   | 159.3          | 157.0         | 157.0          | 157.0          |
| (b) Other                             | 608.1          | 344.0         | 310.4          | 354.8          |

## BANK OF NORWAY

| Assets                                        | Sept. 15, 1938 | Aug. 17, 1938 | Sept. 13, 1939 | Sept. 20, 1939 |
|-----------------------------------------------|----------------|---------------|----------------|----------------|
| Coin and bullion (gold reserve)               | 134.0          | 120.1         | 120.1          | 120.1          |
| Bal. abroad & for. bills                      | 176.1          | 116.5         | 97.0           | 77.4           |
| Funds provisionally in gold, not in gold res. | 87.7           | 116.4         | 116.4          | 116.4          |
| Norwegian and foreign Govt. securities        | 124.9          | 150.7         | 151.1          | 153.8          |
| Discounts and loans                           | 106.6          | 159.5         | 208.0          | 231.9          |
| LIABILITIES                                   |                |               |                |                |
| Notes in circulation                          | 442.4          | 472.6         | 529.0          | 527.6          |
| Deposits at sight                             | 139.3          | 161.8         | 126.5          | 136.2          |

## BANK OF PORTUGAL

| Assets | Aug. 10, 1938 | July 12, 1938 |  |
|--------|---------------|---------------|--|
|--------|---------------|---------------|--|



## LONDON ACTIVE SECURITY PRICES AND YIELDS

NOTE: Yields on British Funds, Dominion and Colonial Government, Home Corporation, and Public Board Stocks are based on minimum prices shown without allowance for accrued interest. Approximate dealing prices on September 21st and 27th are given in left-hand columns. 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.

| Approximate Dealing Prices 1939 |          | Prices, Year 1939 Jan. 1 to Sept. 27, inclusive |         | Name of Security           | Price, Sept. 27, 1939 | Change since Sept. 20, 1939 | Yield, Sept. 27, 1939 |     | Name of Security | Price, Sept. 27, 1939 | Change since Sept. 20, 1939 | Yield, Sept. 27, 1939 |        |       |
|---------------------------------|----------|-------------------------------------------------|---------|----------------------------|-----------------------|-----------------------------|-----------------------|-----|------------------|-----------------------|-----------------------------|-----------------------|--------|-------|
| Sept. 21                        | Sept. 27 | High                                            | Low     |                            |                       |                             | High                  | Low |                  |                       |                             | (a) %                 | (b) %  | (c) % |
| British Funds                   |          |                                                 |         |                            |                       |                             |                       |     |                  |                       |                             |                       |        |       |
| 621 1/2                         | 621 1/2  | 71 1/2                                          | 61      | Consols 2 1/2% .....       | 62                    | ...                         | 4                     | 0   | 32/6             | 5/3                   | 6                           | Nil                   | c      |       |
| 98 1/2                          | 98 1/2   | 107 1/2                                         | 98      | Do. 4% (alt. 1957) ..      | 98 1/2                | ...                         | 4                     | 2   | 3 1/2            | 5 1/2                 | 5                           | 5                     | a      |       |
| 93 1/2                          | 93 1/2   | 96 1/2                                          | 90 1/2  | Conv. 2 1/2% 1944-49 ..    | 93 1/2                | ...                         | 3                     | 0   | 12/6             | 8/6                   | 3 1/2                       | 3 1/2                 | b      |       |
| 94 1/2                          | 94 1/2   | 99 1/2                                          | 92 1/2  | Do. 3% 1948-53 .....       | 94 1/2                | ...                         | 3                     | 10  | 52/9             | 43/9                  | 5                           | 5                     | a      |       |
| 97 1/2                          | 97 1/2   | 101 1/2                                         | 90 1/2  | Do. 3 1/2% after 1961 ..   | 97 1/2                | ...                         | 4                     | 0   | 75/-             | 54/-                  | 3 1/2                       | 3 1/2                 | b      |       |
| 101 1/2                         | 101 1/2  | 104 1/2                                         | 100 1/2 | Do. 4 1/2% 1944-44 ..      | 101 1/2               | ...                         | 4                     | 0   | 10 1/4           | 7 1/4                 | 10                          | 10                    | a      |       |
| 105 1/2                         | 105 1/2  | 108 1/2                                         | 103 1/2 | Do. 5% 1944-64 .....       | 105 1/2               | ...                         | 4                     | 3   | 0                | 10 1/4                | 7 1/4                       | 10                    | 10     | a     |
| 79 1/2                          | 79 1/2   | 87 1/2                                          | 79 1/2  | Fund. 2 1/2% 1956-61 ..    | 79 1/2                | ...                         | 3                     | 18  | 0                | 59/42                 | 39/9                        | 6                     | 6      | a     |
| 88 1/2                          | 88 1/2   | 93 1/2                                          | 87 1/2  | Fund. 2 1/2% 1952-57 ..    | 88 1/2                | ...                         | 3                     | 12  | 6                | 8 1/2                 | 6 1/2                       | 7 1/2                 | 6      | a     |
| 87 1/2                          | 87 1/2   | 95 1/2                                          | 87 1/2  | Fund. 3% 1959-69 .....     | 87 1/2                | ...                         | 3                     | 14  | 3                | 86/-                  | 70/-                        | 8                     | 8      | a     |
| 102 1/2                         | 102 1/2  | 105 1/2                                         | 100 1/2 | Fund. 4% 1960-90 .....     | 102 1/2               | ...                         | 3                     | 19  | 3                | 6                     | 4 1/2                       | 5                     | 5      | a     |
| 94 1/2                          | 94 1/2   | 99 1/2                                          | 94 1/2  | Nat. D. 2 1/2% 1944-48 ..  | 94 1/2                | ...                         | 3                     | 7   | 0                | 30 1/4                | 19 1/4                      | 11                    | 11     | a     |
| 92 1/2                          | 92 1/2   | 96 1/2                                          | 91 1/2  | Do. 3% 1954-58 .....       | 92 1/2                | ...                         | 3                     | 11  | 10               | 34 1/4                | 25 1/2                      | 8                     | 8      | a     |
| 102                             | 102      | 108 1/2                                         | 102     | Victory Bonds 4% .....     | 102                   | ...                         | 3                     | 17  | 0                | 71/-                  | 44/-                        | 7 1/2                 | 6      | a     |
| 88 1/2                          | 88 1/2   | 93 1/2                                          | 87 1/2  | War L. 3 1/2% at 1952 ..   | 88 1/2                | ...                         | 3                     | 19  | 1                | 45 1/2                | 41 1/2                      | 8 1/2                 | 8      | a     |
| 73 1/2                          | 73 1/2   | 83 1/2                                          | 73      | Austrian Loans 3% .....    | 73 1/2                | ...                         | 4                     | 1   | 11               | 9 1/2                 | 9 1/2                       | 9                     | 9      | a     |
| 56                              | 56       | 64 1/2                                          | 55 1/2  | India 2 1/2% 1933-53 ..    | 55 1/2                | ...                         | 4                     | 10  | 1                | 9 1/2                 | 54/-                        | 9                     | 9      | a     |
| 66 1/2                          | 66 1/2   | 76                                              | 66      | Do. 3% .....               | 66 1/2                | ...                         | 4                     | 10  | 7                | ...                   | ...                         | ...                   | ...    | ...   |
| 79 1/2                          | 79 1/2   | 90                                              | 78      | Do. 3 1/2% .....           | 79 1/2                | ...                         | 4                     | 8   | 4                | ...                   | ...                         | ...                   | ...    | ...   |
| 105                             | 105      | 115 1/2                                         | 105     | Do. 4 1/2% 1958-68 ..      | 105                   | ...                         | 4                     | 2   | 3                | 26 1/4                | 18                          | 40                    | 40     | a     |
| 95 1/2                          | 95 1/2   | 106 1/2                                         | 95      | Dom. & Col. Govts. ..      | 95                    | ...                         | 5                     | 6   | 2                | 98/-                  | 72/6                        | 25                    | 25     | b     |
| 98 1/2                          | 98 1/2   | 103 1/2                                         | 98      | Canada 4% 1940-60 .....    | 98                    | ...                         | 4                     | 2   | 11 1/2           | 19 1/2                | 19 1/2                      | 25                    | 25     | b     |
| 103                             | 103      | 108 1/2                                         | 103     | Nigeria 5% 1950-60 ..      | 103                   | ...                         | 6                     | 9   | 1                | 11 1/2                | 6 1/2                       | 3 1/2                 | 3 1/2  | b     |
| 92                              | 92       | 103                                             | 92      | N. Zealand 5% 1946 .....   | 92                    | ...                         | 5                     | 9   | 0                | 10                    | 12                          | 130                   | 130    | b     |
| 94 1/2                          | 94 1/2   | 102 1/2                                         | 94 1/2  | Queens. 5% 1940-60 ..      | 94 1/2                | ...                         | 5                     | 9   | 0                | 10                    | 12                          | 130                   | 130    | b     |
| 102                             | 102      | 110                                             | 102     | S. Africa 5% 1945-75 ..    | 102                   | ...                         | 4                     | 12  | 3                | 15 1/2                | 10 1/2                      | 6                     | 6      | a     |
| 103 1/2                         | 103 1/2  | 111 1/2                                         | 104     | Corporation Stocks .....   | 103 1/2               | ...                         | 4                     | 14  | 8                | 94 1/2                | 46 1/2                      | 11                    | 11     | a     |
| 102 1/2                         | 102 1/2  | 114                                             | 102     | Bristol 5% 1946-56 .....   | 102 1/2               | ...                         | 4                     | 14  | 6                | 8 1/2                 | 6 1/2                       | 11                    | 11     | a     |
| 72 1/2                          | 72 1/2   | 81 1/2                                          | 72      | L.C.C. 3% .....            | 72 1/2                | ...                         | 4                     | 3   | 4                | 17 1/2                | 10                          | 6                     | 6      | a     |
| 88                              | 88       | 93 1/2                                          | 88      | Liverpool 3% 1954-64 ..    | 88                    | ...                         | 3                     | 8   | 3                | 88 1/2                | 53/9                        | 1 1/2                 | 1 1/2  | a     |
| 93 1/2                          | 93 1/2   | 102 1/2                                         | 93      | Middx. 3 1/2% 1957-62 ..   | 93 1/2                | ...                         | 3                     | 19  | 0                | 84                    | 5 1/2                       | 110                   | 110    | a     |
| Foreign Governments             |          |                                                 |         |                            |                       |                             |                       |     |                  |                       |                             |                       |        |       |
| 96 1/2                          | 96 1/2   | 105                                             | 96 1/2  | Arg. 4 1/2% Sg. Bds. ..    | 96 1/2                | ...                         | 1                     | 0   | 0                | 11 1/2                | 7/6                         | 10                    | 10     | a     |
| 102                             | 102      | 111 1/2                                         | 102     | Austria 1930 5% .....      | 102                   | ...                         | 11                    | 16  | 10               | 21 1/2                | 160                         | 6                     | 6      | a     |
| 89                              | 89       | 95 1/2                                          | 89      | Belgian 4% (36) 1970 ..    | 89                    | ...                         | 13                    | 7   | 12               | 60 1/2                | 35                          | 11 1/2                | 11 1/2 | a     |
| 99                              | 99       | 105                                             | 99      | Bulgaria 7 1/2% .....      | 99                    | ...                         | 16                    | 13  | 4 1/2            | 117 1/2               | 87 1/2                      | 4 1/2                 | 4 1/2  | a     |
| 37 1/2                          | 37 1/2   | 42 1/2                                          | 37 1/2  | Brazil 5% Fd. 1914 .....   | 37 1/2                | ...                         | 15                    | 10  | 0                | 240                   | 180                         | 4                     | 4      | a     |
| 19 1/2                          | 19 1/2   | 24 1/2                                          | 19 1/2  | Chile 6% (1929) .....      | 19 1/2                | ...                         | 13                    | 15  | 10               | 11 1/2                | 7 1/2                       | 4 1/2                 | 4 1/2  | a     |
| 60 1/2                          | 60 1/2   | 65 1/2                                          | 60 1/2  | China 5% (1912) .....      | 60 1/2                | ...                         | 18 1/2                | ... | ...              | 237 1/2               | 200                         | 8 1/2                 | 8 1/2  | a     |
| 73 1/2                          | 73 1/2   | 80 1/2                                          | 73 1/2  | Do. 5% (1913) .....        | 73 1/2                | ...                         | 22                    | 17  | 0                | 118 1/2               | 79                          | 4 1/2                 | 4 1/2  | a     |
| 103 1/2                         | 103 1/2  | 110 1/2                                         | 103 1/2 | Czechoslovakia 8% .....    | 103 1/2               | ...                         | 3                     | 3   | 2                | 217 1/2               | 180                         | 7 1/2                 | 7 1/2  | a     |
| 104                             | 104      | 111 1/2                                         | 104     | Denmark 3% .....           | 104                   | ...                         | 6                     | 10  | 1                | 4                     | 3/3                         | 4                     | 4      | a     |
| 13                              | 13       | 15 1/2                                          | 13      | Egypt Unified 4% .....     | 13                    | ...                         | 6                     | 1   | 0                | 168 1/2               | 140                         | 3 1/2                 | 3 1/2  | a     |
| 60                              | 60       | 64 1/2                                          | 60      | French 4% (British) .....  | 60                    | ...                         | 6                     | 1   | 0                | 195                   | 172 1/2                     | 3                     | 3      | a     |
| 46 1/2                          | 46 1/2   | 50 1/2                                          | 46 1/2  | Ger. Dawes Ln. 5% .....    | 46 1/2                | ...                         | ...                   | ... | ...              | 180                   | 164                         | 6                     | 6      | a     |
| 34 1/2                          | 34 1/2   | 38 1/2                                          | 34 1/2  | Do. Young Ln. 4 1/2% ..    | 34 1/2                | ...                         | ...                   | ... | ...              | ...                   | ...                         | ...                   | ...    | ...   |
| 58 1/2                          | 58 1/2   | 62 1/2                                          | 58 1/2  | Greek 6% Stab. Ln. ....    | 58 1/2                | ...                         | 13                    | 16  | 3 1/2            | 27 1/2                | 18/-                        | 13 1/2                | 13 1/2 | a     |
| 60                              | 60       | 64 1/2                                          | 60      | Hungary 7 1/2% .....       | 60                    | ...                         | 15                    | 30  | 0                | 27 1/2                | 18/-                        | 13 1/2                | 13 1/2 | a     |
| 64 1/2                          | 64 1/2   | 68 1/2                                          | 64 1/2  | Japan 5 1/2% 1930 .....    | 64 1/2                | ...                         | 13                    | 11  | 8 1/2            | 18/-                  | 7                           | 2                     | 2      | a     |
| 50                              | 50       | 54 1/2                                          | 50      | Do. 6% (24) Ref. 1959 ..   | 50                    | ...                         | 16                    | 5   | 0                | 26 1/2                | 11/-                        | 16 1/2                | 16 1/2 | a     |
| 75 1/2                          | 75 1/2   | 80 1/2                                          | 75 1/2  | Peru 7 1/2% 1922 .....     | 75 1/2                | ...                         | 4                     | 10  | 0                | 54                    | 4                           | 3                     | 3      | a     |
| 154                             | 154      | 164 1/2                                         | 154     | Poland 4% 1922 .....       | 154                   | ...                         | 20                    | 30  | 0                | 20 1/2                | 14/6                        | 3                     | 3      | a     |
| 92                              | 92       | 96 1/2                                          | 92      | Roum. 4% 1922 .....        | 92                    | ...                         | 31                    | 0   | 0                | 25/-                  | 17/-                        | 17/6                  | 17/6   | a     |
| 75                              | 75       | 83                                              | 75      | U.K. & Arg. C. 3% .....    | 75                    | ...                         | 4                     | 5   | 1                | 17/6                  | 11/6                        | 7                     | 7      | a     |
| Investment Trusts               |          |                                                 |         |                            |                       |                             |                       |     |                  |                       |                             |                       |        |       |
| 96 1/2                          | 96 1/2   | 105                                             | 96 1/2  | Anglo-Am. Def. ....        | 96 1/2                | ...                         | 1                     | 0   | 0                | 11 1/2                | 7/6                         | 10                    | 10     | a     |
| 102                             | 102      | 111 1/2                                         | 102     | Anglo-Celtic Ord. ....     | 102                   | ...                         | 11                    | 16  | 10               | 21 1/2                | 160                         | 6                     | 6      | a     |
| 89                              | 89       | 95 1/2                                          | 89      | Brit. Assen. Trust 5/-     | 89                    | ...                         | 13                    | 7   | 12               | 60 1/2                | 35                          | 11 1/2                | 11 1/2 | a     |
| 99                              | 99       | 105                                             | 99      | Charterhouse Inv. £1       | 99                    | ...                         | 16                    | 13  | 4 1/2            | 117 1/2               | 87 1/2                      | 4 1/2                 | 4 1/2  | a     |
| 36 1/2                          | 36 1/2   | 41 1/2                                          | 36 1/2  | Debenestre Corp. Stk.      | 36 1/2                | ...                         | 15                    | 10  | 0                | 240                   | 180                         | 4                     | 4      | a     |
| 37 1/2                          | 37 1/2   | 42 1/2                                          | 37 1/2  | For. Amer. & Def.          | 37 1/2                | ...                         | 13                    | 15  | 10               | 11 1/2                | 7 1/2                       | 4 1/2                 | 4 1/2  | a     |
| 19 1/2                          | 19 1/2   | 24 1/2                                          | 19 1/2  | General Investment         | 19 1/2                | ...                         | 16                    | 5   | 0                | 26 1/2                | 11/-                        | 16 1/2                | 16 1/2 | a     |
| 60 1/2                          | 60 1/2   | 65 1/2                                          | 60 1/2  | Ind. and Gen. Ord. ....    | 60 1/2                | ...                         | 4                     | 10  | 0                | 54                    | 4                           | 3                     | 3      | a     |
| 73 1/2                          | 73 1/2   | 80 1/2                                          | 73 1/2  | Invest. Trust Def. ....    | 73 1/2                | ...                         | 13                    | 15  | 10               | 11 1/2                | 7 1/2                       | 4 1/2                 | 4 1/2  | a     |
| 103 1/2                         | 103 1/2  | 110 1/2                                         | 103 1/2 | Lake View Inv. 10/-        | 103 1/2               | ...                         | 6                     | 10  | 1                | 4                     | 3/3                         | 4                     | 4      | a     |
| 99                              | 99       | 105                                             | 99      | Mercantile Inv. ....       | 99                    | ...                         | 6                     | 1   | 0                | 168 1/2               | 140                         | 3 1/2                 | 3 1/2  | a     |
| 104                             | 104      | 111 1/2                                         | 104     | Merchants Trust Ord.       | 104                   | ...                         | 7                     | 9   | 2                | 79                    | 2                           | 9                     | 9      | a     |
| 13                              | 13       | 15 1/2                                          | 13      | Metropolitan Trust ..      | 13                    | ...                         | 6                     | 1   | 0                | 168 1/2               | 140                         | 3 1/2                 | 3 1/2  | a     |
| 60                              | 60       | 64 1/2                                          | 60      | Scottish Inv. 5/- .....    | 60                    | ...                         | 6                     | 1   | 0                | 195                   | 172 1/2                     | 3                     | 3      | a     |
| 46 1/2                          | 46 1/2   | 50 1/2                                          | 46 1/2  | Scottish Mort., &c. ....   | 46 1/2                | ...                         | ...                   | ... | ...              | ...                   | ...                         | ...                   | ...    | ...   |
| 34 1/2                          | 34 1/2   | 38 1/2                                          | 34 1/2  | Trustees Corp. Ord.        | 34 1/2                | ...                         | ...                   | ... | ...              | ...                   | ...                         | ...                   | ...    | ...   |
| 58 1/2                          | 58 1/2   | 62 1/2                                          | 58 1/2  | United States Deb. ....    | 58 1/2                | ...                         | ...                   | ... | ...              | ...                   | ...                         | ...                   | ...    | ...   |
| 60                              | 60       | 64 1/2                                          | 60      | Financial Trusts, &c.      | 60                    | ...                         | ...                   | ... | ...              | ...                   | ...                         | ...                   | ...    | ...   |
| 46 1/2                          | 46 1/2   | 50 1/2                                          | 46 1/2  | Brit. S. Afr. 15/- fy. pd. | 46 1/2                | ...                         | ...                   | ... | ...              | ...                   | ...                         | ...                   | ...    | ...   |
| 58 1/2                          | 58 1/2   | 62 1/2                                          | 58 1/2  | C. of Lond. R. Pty £1      | 58 1/2                | ...                         | ...                   | ... | ...              | ...                   | ...                         | ...                   | ...    | ...   |
| 60                              | 60       | 64 1/2                                          | 60      | Daily Mail & Gen. £1       | 60                    | ...                         | ...                   | ... | ...              | ...                   | ...                         | ...                   | ...    | ...   |
| 64 1/2                          | 64 1/2   | 68 1/2                                          | 64 1/2  | Dalgety £20 £5 pd. ....    | 64 1/2                | ...                         | ...                   | ... | ...              | ...                   | ...                         | ...                   | ...    | ...   |
| 50                              | 50       | 54 1/2                                          | 50      | Forestral Land £1 .....    | 50                    | ...                         | ...                   | ... | ...              | ...                   | ...                         | ...                   | ...    | ...   |
| 75 1/2                          | 75 1/2   | 80 1/2                                          | 75 1/2  | Hudson's Bay Co. £1        | 75 1/2                | ...                         | ...                   | ... | ...              | ...                   | ...                         | ...                   | ...    | ...   |
| 154                             | 154      | 164 1/2                                         | 154     | Java Invest. £1 .....      | 154                   | ...                         | ...                   | ... | ...              | ...                   | ...                         | ...                   | ...    | ...   |
| 92                              | 92       | 96 1/2                                          | 92      | Persia Corp. Pref. ....    | 92                    | ...                         | ...                   | ... | ...              | ...                   | ...                         | ...                   | ...    | ...   |
| 75                              | 75       | 83                                              | 75      | Primitive Hold. £1 .....   | 75                    | ...                         | ...                   | ... | ...              | ...                   | ...                         | ...                   | ...    | ...   |
| 103 1/2                         | 103 1/2  | 110 1/2                                         | 103 1/2 | Sudan Plant. £1 .....      | 103 1/2               | ...                         | ...                   | ... | ...              | ...                   | ...                         | ...                   | ...    | ...   |
| Breweries, &c.                  |          |                                                 |         |                            |                       |                             |                       |     |                  |                       |                             |                       |        |       |
| 112                             | 112      | 124                                             | 112     | Ansell's Brewery £1        | 112                   | ...                         | ...                   | ... | ...              | ...                   | ...                         | ...                   | ...    | ...   |
| 115                             | 115      | 124                                             | 115     | Barclay Perkins £1 .....   | 115                   | ...                         | ...                   | ... | ...              |                       |                             |                       |        |       |

## Investment

## TRANSPORT RECEIPTS

British Railways and London Transport Board.  
Publication of Weekly Traffic Returns is now Suspended.

## IRISH RAILWAY TRAFFICS

| Company             | Gross Receipts week ended<br>Sept. 22, 1939<br>(£'000) |       |       | Aggregate Gross Receipts<br>38 weeks<br>(£'000) |        |        |
|---------------------|--------------------------------------------------------|-------|-------|-------------------------------------------------|--------|--------|
|                     | Pass.                                                  | Goods | Total | Pass.                                           | Goods  | Total  |
| Belfast & Co. Down— |                                                        |       |       |                                                 |        |        |
| 1938                | 2.4                                                    | 0.4   | 2.8   | 100.9                                           | 16.4   | 117.3  |
| 1939                | 2.4                                                    | 0.6   | 3.0   | 103.3                                           | 17.0   | 120.3  |
| Great Northern—     |                                                        |       |       |                                                 |        |        |
| 1938                | 11.6                                                   | 11.0  | 22.6  | 435.2                                           | 340.9  | 776.1  |
| 1939                | 10.8                                                   | 13.3  | 24.1  | 443.0                                           | 389.5  | 832.5  |
| Great Southern—     |                                                        |       |       |                                                 |        |        |
| 1938                | 38.7                                                   | 47.6  | 86.3  | 1442.8                                          | 1490.8 | 2933.6 |
| 1939                | 38.1                                                   | 56.5  | 94.6  | 1447.4                                          | 1562.9 | 3010.3 |

## CANADIAN

(For heading, see Overseas Traffic, next column)

| Company           | Year Ending | 1939         |              | 1938           |               |
|-------------------|-------------|--------------|--------------|----------------|---------------|
|                   |             | Sept. 21     | Sept. 21     | Sept. 21       | Sept. 21      |
| Canadian National | 37          | \$ 5,651,182 | \$ 1,679,575 | \$ 134,725,677 | \$ 1,038,3197 |
| Canadian Pacific  | 37          | \$ 4,509,000 | \$ 1,145,000 | \$ 99,459,000  | \$ 4,508,000  |

## OVERSEAS WEEKLY TRAFFIC RECEIPTS

## INDIAN

| Name                | Weeks Ending | Gross Receipts for Week |            | Aggregate Gross Receipts |             |
|---------------------|--------------|-------------------------|------------|--------------------------|-------------|
|                     |              | 1939                    | + or -     | 1939                     | + or -      |
| Bengal & N. Western | 21 Aug. 31   | Rs. 18,32,279           | + 7,556    | Rs. 1,43,49,574          | - 13,90,301 |
| Bengal-Nagpur       | 21 Aug. 31   | Rs. 26,28,000           | + 2,72,542 | Rs. 2,23,113             | + 41,21,599 |
| Bombay, Bar. & C.I. | 24 Sept. 20  | Rs. 33,09,000           | + 2,14,000 | Rs. 5,28,17,000          | - 7,86,000  |
| Madras & S. Mah.    | 20 Aug. 20   | Rs. 17,23,000           | + 79,934   | Rs. 3,09,57,362          | + 12,58,025 |
| S. Indian           | 21 Aug. 31   | Rs. 17,03,413           | + 80,984   | Rs. 2,33,43,844          | + 2,65,097  |

## SOUTH &amp; CENTRAL AMERICAN

| Name              | Weeks Ending | Gross Receipts for Week |           | Aggregate Gross Receipts |          |
|-------------------|--------------|-------------------------|-----------|--------------------------|----------|
|                   |              | 1939                    | + or -    | 1939                     | + or -   |
| Antofagasta       | 38 Sept. 24  | \$ 10,060               | - 1,340   | \$ 500,220               | - 75,400 |
| B.A. and Pacific  | 11 Sept. 16  | \$ 1,203,000            | + 58,000  | \$ 13,675,000            | + 1,000  |
| B.A. Gt. Southern | 11 Sept. 16  | \$ 1,774,000            | + 108,000 | \$ 20,960,000            | + 1,000  |
| B.A. Western      | 11 Sept. 16  | \$ 740,000              | + 106,000 | \$ 7,486,000             | + 1,000  |
| Central Argentine | 12 Sept. 23  | \$ 1,912,150            | + 171,750 | \$ 24,789,250            | + 4,500  |
| Central Uruguay   | 11 Sept. 16  | \$ 1,474,431            | + 13,730  | \$ 1,711,922             | + 5,100  |
| Nitrate           | 15 Sept. 15  | \$ 16,381               | + 798     | \$ 181,152               | - 14     |
| United of Havana  | 12 Sept. 23  | \$ 19,150               | + 335     | \$ 213,876               | + 1,261  |

† Receipts in Argentine pesos. † Fortnight. (a) Converted at official rate.  
(d) Receipts in Uruguayan currency. (e) Converted at "controlled free rate."

## 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   |
|                                 |             |                           |                                                 |                                   | Prefce. Amount | Ordinary Amount Rate |                                         |                                |              |
| Breweries and Distilleries      |             |                           |                                                 |                                   |                |                      |                                         |                                |              |
| Longmorn-Glenlivet Distill'r's  | July 31     | £ 19,776                  | £ 8,131                                         | £ 27,907                          | £ 750          | £ 5,250 35†          | £ 2,000                                 | £ 19,907                       | £ 6,566 35†  |
| Financial, Land, etc.           |             |                           |                                                 |                                   |                |                      |                                         |                                |              |
| Grosvenor House (Park Lane)     | June 30     | 33,807                    | 19,258                                          | 53,065                            | 30,000         | ...                  | 578                                     | 22,487                         | 41,947 Nil   |
| Iron, Coal and Steel            |             |                           |                                                 |                                   |                |                      |                                         |                                |              |
| Blakeborough (J.) and Sons      | June 30     | 16,585                    | 63,103                                          | 79,688                            | 3,901          | 16,965 20            | 38,420                                  | 20,402                         | 46,285 15    |
| Horseley Bridge, etc.           | June 30     | 5,744                     | 72,205                                          | 77,949                            | 1,940          | 20,391 12†           | 42,000                                  | 13,618                         | 74,476 10    |
| Ransome and Maries Bearing      | June 30     | 61,609                    | 157,038                                         | 218,647                           | ...            | 101,500 20           | 50,000                                  | 67,147                         | 150,528 20   |
| Stothert and Pitt               | June 30     | 11,374                    | 98,320                                          | 109,694                           | 2,892          | 27,188 15            | 60,500                                  | 19,114                         | 55,231 12†   |
| Ward (Thos. W.)                 | June 30     | 99,053                    | 196,543                                         | 295,596                           | 43,125         | 83,954 10            | 62,577                                  | 105,940                        | 245,095 12†  |
| Rubber                          |             |                           |                                                 |                                   |                |                      |                                         |                                |              |
| Bernam-Perak                    | June 30     | 1,721                     | 2,671                                           | 4,392                             | ...            | ...                  | 634                                     | 3,758                          | 4,206 7†     |
| Bukit Selangor                  | Mar. 31     | 11,844                    | 7,078                                           | 18,922                            | ...            | 6,993 3              | 3,870                                   | 8,059                          | 11,363 3     |
| Chembong Malay                  | Mar. 31     | 11,321                    | 12,688                                          | 24,009                            | ...            | 6,190 2†             | 4,500                                   | 13,319                         | 12,115 2†    |
| Merah                           | Mar. 31     | 3,181                     | Dr. 288                                         | 2,893                             | ...            | ...                  | 2,893                                   | 1,466                          | Nil          |
| Semenyih                        | Apr. 30     | 9,911                     | 5,317                                           | 15,228                            | ...            | ...                  | 4,726                                   | 9,607                          | 8,857 18     |
| Sungei Gettah                   | Mar. 31     | 10,821                    | 848                                             | 11,669                            | ...            | ...                  | 11,669                                  | 7,205                          | 5            |
| Tangoel                         | June 30     | 3,047                     | 2,525                                           | 5,572                             | ...            | 1,915 2†             | 423                                     | 3,234                          | 4,710 5      |
| Tea                             |             |                           |                                                 |                                   |                |                      |                                         |                                |              |
| Ceylon and Indian Planters      | June 30     | 2,639                     | 8,532                                           | 11,171                            | 1,500          | 5,280 8              | 1,824                                   | 2,567                          | 14,264 12†   |
| Textiles                        |             |                           |                                                 |                                   |                |                      |                                         |                                |              |
| Aire Wool                       | Aug. 31     | 4,983                     | 13,823                                          | 18,806                            | 4,350          | 7,178 9              | 604                                     | 6,674                          | 12,342 9     |
| Hepworth (J.) and Son           | July 31     | 33,597                    | 66,143                                          | 99,740                            | 41,000         | 23,563 5             | 3,000                                   | 32,177                         | 86,156 5     |
| York Street Flax Spinning       | June 30     | 16,900                    | 23,659                                          | 40,559                            | 10,874         | ...                  | 12,500                                  | 17,185                         | 35,331 Nil   |
| Tramways, etc.                  |             |                           |                                                 |                                   |                |                      |                                         |                                |              |
| Transport Services              | May 31      | 924                       | 31,440                                          | 32,364                            | 8,700          | 10,875 5             | 629                                     | 12,160                         | 17,099 10(a) |
| Trusts                          |             |                           |                                                 |                                   |                |                      |                                         |                                |              |
| Capital and National            | July 31     | 6,617                     | 14,743                                          | 21,360                            | 11,001         | ...                  | ...                                     | 10,359                         | 17,948 2     |
| City and International          | Aug. 31     | 36,361                    | 45,029                                          | 81,390                            | 30,000         | 12,000 3             | ...                                     | 39,390                         | 51,210 4     |
| Other Companies                 |             |                           |                                                 |                                   |                |                      |                                         |                                |              |
| Aspro, Ltd.                     | June 30     | 11,831                    | 181,341                                         | 193,172                           | 19,938         | 90,625 25            | 71,431                                  | 11,178                         | 168,260 25   |
| Cheshire United Salt            | June 30     | 10,834                    | 27,394                                          | 38,228                            | 9,375          | 5,502 10             | 8,124                                   | 15,227                         | 21,681 7†    |
| Horlicks, Limited               | Mar. 31     | 19,553                    | 124,446                                         | 143,999                           | ...            | 108,750 30           | 15,000                                  | 20,249                         | 160,771 30   |
| Lawes Chemical Co.              | June 30     | 1,805                     | 12,562                                          | 14,367                            | ...            | 7,558 6              | 2,235                                   | 1,888                          | 12,435 6     |
| Rich (E.) and Company           | June 30     | 6,022                     | 2,156                                           | 8,178                             | ...            | 2,280 1†             | 4,000                                   | 1,898                          | 3,238 1†     |
| United Cannery                  | May 31      | 5,465                     | 2,226                                           | 7,491                             | ...            | ...                  | 2,750                                   | 4,741                          | 3,279 Nil    |
| Total Profits, 1939, in £'000's | No. of Cos. |                           |                                                 |                                   |                |                      |                                         |                                |              |
| To September 23                 | 1,759       | 73,776                    | 222,161                                         | 295,937                           | 42,995         | 118,234              | 56,779                                  | 77,929                         | 241,405      |
| To September 30                 | 1,786       | 74,233                    | 223,359                                         | 297,592                           | 43,217         | 118,782              | 57,167                                  | 78,426                         | 242,679      |

† Free of income tax.

(a) Absorbed £13,194.

## OIL OUTPUTS

Anglo-Iranian Oil Company, Ltd.—  
Production in Iran for the month of  
June, 1939, amounted to 828,000 tons.  
The total production for the period  
January 1 to June 30, 1939, was  
5,060,000 tons.

The Attock Oil Company, Ltd.—  
Controlled production for August, 1939,  
5,598 barrels.

The British Burmah Petroleum  
Company, Ltd.—Output for August,  
1939, 55,319 barrels.

British Controlled Oilfields, Ltd.—  
Total output week ended August 26, 1939,  
18,505 barrels; total output for August,  
1939, 86,079 barrels; total shipments for  
August, 1939, 59,571 barrels. Total out-  
put for week to September 2, 1939,  
19,397 barrels; total output for week to

September 9, 1939, 19,682 barrels. Total  
output week ended September 16, 1939,  
19,458 barrels. Total output week ended  
September 23, 1939: 19,773 barrels.

Dacia Romano Petroleum Syndicate,  
Ltd.—Gross output for August, 1939:  
Dacia, 1,137 tons; Perimeter X, 2,643  
tons; Starnapha, 323 tons.

Trinidad Consolidated Oilfields, Ltd.—  
Output for August, 1939, 41,561 barrels.

## BRITISH WHOLESALE PRICES

| CEREALS AND MEAT                 | Sept. 20, 1939 |           | Sept. 27, 1939 |       |
|----------------------------------|----------------|-----------|----------------|-------|
|                                  | s. d.          | s. d.     | s. d.          | s. d. |
| Wheat, etc.—                     |                |           |                |       |
| No. 2 N. Man. 496 lb Antwerp     | 4 7            | 45 10 1/2 |                |       |
| Ing. Gaz. 14, per cwt.           | 4 7            | 5 4       |                |       |
| Antwerp, Rosafe, 81 kilos.       | 36 7 1/2       | 38 2      |                |       |
| 14, per 280 lb.                  | 22 0           | 22 0      |                |       |
| Straights, d/d London            | 22 0           | 22 0      |                |       |
| Manitoba, ex store               | 9 10           | 11 3      |                |       |
| Barley, Eng. Gaz. 14, per cwt.   | 6 2            | 6 6       |                |       |
| Maize, La Plata, landed, 480 lb. | ...            | 40 7 1/2  |                |       |
| Antwerp                          | ...            | ...       |                |       |
| ice, No. 2 Burma, per cwt.       | ...            | ...       |                |       |
| BACON (per cwt.)—                |                |           |                |       |
| English                          | 100 0          | 100 0     |                |       |
| Danish                           | 100 0          | 100 0     |                |       |
| Dutch                            | 92 0           | 97 0      |                |       |
| Irish                            | 101 0          | 101 0     |                |       |
| HAMS (per cwt.)—                 |                |           |                |       |
| Canadian                         | 98 0           | 101 0     |                |       |
| United States                    | 94 0           | 94 0      |                |       |

## OTHER FOODS

|                                  |        |        |  |  |
|----------------------------------|--------|--------|--|--|
| BUTTER (per cwt.)—               |        |        |  |  |
| Australian                       | 129 0  | 145 0  |  |  |
| New Zealand                      | 129 0  | 145 0  |  |  |
| Danish                           | 148 0  | 145 0  |  |  |
| CHEESE (per cwt.)—               |        |        |  |  |
| Canadian (new)                   | 63 0   | 63 0   |  |  |
| New Zealand                      | 61 0   | 61 0   |  |  |
| English Cheddars                 | 88 0   | 88 0   |  |  |
| Dutch                            | 60 0   | 60 0   |  |  |
| COCOA (per cwt.)—                |        |        |  |  |
| Accra, g.f.                      | 28 0   | 29 6   |  |  |
| Trinidad                         | 29 0   | 30 0   |  |  |
| Grenada                          | 50 0   | 50 0   |  |  |
| COFFEE (per cwt.)—               |        |        |  |  |
| Santos sup. c. & f.              | 45 0   | 45 0   |  |  |
| Costa Rica, medium to good       | 78 0   | 90 0   |  |  |
| Kenya, medium                    | 88 0   | 100 0  |  |  |
| EGGS (per 120)—                  |        |        |  |  |
| English (15 lb. and over)        | 22 0   | 22 0   |  |  |
| Danish (15 lb. and over)         | 14 9   | 14 9   |  |  |
| FRUIT—                           |        |        |  |  |
| Oranges, Brazilian (Peras) boxes | 15 0   | 13 0   |  |  |
| " S. African (Val. Latr.) bxs    | 17 0   | 15 0   |  |  |
| Lemons, Californian bxs. I       | 15 0   | 15 0   |  |  |
| Apples, Californian              | 8 6    | 5 6    |  |  |
| Grapefruit, Brazilian (M.S.)     | 13 0   | 13 6   |  |  |
| Pears (Californian) B. Hardy     | 15 0   | 15 6   |  |  |
| LARD (per cwt.)—                 |        |        |  |  |
| Irish, finest blades             | 46 0   | 46 0   |  |  |
| U.S.                             | 42 6   | 42 6   |  |  |
| PEPPER (per lb.)—                |        |        |  |  |
| Black Lampong (in Bond)          | 0 33 4 | 0 33 4 |  |  |
| White Muntok (in Bond)           | 0 51 2 | 0 51 2 |  |  |
| POTATOES (per cwt.)—             |        |        |  |  |
| English, King Edward, Siltland   | 5 0    | 5 6    |  |  |
| Wisbech, King Edward (per ton)   | 100 0  | 105 0  |  |  |
| SUGAR (per cwt.)—                |        |        |  |  |
| Centrifugals, 96% prpt. shipm.   | 7 6    | 7 6    |  |  |
| Refined London                   | 27 6   | 27 6   |  |  |
| Granulated, 2 cwt. bags          | 24 6   | 24 6   |  |  |
| Cubes, 1 cwt. cases              | 25 2   | 25 2   |  |  |
| Pieces, 2 cwt. bags              | 26 2   | 26 2   |  |  |
| Soft Brown, 1 lb. cartons        | 26 2   | 26 2   |  |  |

\* Above, war risk included. (a) Exclusive of duty. (b) Price quoted subject to variation in accordance with any official advance or reduction in price made by Cement Makers' Federation and ruling at time of delivery and all contracts and quotations subject to war clause.

|                            |             | Sept. 20, 1939 | Sept. 27, 1939 |
|----------------------------|-------------|----------------|----------------|
| TOBACCO (per lb.)—         |             | s. d.          | s. d.          |
| Virginia, stemmed and un-  | {           | 0 8            | 0 8            |
| stemmed, common to fine    |             | 2 6            | 2 6            |
| Rhodesian, stemmed and un- |             | 0 9            | 0 9            |
| stemmed                    |             | 1 10           | 1 10           |
| Nyasaland, stemmed and un- |             | 0 7            | 0 7            |
| stemmed                    |             | 1 4            | 1 4            |
| East Indian                | { Stemmed   | 0 3 1/2        | 0 4 1/2        |
|                            | { Unstemmed | 0 4            | 0 5            |
|                            |             | 1 0            | 1 4            |

**TEXTILES**

|                                  |  | d.     | d.     |
|----------------------------------|--|--------|--------|
| COTTON (per lb.)                 |  |        |        |
| Raw, Mid-American                |  | 76     | 677    |
| " Giza, F.G.F.                   |  | 34     | 770    |
| Yarns, 32's Twist                |  | 13     | 13 1/2 |
| " 40's Weft                      |  | 13 1/2 | 13 5/8 |
| " 60's Twist (Egyptian)          |  | 21     | 21     |
| Cloth, 32 in. Printers, 116 yds. |  | s. d.  | s. d.  |
| " 16 x 16, 32's & 50's           |  | 22 0   | 22 6   |
| " 36 in. Shirtings, 75 yds.      |  |        |        |
| " 19 x 19, 32's & 40's           |  | 31 0   | 31 6   |
| " 38 in. ditto, 38 yds.          |  |        |        |
| " 18 x 16, 10 lb.                |  | 12 6   | 12 6   |
| " 39 in. ditto, 37 1/2 yds.      |  |        |        |
| " 16 x 15, 8 1/4 lb.             |  | 11 6   | 11 6   |



## 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 August 31  |            | Month ended August 31                                                    |             |
|                                                                          | 1938                   | 1939       | 1938                                                                     | 1939        |
| I.—Food, Drink and Tobacco—                                              |                        |            |                                                                          |             |
| A. Grain and Flour .....                                                 | 7,159,142              | 5,016,713  | 52,948,230                                                               | 40,184,750  |
| B. Feeding-stuffs for Animals .....                                      | 921,440                | 759,579    | 7,566,253                                                                | 6,862,941   |
| C. Animals, Living, for Food .....                                       | 674,534                | 905,958    | 5,090,437                                                                | 5,872,347   |
| D. Meat .....                                                            | 7,222,297              | 8,864,778  | 61,339,377                                                               | 62,346,454  |
| E. Dairy Produce .....                                                   | 6,518,559              | 7,045,687  | 54,174,799                                                               | 51,714,352  |
| F. Fresh Fruit and Vegetables .....                                      | 2,615,940              | 2,495,559  | 27,121,961                                                               | 26,323,226  |
| G. Beverages and Cocoa Preparations .....                                | 4,207,382              | 3,766,578  | 28,342,254                                                               | 25,943,644  |
| H. Other Food .....                                                      | 4,158,524              | 4,383,522  | 33,810,992                                                               | 38,097,219  |
| I. Tobacco .....                                                         | 1,608,717              | 1,358,880  | 11,302,460                                                               | 9,123,963   |
| Total, Class I .....                                                     | 35,086,535             | 34,597,254 | 281,695,723                                                              | 266,367,996 |
| II.—Raw Materials and Articles Mainly Unmanufactured—                    |                        |            |                                                                          |             |
| A. Coal .....                                                            | 1,004                  | 1,573      | 9,074                                                                    | 10,784      |
| B. Other Non-Metalliferous Mining and Quarry Products and the like ..... | 418,494                | 476,534    | 3,208,109                                                                | 3,608,700   |
| C. Iron Ore and Scrap .....                                              | 582,521                | 1,327,268  | 9,164,648                                                                | 6,523,897   |
| D. Non-Ferrous Metalliferous Ores and Scrap .....                        | 1,295,374              | 1,765,683  | 11,427,591                                                               | 11,191,523  |
| E. Wood and Timber .....                                                 | 4,947,139              | 5,712,599  | 26,326,496                                                               | 27,090,265  |
| F. Raw Cotton and Cotton Waste .....                                     | 2,281,146              | 1,599,186  | 20,812,736                                                               | 16,537,717  |
| G. Wool, Raw and Waste, and Woollen Rags .....                           | 2,196,013              | 3,289,078  | 31,899,335                                                               | 34,964,850  |
| H. Silk, Raw, Knobs and Noils .....                                      | 122,286                | 160,341    | 1,456,897                                                                | 1,260,758   |
| I. Other Textile Materials .....                                         | 751,507                | 568,167    | 7,645,521                                                                | 9,018,905   |
| J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums .....             | 2,433,152              | 2,315,206  | 22,152,267                                                               | 21,681,640  |
| K. Hides and Skins, Undressed .....                                      | 1,694,952              | 1,572,036  | 12,604,587                                                               | 12,012,511  |
| L. Paper-making Materials .....                                          | 1,346,921              | 1,364,812  | 10,795,759                                                               | 9,758,446   |
| M. Rubber .....                                                          | 1,086,074              | 761,412    | 8,790,795                                                                | 5,511,004   |
| N. Miscellaneous Raw Materials and Articles mainly Unmanufactured .....  | 1,156,944              | 1,315,271  | 6,278,755                                                                | 6,374,038   |
| Total, Class II .....                                                    | 20,313,527             | 22,229,166 | 172,572,570                                                              | 165,545,038 |
| III.—Articles Wholly or Mainly Manufactured—                             |                        |            |                                                                          |             |
| A. Coke and Manufactured Fuel .....                                      | 1,031                  | 355        | 5,052                                                                    | 4,662       |
| B. Pottery, Glass, Abrasives, etc. ....                                  | 589,639                | 527,612    | 4,908,466                                                                | 4,401,628   |
| C. Iron and Steel and Manufactures thereof .....                         | 713,571                | 2,123,563  | 11,386,392                                                               | 11,251,496  |
| D. Non-Ferrous Metals and Manufactures thereof .....                     | 2,965,790              | 3,312,861  | 27,278,188                                                               | 26,640,719  |
| E. Cutlery, Hardware, Implements and Instruments .....                   | 527,369                | 589,834    | 4,653,385                                                                | 4,539,474   |
| F. Electrical Goods and Apparatus .....                                  | 254,977                | 256,727    | 2,005,260                                                                | 1,941,063   |
| G. Machinery .....                                                       | 1,655,188              | 2,279,393  | 14,910,722                                                               | 17,306,832  |
| H. Manufactures of Wood and Timber .....                                 | 483,246                | 582,745    | 4,256,894                                                                | 4,012,902   |
| I. Cotton Yarns and Manufactures .....                                   | 249,770                | 237,622    | 2,066,270                                                                | 1,915,678   |
| J. Woollen and Worsted Yarns and Manufactures .....                      | 323,961                | 426,175    | 2,464,828                                                                | 2,907,862   |
| K. Silk Yarns and Manufactures .....                                     | 439,077                | 404,901    | 3,236,489                                                                | 3,233,518   |
| L. Manufactures of other Textile Materials .....                         | 394,743                | 915,421    | 3,025,984                                                                | 5,059,890   |
| M. Apparel .....                                                         | 665,837                | 614,585    | 5,703,684                                                                | 5,151,553   |
| N. Footwear .....                                                        | 254,572                | 364,228    | 1,935,492                                                                | 2,356,561   |
| O. Chemicals, Drugs, Dyes and Colours .....                              | 1,086,536              | 1,582,389  | 8,074,412                                                                | 11,154,138  |
| P. Oils, Fats and Resins, Manufactured .....                             | 3,496,849              | 4,236,724  | 30,462,990                                                               | 31,847,690  |
| Q. Leather and Manufactures thereof .....                                | 551,717                | 869,146    | 4,212,426                                                                | 5,438,382   |
| R. Paper, Cardboard, etc. ....                                           | 1,237,050              | 1,710,624  | 9,653,141                                                                | 10,597,510  |
| S. Vehicles (including Locomotives, Ships and Aircraft) .....            | 258,222                | 362,998    | 3,057,830                                                                | 3,163,773   |
| T. Rubber Manufactures .....                                             | 69,511                 | 97,276     | 540,580                                                                  | 661,104     |
| U. Miscellaneous Articles wholly or mainly Manufactured .....            | 1,794,838              | 2,137,336  | 14,037,486                                                               | 15,360,117  |
| Total, Class III .....                                                   | 18,013,514             | 23,632,515 | 157,875,971                                                              | 168,946,552 |
| IV.—Animals, not for Food .....                                          | 386,312                | 378,056    | 2,165,972                                                                | 2,218,441   |
| V.—Parcel Post .....                                                     | 312,736                | 259,715    | 2,228,894                                                                | 2,953,707   |
| Total .....                                                              | 74,112,624             | 81,096,706 | 616,539,130                                                              | 606,031,734 |

## AMERICAN WHOLESALE PRICES

|                             | Sept. 20, 1939 | Sept. 27, 1939 |                                     | Sept. 20, 1939 | Sept. 27, 1939 |                                  | Sept. 20, 1939 | Sept. 27, 1939 |
|-----------------------------|----------------|----------------|-------------------------------------|----------------|----------------|----------------------------------|----------------|----------------|
|                             | Cents          | Cents          |                                     | Cents          | Cents          |                                  | Cents          | Cents          |
| GRAINS (per bushel)—        |                |                | METALS (per lb.)—cont.              |                |                | MISCELLANEOUS (per lb.)—cont.    |                |                |
| Wheat, Chicago, Dec. ....   | 84½            | 85½            | Tin, N.Y., Straits, spot .....      | 5.50           | 5.50           | Cotton, Am. Mid. Oct. ....       | 9.02           | 9.19           |
| Winnipeg, Oct. ....         | 74¼            | 71¼            | Lead, N.Y., spot .....              | 6.25           | 6.50           | Land, Am. Mid. Oct. ....         | 7.77½          | 7.10           |
| Maize, Chicago, Dec. ....   | 55½            | 53½            | Spelter, East St. Louis, spot ..... | 6.25           | 6.50           | Petroleum, Chicago, Sept. ....   | 10.2           | 10.2           |
| Oats, Chicago, Dec. ....    | 35¼            | 33¼            |                                     |                |                | 33 gum, Mid.-cont. crude .....   | 20¼            | 19¼            |
| Rye, Chicago, Dec. ....     | 50½            | 54½            | MISCELLANEOUS (per lb.)             |                |                | per 33 to 33-90, at well .....   | 102            | 102            |
| Barley, Winnipeg, Oct. .... | 47             | 46             | Cocoa, N.Y., Acra, Oct. ....        | 6.00           | 5.30           | Rubber, sheet, spot .....        | 21¼            | 21¼            |
|                             |                |                | Coffee, N.Y., cash—                 |                |                | Do. N.Y., smkd. sheet spot ..... | 20¼            | 19¼            |
| METALS (per lb.)—           |                |                | Rio, No. 7 .....                    | 5½             | 5½             | Sugar, do. Oct. to Dec. ....     | 2.44           | 2.44           |
| Copper, Connecticut .....   | 12.00          | 12.00          | Santos, No. 4 .....                 | 7¼             | 7¼             | 96 deg., spot .....              | 2.44           | 2.44           |
| Export c.i.f. ....          | 11.75          | 11.75          | Cotton N.Y., Am. mid., spot .....   | 9.17           | 9.18           |                                  |                |                |

## THE ECONOMIST BUILDING SOCIETIES

SATURDAY, JULY 1, 1939

## INTERESTING . . .

to the discriminating investor is the news that restrictions on investment in the Abbey Road Building Society can now be relaxed. The Society's policy of financing only the best type of mortgage business has been so successful that the following wider opportunities are now available:—

● Sums up to £1,000 can be invested in share accounts where the yield is 3½% net and free of liability to Income Tax.

● Sums up to £5,000 can be invested upon Deposit (at three months' notice) to bear the yield of 2½% net.

● No investor in the Abbey Road Building Society has ever lost a penny of his capital—a £1 at the Abbey Road is always worth 20/- plus accrued interest.

# ABBNEY ROAD

## LONDON'S LARGEST BUILDING SOCIETY

Assets £52,000,000

Reserves £2,650,000

Applications and enquiries to be addressed to the Managing Director  
 ABBNEY ROAD BUILDING SOCIETY  
 Abbey House, Baker Street, London, N.W.1



## Impregnable Financial Strength OF GREAT BRITISH BUILDING SOCIETY

Year by year, million by million, the assets of the Woolwich Equitable Building Society increase. These assets are secured on land and house property in all parts of Great Britain. In addition to such widespread security over £3,500,000 is held in ready cash and Trustee securities.

To-day, with assets amounting to the record figure of more than £40,000,000 and reserves and undivided profits exceeding £1,800,000, the stability and financial strength of the Woolwich Equitable Building Society are assured for years ahead.

TOTAL ASSETS OF THE SOCIETY:—

| 1934        | 1935        | 1936        | 1937        | 1938        |
|-------------|-------------|-------------|-------------|-------------|
| £27,094,596 | £30,112,549 | £33,923,432 | £37,216,067 | £39,353,191 |

## WOOLWICH EQUITABLE BUILDING SOCIETY

General Manager: T. R. CHANDLER, F.I.A.

CHIEF OFFICE: EQUITABLE HOUSE, WOOLWICH, LONDON, S.E.18

CENTRAL LONDON OFFICES:

27, Queen Victoria Street, E.C.4 · 22, Liverpool Street, E.C.2 · Bush House, Aldwych, W.C.2

A Member of the Building Societies Association

# THE ECONOMIST BUILDING SOCIETIES

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## Progress and Problems

DURING the past twelve months the building society movement has been confronted with more than its due quota of problems. Some of these have been of a general character, common to all financial institutions in a year of recurrent political crisis. But even these influences have struck the building societies with peculiar effect, firstly because they borrow short and lend long, and secondly because their mortgage investments are subject, like all property, to the incidence of war risks. There has been evidence of concern on these points in an accentuated, though only slightly accentuated, removal of funds on the part of some shareholders and depositors from the societies. And if the war risks factor did not exert a noticeable effect upon the volume of new advance business last year, there is no lack of indication that it is now having more marked consequences.

These problems would be sufficient fully to occupy the deliberations of building society leaders. But the year has also included a *cause célèbre* and the introduction of two Bills in Parliament affecting building societies. The case of Bradford Third Equitable Benefit Building Society *versus* Borders was discussed at length in *The Economist* of February 18, 1939. But one of the questions which it raised—the responsibility of building societies for building standards of property on which advances had been made—had already given rise to rumblings of discontent in certain areas. The “mortgage strike” is a new, and unwelcome, feature of a difficult year. Mr Justice Bennett’s decision in the case provided an indirect confirmation that the taking of collateral security in connection with mortgages based on adequate security of property was proper, but the matter was clearly so important that the issue had to be put beyond all doubt. That is one of the principal objects of the Government’s Bill, which is now in its concluding Committee stages. The Bill also attempts to make provision for safeguarding the mortgagor in respect of the quality of the property which he has purchased, and an important amendment moved only this week by Mr Walter Elliot will undoubtedly strengthen these safeguards. Building societies themselves, being concerned in law only as lenders, strongly resisted the object of Miss Ellen Wilkinson’s Bill, which sought to impose upon the societies the responsibility of warranty in respect to

the quality of houses on which they advanced funds.

These matters, and others scarcely less important, form the subject-matter of the present survey of the building society movement. It is the third in a series—earlier issues were published on April 11, 1936, and April 23, 1938—which has devoted special attention to current building society problems, and has attempted to throw new statisti-

cal light on the development of the movement’s finance and business. Some of the methods of calculation employed on later pages are unique, and there is much material in the summary table relating to the financial development of 108 leading societies since 1925 which is new, and which, unfortunately, cannot be adequately examined in a survey of the present length. For students of building society affairs its usefulness will be none the less apparent.

Amid these difficulties, however, the movement has once again proved its capacity for uninterrupted growth. T

have achieved an increase in mortgage advances in so difficult a year as 1938 is itself a testimony to its energies. The official figures relating to the growth of total assets, mortgage assets, shares and deposits, are charted above and set out in detail in the following table, together with the record of mortgage advances since 1929:—

(£ millions)

|            | No. of Societies | Total Assets | Mortgage Assets | Shares | Deposits | Mortgage Advance during Year |
|------------|------------------|--------------|-----------------|--------|----------|------------------------------|
| 1929 ..... | 1,026            | 312.7        | 268.1           | 250.2  | 38.9     | 74.7                         |
| 1930 ..... | 1,026            | 371.2        | 316.3           | 302.8  | 44.6     | 88.8                         |
| 1931 ..... | 1,013            | 419.2        | 360.2           | 341.8  | 50.4     | 90.3                         |
| 1932 ..... | 1,014            | 469.3        | 388.4           | 380.9  | 61.5     | 82.1                         |
| 1933 ..... | 1,013            | 501.1        | 423.5           | 395.5  | 75.5     | 103.2                        |
| 1934 ..... | 1,007            | 555.6        | 476.2           | 424.3  | 97.3     | 124.6                        |
| 1935 ..... | 999              | 602.0        | 529.7           | 447.2  | 114.8    | 130.9                        |
| 1936 ..... | 985              | 656.2        | 586.6           | 480.7  | 128.4    | 140.3                        |
| 1937 ..... | 977              | 710.4        | 636.4           | 517.5  | 143.3    | 136.9                        |
| 1938 ..... | 971              | 758.9        | 686.8           | 548.3  | 155.7    | 137.0                        |

These are striking figures, financially. But they are more than a document of social progress and economic impetus. After a period of extremely rapid development a breathing space may afford the movement an opportunity for self-examination. It would emerge honourably from the test, but perhaps strengthened in its purpose to serve the community—and particularly the small saver and property purchaser—with even greater zeal than in the past.



# The Building Societies Bill

Now that the Government's Building Societies (No. 2) Bill has nearly concluded its committee stages, it is possible to appraise its broad effect. Its title derives from the fact that it was preceded by Miss Ellen Wilkinson's Bill, which obtained a first reading but was automatically suspended by the introduction of the Government's measure. This Bill has its origin in certain issues raised in the case of Bradford Third Equitable Benefit Building Society v. Borders, in which the defendant questioned the right of the plaintiff society to take collateral security for a mortgage advance, and also challenged the legality of what are known as "pool" agreements between building societies and builders-vendors of mortgaged property.

Although Mr Justice Bennett (whose decision was discussed in *The Economist* of February 18, 1939) found it unnecessary to do more than express an opinion, without pronouncing judgment, that such transactions were not *ultra vires*, the issue was of such paramount importance to building societies, since it affected thousands of mortgage contracts in all parts of the country, that the Government decided to place the question beyond doubt by giving statutory sanction, retrospective and future, to collateral and pool business.

The main purpose of the Bill—to validate by statute the taking of collateral security, and pool arrangements—had the assent of all parties, who recognised that these practices had materially assisted the acquisition of homes by persons of moderate means. But this authorisation was subject to conditions giving rise to strong opposition. A sub-section restricting the basic loan under a pool arrangement to 75 per cent. and the additional (collateral) security to 20 per cent. of the purchase price for which an advance is made was contested, and an increase of the basic limit to 80 per cent. was urged. The lower figure has been adopted, however, on the ground that less responsible societies might endeavour to secure business by offering a basic advance exceeding that which more prudent societies would be prepared to allow.

Clause 4, however, has perhaps attracted the greatest controversy. It provides that:—

Where a society makes to any person an advance for the purpose of its being used in defraying the purchase price of freehold or leasehold estate, the society shall be deemed to warrant to such person that the purchase price is reasonable.

Then follows an apparently conflicting proviso:—

Unless, before any contract requiring such person to repay the advance is entered into, the society gives to such person a notice in writing stating that the making of the advance implies no such warranty.

On publication of the Bill, the Government had immediately been notified of the uncompromising opposition of building societies to this clause, which, in their view, placed upon them an unjustifiable responsibility, having regard to their position as mortgagees. They realised that the proviso afforded the means of evading the responsibility implied by the opening sentence, but they objected in principle that a lending institution should be held liable in any circumstances for matters regarding which builders and vendors must ultimately carry the responsibility. And because the right to contract out was given, Miss Wilkinson and other members were equally opposed to the clause, on the ground that the apparent protection given to the borrower with one hand was withdrawn with the other.

And yet, by reason of its contracting-out proviso, the clause may be regarded as a protection to the borrower, by those who have complained that the borrower has been misled by the belief that, if a building society is prepared to lend, say, up to 80 per cent. of the purchase price of his house, it must be worth the money. If societies avail themselves of the contracting-out clause—as they naturally will—the borrower will know that the build-

ing society valuation on which the mortgage advance is based is no necessary indication of the "reasonableness" of the price he is paying for the property. Moreover, it is further safeguarded in this respect by another clause which provides that the character and amount of any collateral security which is taken shall be disclosed to the borrower before the mortgage contract is executed.

Miss Wilkinson sought to substitute for this warranty clause an amendment requiring building societies to give to mortgage borrowers an unqualified guarantee that the premises were erected and completed in an efficient and workmanlike manner, of good and substantial materials, and in compliance with the byelaws of the local authorities; and that the premises were, at the date of the advance, in all respects reasonably fit for human habitation. Her contention was that building societies' arrangements with builders are such that they could not avoid some measure of responsibility for work and materials which are later found to be inferior. The impossibility of obtaining the required data when societies have had no opportunity of inspecting a house during its construction—and many applications for mortgages relate to houses completed actually in the occupation of borrowers—proved fatal to this proposal. Hence the warranty clause, with its contracting-out proviso, stands part of the Bill.

The clause leaves untouched those other institutions and corporate bodies—insurance companies, friendly societies and banks, and also private individuals—which engage in mortgage business, and an amendment to bring these, or some of them, within the provisions of the clause, was ruled out of order.

Clause 4 also makes it a penal offence for any person, or his agent, who, having a financial interest in the disposition of property, represents to an intending mortgagor (whether with fraudulent intent or not) that the making of an advance by a society implies assurance that the property is sufficient security for the loan. This drastic provision, while intended to safeguard mortgagors from unscrupulous advisers, was contested by an amendment designed to safeguard persons acting honourably and reasonably, and to penalise only the making of statements known to be false or deceptive, or the concealment of material facts. This amendment was negatived, but the Solicitor-General has promised consideration of the position of unauthorised persons who might make representations of this character. On this understanding the clause was added to the Bill, but only by the casting vote of the chairman.

Despite its implications, no society, careful of its reputation and its interests as mortgagee, can object to Clause 5, which imposes upon directors the duty of taking care to ensure that in selling property which has fallen into possession "the price at which it is sold is the best that can reasonably be obtained." It links with another clause, in which directors and officers are warned against dereliction of duty or trust, and is apparently intended to guard against the possibility of collusion between mortgagees (as vendors) and buyers, or the operation of a ring of speculators who depute only one of their number to buy property and then, when it is re-sold at an enhanced price, divide the profit. There are, however, certain objections to a suggestion that details of such foreclosures and sales, with, possibly, the names of defaulters, should be open to public inspection. It will probably rest with the Chief Registrar to prescribe what details of all such transactions shall be sent to him.

Because of its bearing on a very general business practice by building societies, Clause 6 required clearer definition from the outset. It prohibits the offer or payment by a society, or by its officers or agents, of commission for the introduction of mortgage business to "any person" having a financial interest in the disposition of property which is

the subject of a mortgage advance. Many societies—notably the larger ones—are largely dependent for mortgage business upon introductions by solicitors, surveyors, and estate and commission agents, to whom fees are paid for their services. Such societies would resent the prohibition of what they regard as legitimate business, and that resentment is shared by members of the professions concerned. On the other hand, certain societies—especially those that cannot afford to pay commissions—might have welcomed the removal of a form of competition which they are unable to meet. By a Government amendment, however, the ban upon the offer of commission will not apply in relation to payments made to an agent "engaged or retained by a society in the ordinary course of its business." The importance of the clause turns upon interpretation of the expression "any person having a financial interest" in property offered in mortgage.

Clause 7 places upon every director or member of a society's committee of management the duty of seeing that the security taken in respect of an advance shall be assessed by a competent, experienced and prudent person in order to ensure its adequacy. The clause raises the question of valuation in its general aspect. A society's first consideration, in surveying property offered in mortgage, is—or should be—to ensure a margin of security for the protection of investors whose money is being used for the loan. There is no arbitrary method by which this calculation is made. Some societies have staff surveyors; others depend on the advice of practical members of their directorates and may call in expert professional opinion for large advances. Others, again, engage valuers in particular districts, where knowledge of local housing conditions may seem essential. There is nothing in the clause to prohibit any of these methods of valuation, and it appears to be rather in the nature of a reminder to directors that their duties in this respect must be taken seriously. This is emphasised by a provision in clause 8, which imposes liability upon directors and officers of societies in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty.

An amendment to Clause 7 was carried, however, against the Government's advice, which would require a society which proposed to make an advance to report in writing to the intending borrower, specifying whether the house was in a good and tenable state of repair, whether or not the quality is reasonable (in relation to the purchase price) and whether or not the house was constructed in compliance with local by-laws.

The question whether any report regarding the quality of a property should be given to a borrower, and at what stage, has, in fact, occupied much of the Committee's time. A Government amendment to Clause 7 may be regarded as the reply to the amendment just described, although at the moment it stands part of the Bill. Under the later amendment a borrower could obtain a copy of the building society's record showing the amount at which

the property was assessed, the person who made the assessment, and particulars of any additional security taken by the Society. In other words, the information would not, under this clause, be available to an intending borrower but only *ex post facto* to persons who had already borrowed.

On Tuesday this week the Minister of Health moved a new clause, intended to reconcile the general view of the Committee that something should be done to safeguard building standards with the building societies' contention that this responsibility rests primarily upon the building industry. A system of house certification is contemplated under the new clause, which empowers the Minister of Health to approve "certain bodies" whose objects include the improvement of building standards. Such bodies would regularly inspect houses during erection and would issue certificates stating that the standard of building was in accordance with their standard specifications, which themselves would have to be approved by the Minister. Proper arrangements would also be required to indemnify purchasers against any loss if the building did not conform to the certified standard.

The first object of the clause, therefore, is to encourage intending house-purchasers to require certification, although until a sufficient demand for such facilities is encouraged the setting up of approved bodies may prove a somewhat lengthy process. The second object is to put the building industry on its mettle. These objects are encouraged by special facilities which the building societies will be able to give, under the clause, for advance business under "continuing arrangements" concerned only with certified houses. The release limit for collateral security would be raised from 66½ per cent. to 70 per cent., and the maximum term of years from 20 to 23. Such concessions would probably make for a material, though not excessive, reduction in the borrower's weekly repayments.

The schedule of the Bill prescribes as authorised classes of security which may be taken as collateral (1) a charge upon a life insurance policy, not exceeding its surrender value; (2) a guarantee by an insurance company; (3) a guarantee by a public authority; (4) a deposit of money with a lending society, or lodgment under lien of trustee investment stocks; (5) a personal guarantee by a third party—say, a father for a son—supported by tangible security; and (6) any other form of guarantee backed by tangible security. These forms of additional security are, in fact, in accord with general practice.

As this survey goes to press, the Bill is still under consideration by the committee. Its examination, clause by clause, has been marked by a good deal of contentious, though not obstructive, criticism. Building societies will have a measure which, while still open to objection on certain points of principle, confirms their position in vital matters of practice, affords some protection to mortgage borrowers, and in no respect impairs the confidence of shareholders and depositors in the security of their investments.

## Building Societies and War Risks

(By a Correspondent)

MODERN warfare is no respecter of persons or property. The raiding aeroplane, if recent experience in Europe and Asia can be taken as a guide, makes little discrimination between military and non-military objectives, and under present day conditions of warfare ordinary dwelling-houses are exposed to danger from enemy attack. Since these constitute the physical security for almost the whole of the building societies' mortgage assets, the incidence of war risks is an important factor in contemporary building society policy. In a substantial sense, however, this is not a problem which is peculiar to building societies or one which can be divorced from wider considerations of national policy. At least, the effectiveness of the national defences, both as a deterrent against and as a protection in an emergency must be related to the question of possible damage.

To this extent, the notable improvement in the country's position is reassuring. Admittedly, this is mere generalisation. But it is far from easy to advance beyond generalisation in discussing any aspect of the problem, since the discussion, happily, concerns a hypothetical war—a limitation which should be borne in mind in reading what follows.

The building society embraces two broad and distinctive groups of individuals—namely, investors and borrowers. How, in the first place, would the investor be likely to fare? In an actual emergency the first Government move, in regard to financial institutions, would, no doubt, be to enact a moratorium covering the preliminary phase, following the precedent of the Great War. Apart from this, however, building societies mostly enjoy the protection of at least one month's notice before investors' funds need

be repaid and the rules usually prescribe that thereafter withdrawals shall be met according to priority of notice; though it may be assumed that most societies would aim at meeting without delay all moderate demands for cash. This in itself would provide a useful breathing space. There would be some acceleration in withdrawals, but it may be doubted whether they would in the main be such as to require resort to very exceptional procedure. The building society investor, whether judged by the September crisis of last year or any similar test, exhibits traditional steadiness; and assuming the investor did withdraw, he would be faced sooner or later with the unenviable task of seeking a satisfactory alternative investment medium. It is hardly possible to anticipate whether, and in what degree, the Government might limit the freedom of action of investors at large, but in any event the fact that building societies chiefly cater for the small investor would doubtless be given due weight.

Reason might well fortify convenience, however, in inducing the investor to leave the greater part of his funds undisturbed. The dwelling house, reinforced by the borrower's personal covenant, constitutes the chief security for the investor's funds. At the beginning of the year the Chancellor of the Exchequer made an important statement outlining the Government's policy with regard to damage to property in war time.

The Government, rightly recognising that any scheme on a pure insurance basis would be impracticable, has accepted the principle of national responsibility in this matter. In brief, it is proposed that compensation shall be provided from public funds at the conclusion of hostilities, within certain limits and according to the nation's remaining resources. The building societies welcomed this announcement so far as it went, since they had urged the substance of this policy upon the Government during the preceding two years. It was recognised, however, that the Chancellor's statement represented little more than a definition of principle, leaving much that was doubtful on questions of detail. These doubts have not yet been removed, though any well conceived attempt to do so would be widely appreciated. Perhaps the widely-supported motion table this week in Parliament that a Joint Committee of both Houses should be set up to report on a scheme of compensation may produce more precise results.

Despite the doubts on points of detail, however, the acceptance of the principle of national responsibility represents a safeguard which should not be under-rated. Its application to building society operations in particular will be obvious. But this is not to say that the security of the societies' funds under emergency conditions is exclusively based on the Government's scheme of compensation. The larger societies, which operate on a national basis, enjoy the advantages which accrue from the dispersal of their mortgage securities over the greater part of the country, while some other societies, although their securities are relatively concentrated, serve localities which are not regarded as vulnerable. Again, few societies have any appreciable proportion of their mortgages in the more vulnerable centres of areas with large population, since the new house building in which they are largely interested tends to be on the circumference. Indeed, it is clear that many societies have a distinct advantage over a large number of industrial undertakings, whose property is often highly concentrated in urban centres.

The societies' physical security, however, is reinforced by

the borrowers' personal covenant; and it is the borrowers' repayments which provide the income from which investors derive their dividends and interest. In other words, we have reached the second part of the inquiry. What reactions might an emergency have on borrowers and their capacity to maintain their repayments? Although modern warfare is totalitarian warfare, it is still true that only a proportion of the population would be enrolled on active service and receiving service rewards; and in the case of building society borrowers the percentage involved, when allowance was made for age distribution, would probably be less than proportionate. Admittedly, many would be engaged in connection with civil defence and the like, but it has already been announced that these would receive rather more than subsistence allowances. Thus large numbers of borrowers would be receiving an income which would bear some not wholly unreasonable relationship to their building society commitments. In fact, under emergency conditions, family income, rather than individual income, would be the more relevant criterion of capacity, whatever may be the position normally.

On the other hand, in suitable cases the societies could smooth any genuine difficulty by temporarily suspending capital repayments, the borrower paying interest only; in these circumstances, typical wage-earning households would often be required to pay a maximum of, say, 10s. per week. The Chancellor of the Exchequer has intimated that arrangements would be made to protect the interests of borrowers on active service, etc., but the precise form of the arrangements is not known. In some instances employers would doubtless supplement service pay and family allowances; and here, as elsewhere, family income, together with the habit of sharing accommodation which is especially prevalent in war time (and in which the advantages of newer property in outer areas would be marked) would assist in preventing insurmountable difficulties.

In short, there would be an extremely wide range of borrowers with an income which, in conjunction with any special temporary arrangements that might be made to lighten the repayment burden, could be considered to safeguard the societies against any substantial embarrassment in regard to revenue. Of the wider economic reactions of a war, the principal point which need be made is perhaps that the rise in the price level, which would be its inevitable corollary, would serve as a cushion so far as property values were concerned—a material advantage if the societies had in fact to exercise their mortgage powers extensively. In any event, most societies have considerable reserve funds which would stand them in good stead in an emergency. The borrower who sustained damage to or the destruction of his property would of course be eligible for compensation under the Government's scheme. His obligations as a mortgagor have been the subject of recommendations by the Lord Chancellor's Committee on the Responsibility for the Repair of Premises Damaged by Hostilities, but from the mortgagee's standpoint, the compensation scheme is the vital element.

Despite the unknown quantities which are inseparable from this discussion, both the building society investor and borrower should under war conditions be spared major difficulties and embarrassments. Both may therefore view their present position with a corresponding degree of confidence. Comparison with the Great War has its limitations, but it is significant that the building society movement emerged virtually unscathed from that searching test.

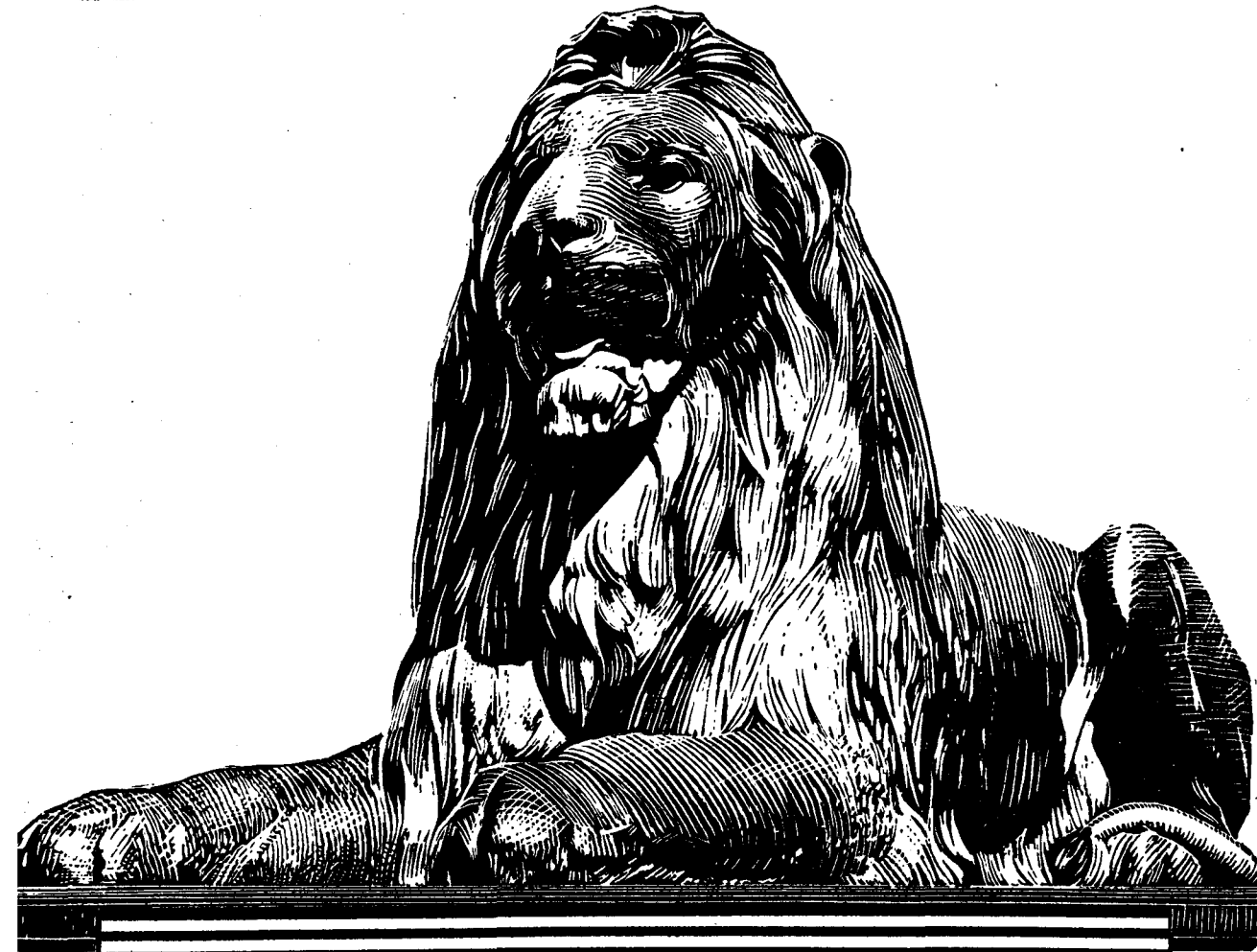
## More Houses for Fewer People

WE have reached something like a turning point in post-war building history. It is not simply that the possibility of war has involved policies affecting the whole structure of risk, contract and financial accommodation upon which building progress has lately been erected. Nor is it because the threat of aerial attack involves special defence constructions as well as the redistribution to some degree of

population and businesses. These are the immediate repercussions of a near-war situation. But there are longer term issues, quite apart from the precariousness of peace.

The impetus of the greatest building boom in recorded history has not yet died down. But the triumph marked by the completion this year of the four-millionth house built since the war has its warning as well as its welcome.

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side. Eight years ago an official estimate was made of the number of houses that would be needed in the next ten years to provide for increased population, the replacement of obsolete houses, the clearing of slums and the relief of overcrowding. The estimated number needed was already built over two years ago, and there can be little hope that the need to make up an actual shortage of houses will provide a large-scale demand for new building in years to come. The slack has been taken up just at the moment when the chief topic of debate among forward-looking expert observers is the impending decline in British population. So far, house-building activity has been maintained remarkably well despite authoritative forecasts of a falling-off, but it would be foolish to ignore the fact that the statistical portents point to a downward trend in the quantitative demand for dwelling houses.

This is not to say that the building industry has to anticipate a sharp slump in the near future. There are many reasons for supposing that the rate of building does not simply depend upon the rate of increase of the population. Since 1934, for instance, the marriage rate has risen appreciably and there is, accordingly, still a growing number of young married couples looking for new homes. Moreover, the pace of building since the war has always been in excess of the rate of increase in the population. Between 1921 and 1937 the number of families in this country, that is the number of private households, increased by as much as one-fifth, while the population rose by only 8 per cent. The number of persons, it has been estimated, per private family was 4.17 in 1921 and 3.61 sixteen years later.\* It is this fanning out of the population into smaller family units that has largely accounted for the unprecedented building activity of the past decade or so. This means that the problem for the future is whether this thinner spreading of the population can persist when the increase of the population itself halts and then ceases.

Here the problem is precisely that of industries offering consumers' goods to the home market. How is it possible to find new types of purchaser, to tap new sources of demand? It is a characteristic of post-war building that it has fallen into two classes. There has been, on the one hand, the house building of private enterprise largely to cater for the needs of the middle and wealthy classes, and there has been, secondly, the subsidised building of local authorities to cater for working-class families. The task now is to bridge more securely the gap between these two realms of demand.

Since the depression of the early 'thirties there have indeed been evident signs that private enterprise building has increasingly narrowed this gulf. To-day, just under half of the outstanding assets of building societies are valued at under £500 apiece and something like two-fifths come into the class between £500 and £1,000. The average value of new mortgages has indeed changed but little in the last ten years, but their composition has altered. On the one hand, the proportion of large mortgages has increased; on the other, the value of the smaller properties covered by mortgage accommodation has declined. The proportion of mortgage assets valued below £500 has steadily risen since 1932, and there can be little doubt that an important part of the continued boom in building has been due to the rôle played by building societies in making it possible for the better-paid artisans and clerks to purchase their own homes. What is needed now is to carry this trend still further.

The future of building, and of the activities which are ancillary to building, therefore, rests to a large degree upon the possibility of bringing still lower the minimum income limit at which the heads of families can buy their own houses. If we look at the housing estates which consist of subsidised dwellings we can easily see what needs must be satisfied if these municipal estates are to be used as feeders for a renewed flow of private enterprise building. There are the families whose wage earners have "got on" in trade or industry and who want to change their subsidised dwellings for houses of their own. At present the gap

between what they pay now and what they would be called upon to pay for housing independence is too often too great. Secondly, there are the newly married couples who do not desire the three-bedroomed houses which predominate on the subsidised estates. Thirdly, there are the parents whose families have grown up and gone away; they again want small but pleasant accommodation, and too often their needs are not qualitatively met by the municipal estates†.

The lesson is clear. What is needed now to maintain building activity is not so much consideration of quantity on the part of builders as consideration of quality. It is not so much the number of houses that promises to count as the kind of houses. The building boom of the Great Recovery after 1932 was due to an increase in the number of families separately housed rather than to the increase in the population. It represented a remarkable rise in British housing standards. But it was a middle-class movement. It was the relatively well-off people with family incomes of over £5 a week who benefited. If house-building is to boom in the years to come it is the working class who must in turn be enabled to spread themselves more thinly over the dwellings available. The mere growth of population will not maintain building because the population is not going to grow for much longer. It is its redistribution in smaller, more comfortable, more human and more civilised households that can continue to keep the builder busy.

To do this will mean catering for households whose chief wage earners bring in not £5 to £10 a week but £3 to £4. A typical working-class estate of subsidised houses, for example, shows† that last year the average weekly wages of the chief earners were under £3 in the case of one-seventh of the families; between £3 and £4 in the case of two-thirds; and over £4 for the rest. It shows that the weekly *per capita* income of families with two to four members was between £1 and 25s. and that the weekly *per capita* income in families with five members or more ran between 10s. and £1. It is into the upper and middle reaches of these people that private enterprise building must penetrate if the remarkable vigour of the past few years is to be retained and renewed. At the least, it is necessary to provide houses to buy (and financial accommodation for buying) for heads of families earning something like £4 a week. In short, it is needful to carry still further the marked trend towards catering for poorer people which is already evident in the record of private building and building society finance. Cheap houses to buy, as well as cheap houses to let, are—with higher incomes—the order of to-morrow.

It is hardly time yet for pessimism about the future of building. There is no reason to suppose that what has been done so successfully for the upper and middle classes since the war will not prove possible of achievement for some part at least of the working classes in the next decade or so. The prospect is clouded by the menace of war, and it is not rendered easier by conscription, evacuation, civil defence liabilities and all the obligations attaching to national preparedness. It involves, too, further adjustment of the financial calculations of builders and building societies. But unless it is done building may eventually begin to languish. The problem is one which can scarcely be solved simply and solely by the higgling and haggling of the market. It needs a survey of the requirements still to be met and planning of the means to satisfy them. The trouble is that in both its economic and social aspects house-building remains no one's conscious responsibility. So far, autonomous private enterprise has met many of the nation's needs. If it is to continue to do so, to its own prosperity and to the nation's advantage, it is as well that its leaders should know that this can only be accomplished by taking due note of the fact that the only way to success is by the fanning out of the working classes themselves into smaller and more comfortably housed families.

† "Population Problems of New Estates." University of Liverpool. 1s.

‡ "Watling." By Ruth Durant. P. S. King. 128 pages. 7s. 6d.

\* "The Home Market." 1939 Edition. London Press Exchange.

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# Building Societies since 1925

THERE is no way of describing the average building society, for the average building society does not exist. In the course of the past decade, the total number of societies has fallen from just over, to just under, one thousand. Among this number, the widest range is found. There is no norm of size, organisation or resources, such as exists among the banks, the railway companies, and even among industrial companies. The large societies are tremendously large. The total assets of Halifax Building Society exceed £128,242,000—a total of £32 millions higher than the consolidated assets of the Imperial Chemical Industries group, and equivalent to 25.2 per cent. of the total assets of the largest clearing bank. Abbey Road controls total assets of £51,948,000—a sum equivalent to the resources of the largest joint stock companies—and there are four other societies—Leeds Permanent, Woolwich Equitable, National, and Co-operative—with assets exceeding £30 millions, and six others—Leicester Permanent, Burnley, Bradford Third, Huddersfield, Westbourne Park, and Leeds Provincial—whose assets range between £10 millions and rather over £15 millions. These twelve societies, in fact, control £411.3 millions of the movement's total assets of £758.9 millions. They are the outstanding large-scale, or "capitalistic" units, in the movement.

A second class might be distinguished, whose growth, while substantial, has been achieved in what may be described as "home territory." These are not, typically, societies with a national multi-branch organisation. Some of the societies have, indeed, spread their activities to the London and South Coast areas in connection with large-scale estate development. Among this field of medium-sized societies it is invidious to select examples, but Coventry Permanent, Scottish Amicable, Brighton and Sussex, and Norwich are among those which show particularly impressive growth during the past few years.

Between this second category and the third the dividing line is vague. But it is safe to say that the largest hundred societies are sufficiently representative to enable the investigator to ignore the remaining nine hundred without risking the possibility of wrong conclusions. The smaller societies are, for the most part, strictly local organisations which retain much of the philanthropic character of the original friendly society spirit from which the movement sprang in the seventies. Their management is frequently honorary; they hardly compete with the larger societies for business; but they have a very conscious independence and strong sentiments of local public service.

Few of the societies of this type are to be found in our analysis of the financial growth of 110 of the largest building societies, which appears on pages 14 and 15. These 110 societies are those which, in 1934, had total assets exceeding £500,000. Subsequent years have changed the 1934 order of precedence, and have also brought new societies above the original minimum, but since the sampling has scarcely been affected, we have retained the same group of societies for convenience of computation. In addition to the information regarding total assets, shares, deposits, mortgages, new shares and deposits, and mortgage advances, given in detail for each society on these pages, we have also extracted the fullest particulars of their finances and progress since 1925 to the latest year under no less than fifty heads, and the results are shown in the summary table opposite. In our building society survey of April 11, 1936, comparable results were available for 98 of the 110 societies, while the survey of April 23, 1939, gave the record of 99 societies since 1925. On the present occasion, comparable figures are available for no less than 108 of the 110 societies.

There can be no doubt of the adequacy of this sample. The total assets of the 108 societies account for no less than 86.7 per cent. of the total assets of the entire movement. Their mortgage advances last year represented 84.6 per cent. of the whole, and their combined liabilities to shareholders and depositors 88.6 per cent. Conclusions

based on this sample are therefore likely to hold good the movement.

This point is important, since a considerable part of the information, and the subsequent calculations based upon it, is published in advance of the full official figures for 1938 while part is not available from any other source. It should be mentioned that reports published for financial years up to March are included in the figures for the preceding year. Opportunity has been taken to expand the detailed table from 40 to 50 items this year by the inclusion of fuller information regarding mortgages over £5,000, properties in possession and in arrears, investments and municipal loans, and finally by the extraction of bank loans. Since certain loans are now returned separately while up to 1936, were included in deposits, the latter figure for 1937 and 1938 have been adjusted, as far as possible, to preserve comparability with the earlier figures. From 1936 it has also been impossible to distinguish payments of interest from repayments of capital for shares and deposits withdrawn. Finally, the analysis of mortgages now covers non-members' mortgages; in some earlier years a small difference between the analysis and the total is due to their exclusion. This large-scale inquiry has been greatly facilitated by the willingness of building societies to furnish copies of their reports and by the helpful co-operation of the Chief Registrar of Friendly Societies and his staff. This assistance is again gratefully acknowledged.

The growth of building societies, once a phenomenon, has to-day become almost a commonplace. Yet the further records established last year are important, for two reasons. The societies had reason to fear that the sharp fall in private house building might affect their advance business considerably. Actually, the official total of mortgage advances for the whole movement was slightly higher at £137,019,678, compared with £136,855,953 for 1937 and

BALANCE SHEET TRENDS—1925-38

|          | 1925 = 100   |           |        |          | Relation to Total Assets |        |          |
|----------|--------------|-----------|--------|----------|--------------------------|--------|----------|
|          | Total Assets | Mortgages | Shares | Deposits | Mortgages                | Shares | Deposits |
| 1925 ... | 100          | 100       | 100    | 100      | 85.5                     | 75.9   | 15.4     |
| 1929 ... | 188          | 186       | 210    | 141      | 84.5                     | 82.1   | 11.8     |
| 1932 ... | 290          | 274       | 324    | 237      | 81.4                     | 82.4   | 12.6     |
| 1933 ... | 307          | 300       | 341    | 294      | 83.8                     | 82.2   | 14.8     |
| 1934 ... | 341          | 337       | 355    | 388      | 84.4                     | 77.0   | 17.9     |
| 1935 ... | 367          | 374       | 371    | 463      | 87.3                     | 74.7   | 19.4     |
| 1936 ... | 400          | 416       | 400    | 520      | 88.6                     | 73.6   | 20.0     |
| 1937 ... | 432          | 449       | 429    | 565      | 88.7                     | 73.3   | 20.1     |
| 1938 ... | 462          | 485       | 464    | 621      | 89.9                     | 74.2   | 20.7     |

£140,310,068 in the record year 1936. Secondly, the political fears in the later months of the year led to a withdrawal of funds by shareholders and depositors which did, in fact, embarrass a certain number of societies whose mortgage business has absorbed an undue amount of their liquid funds. But the movement again substantially increased its share and deposit liabilities during the year—from £517,484,014 to £548,262,942 for shares and from £143,282,723 to £155,666,822 for deposits, according to the official returns. The reaction of these fears on new mortgage business and upon building society finance are examined in earlier articles. A third factor—the "Borders" case—did not come prominently before the public until early this year, and although there is some evidence that the case and the Government's Bill have put building society shareholders and depositors upon inquiry, it is probable that the war risks factor has been of greater immediate importance in their calculations. But the conclusion from the 1938 figures is that tightness of liquid funds on the part of a limited number of societies has not been associated with anything approaching a "run" on the societies as a whole.

These conclusions are confirmed by the records of the 108 societies whose finances have been specially examined in this survey. Since 1925 their total assets have increased

more than 4½ times, from £142,439,200 to £657,936,600. The pace of growth for mortgage assets has been more rapid, for the increase from £121,660,300 to £591,118,000 is little short of five-fold. In the table on page 10 total assets, mortgage assets, shares and deposits are shown by index numbers based on 1925. The second part of the table relates mortgages, shares and deposits to total assets.

On this showing 1938 was, statistically, a normal year. The growth of mortgages and shares has shown striking regularity during the past few years. It is only in the deposits index that the effect of the special efforts of the societies to reduce their effective interest charge, on the one hand, and to slacken the restrictions upon new invest-

ment, on the other hand, have been specially obvious in recent years. Deposits again increased at a striking rate last year—the index jumped from 565 to 621—but it was still in accordance with the previous trend. The tendency since 1929 has been for the proportion of deposits to total resources to increase—in that year shares represented 82.1 per cent. of total assets and deposits 11.6 per cent. Last year the respective proportions were 74.2 and 20.7 per cent. respectively. But, in fact, the proportion of total assets financed by shares showed an increase against the trend last year. Whatever the difficulties of 1938 may have been for the movement, they introduced no startling financial problems.

## Building Societies' Finance — 1925-1938

[Note.—THE TABLE COVERS THE OPERATIONS OF 108 LEADING SOCIETIES SINCE 1925]  
(Amounts in £'000)

|                                     | 1925      | 1929      | 1932      | 1933      | 1934      | 1935      | 1936      | 1937      | 1938      |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total assets .....                  | 142,439.2 | 267,876.5 | 412,608.4 | 437,688.0 | 485,224.0 | 522,698.1 | 570,050.2 | 615,633.0 | 657,936.6 |
| Due on mortgages .....              | 121,660.3 | 226,137.4 | 334,465.2 | 365,089.6 | 410,137.3 | 456,154.1 | 505,964.2 | 546,895.2 | 591,118.0 |
| Shares outstanding .....            | 105,167.7 | 219,997.3 | 340,251.8 | 359,039.0 | 374,144.7 | 390,139.5 | 419,766.4 | 451,553.4 | 488,138.5 |
| Deposits outstanding .....          | 21,905.6  | 30,896.9  | 51,814.7  | 64,504.2  | 84,938.4  | 101,306.3 | 113,909.6 | 123,765.8 | 135,850.0 |
| New shares subscribed .....         | 30,574.0  | 57,034.5  | 64,785.7  | 35,283.3  | 46,483.1  | 43,395.2  | 58,718.6  | 65,341.9  | 66,281.1  |
| New deposits .....                  | 11,151.1  | 12,934.4  | 24,276.4  | 29,210.0  | 39,845.1  | 41,167.4  | 38,043.4  | 38,360.7  | 42,660.3  |
| New mortgage advances .....         | 43,191.3  | 65,706.6  | 69,473.9  | 88,335.1  | 107,964.7 | 111,837.7 | 119,051.5 | 115,255.5 | 115,923.3 |
| Advances up to £1,000 .....         | ...       | ...       | ...       | ...       | ...       | ...       | ...       | ...       | 86,798.0  |
| Advances over £1,000 .....          | ...       | ...       | ...       | ...       | ...       | ...       | ...       | ...       | 29,125.3  |
| No. of new mortgages .....          | N.A.      | 120,205   | 132,706   | 163,503   | 186,423   | 197,797   | 211,380   | 199,123   | 192,247   |
| Ditto up to £1,000 .....            | N.A.      | ...       | ...       | ...       | ...       | ...       | ...       | ...       | 181,823   |
| Ditto over £1,000 .....             | N.A.      | ...       | ...       | ...       | ...       | ...       | ...       | ...       | 10,424    |
| Shares withdrawn .....              | 15,551.9  | 29,729.3  | 38,415.2  | 34,384.8  | 31,723.1  | 24,602.5  | 39,285.1  | 47,790.5  | 56,689.5  |
| Deposits withdrawn .....            | 9,003.8   | 14,376.3  | 15,254.6  | 15,876.3  | 20,946.3  | 26,975.4  | 27,874.1  | 30,815.8  | 34,172.1  |
| Mortgages repaid (inc. interest) .. | 25,996.4  | 41,642.0  | 64,273.0  | 77,158.8  | 82,503.0  | 88,071.5  | 94,130.1  | 98,598.4  | 99,784.0  |
| Interest on shares .....            | 4,453.1   | 9,210.6   | 14,497.9  | 13,415.9  | 13,548.0  | 13,593.8  | 13,785.5  | 14,473.7  | 15,398.9  |
| Interest on deposits .....          | 758.9     | 1,180.3   | 1,732.8   | 2,006.1   | 2,097.9   | 2,760.9   | 2,965.8   | 3,191.3   | 3,491.6   |
| Interest on mortgages .....         | 6,170.7   | 12,033.9  | 18,982.2  | 19,567.7  | 21,230.3  | 22,529.7  | 23,672.0  | 25,612.0  | 27,521.3  |
| Analysis of outstanding mortgages : |           |           |           |           |           |           |           |           |           |
| Under £500—                         |           |           |           |           |           |           |           |           |           |
| Amount .....                        | 56,548.5  | 100,412.4 | 136,251.7 | 153,591.9 | 179,094.6 | 202,195.5 | 231,406.5 | 255,132.6 | 277,044.6 |
| No. ....                            | 183,285   | 378,737   | 497,151   | 548,238   | 624,697   | 691,557   | 766,162   | 846,859   | 911,807   |
| £500-£1,000—                        |           |           |           |           |           |           |           |           |           |
| Amount .....                        | 36,810.4  | 81,045.1  | 142,096.1 | 155,376.3 | 171,889.4 | 186,828.4 | 201,075.4 | 212,876.8 | 222,748.1 |
| No. ....                            | 59,699    | 121,393   | 213,781   | 237,164   | 265,289   | 290,513   | 317,743   | 334,362   | 351,161   |
| £1,000-£3,000—                      |           |           |           |           |           |           |           |           |           |
| Amount .....                        | 16,771.4  | 28,314.5  | 37,534.8  | 36,651.8  | 35,756.9  | 35,275.2  | 36,848.7  | 38,822.7  | 42,223.2  |
| No. ....                            | 11,572    | 20,728    | 27,673    | 25,881    | 25,343    | 24,765    | 25,321    | 26,663    | 28,688    |
| £3,000-£5,000—                      |           |           |           |           |           |           |           |           |           |
| Amount .....                        | 3,861.9   | 5,362.0   | 6,736.0   | 7,054.8   | 8,092.3   | 8,898.5   | 10,273.7  | 12,482.8  | 15,831.2  |
| No. ....                            | 1,029     | 1,410     | 1,786     | 1,903     | 2,307     | 2,305     | 2,692     | 3,236     | 4,069     |
| Over £5,000—                        |           |           |           |           |           |           |           |           |           |
| Amount .....                        | 6,450.8   | 8,458.1   | 10,409.7  | 11,206.8  | 12,935.7  | 17,557.7  | 22,818.1  | 27,532.3  | 33,266.2  |
| No. ....                            | 688       | 806       | 984       | 1,013     | 1,119     | 1,355     | 1,649     | 1,988     | 2,347     |
| Original valuation .....            | ...       | ...       | ...       | ...       | ...       | ...       | ...       | ...       | 52,984.2  |
| Amount Advanced .....               | ...       | ...       | ...       | ...       | ...       | ...       | ...       | ...       | 37,266.1  |
| Props. 12 months in possession :—   |           |           |           |           |           |           |           |           |           |
| Original advances .....             | 35.7      | 60.4      | 250.6     | 293.6     | 318.2     | 328.5     | 312.7     | 249.0     | 221.0     |
| Debt when possession taken .....    | 55        | 90        | 280       | 358       | 469       | 481       | 486       | 381       | 376       |
| Present debt .....                  | ...       | ...       | ...       | ...       | ...       | ...       | ...       | ...       | 282.2     |
| No. of properties .....             | ...       | ...       | ...       | ...       | ...       | ...       | ...       | ...       | 264.4     |
| Props. 12 months in arrear :—       |           |           |           |           |           |           |           |           |           |
| Present debt .....                  | 46.2      | 100.9     | 264.2     | 333.3     | 287.5     | 212.6     | 188.7     | 219.2     | 203.1     |
| No. of properties .....             | 104       | 166       | 345       | 417       | 395       | 317       | 282       | 312       | 319       |
| Original advances .....             | ...       | ...       | ...       | ...       | ...       | ...       | ...       | ...       | 206.7     |
| Total arrears .....                 | ...       | ...       | ...       | ...       | ...       | ...       | ...       | ...       | 25.8      |
| Total investments .....             | 16,566.5  | 31,507.6  | 56,629.4  | 57,961.3  | 55,010.0  | 52,589.4  | 49,409.6  | 51,605.0  | 50,294.6  |
| Municipal & county securities ..... | 8,312.7   | 19,660.0  | 36,645.3  | 42,505.1  | 42,209.5  | 39,575.9  | 37,523.2  | 31,329.4  | 9,111.8   |
| Loans to local authorities .....    | 8,253.6   | 11,847.6  | 19,984.1  | 15,456.2  | 12,800.5  | 13,013.5  | 11,886.4  | 11,065.2  | 30,057.3  |
| Other investments .....             | ...       | ...       | ...       | ...       | ...       | ...       | ...       | ...       | 11,115.5  |
| Cash .....                          | 2,908.5   | 7,649.0   | 16,802.0  | 10,766.6  | 15,181.6  | 10,275.1  | 10,660.0  | 12,148.9  | 12,375.5  |
| Bank loans .....                    | ...       | ...       | ...       | ...       | ...       | ...       | ...       | 2,576.8   | 3,314.4   |
| Total P. & L. Income .....          | 6,985.6   | 14,275.8  | 22,064.9  | 22,700.0  | 24,190.1  | 25,171.0  | 25,852.9  | 28,079.1  | 30,053.3  |
| Management expenses .....           | 761.3     | 1,380.8   | 1,507.5   | 2,015.9   | 2,343.6   | 2,563.6   | 2,842.6   | 2,987.1   | 3,237.7   |
| Income tax and N.D.C. ....          | 240.4     | 531.8     | 1,857.8   | 2,254.2   | 2,293.3   | 2,259.6   | 2,543.6   | 3,070.7   | 3,574.6   |
| Balance of P. & L. account .....    | 4,079.3   | 9,354.9   | 16,253.5  | 16,058.5  | 16,819.3  | 17,620.7  | 17,371.3  | 17,783.9  | 18,705.9  |
| General Reserve .....               | 4,686.1   | 9,883.5   | 13,525.5  | 15,495.0  | 17,688.3  | 20,875.1  | 24,483.5  | 27,417.2  | 30,114.5  |
| Reserve No. 2 .....                 | 302.8     | 464.1     | 1,153.2   | 1,517.1   | 1,927.2   | 2,461.4   | 3,024.7   | 3,364.8   | 3,931.3   |



## The Societies' Funds

IN the following section of this survey, reference is made to the increasingly important part which "return money" now plays in building society finance. This factor, however, is still less important than the level of the societies' shares and deposits, for even to-day "return money" covers less than two-thirds of new mortgage business, and the societies have consequently to ensure an increase in their net share and deposit liabilities year by year. Their increased appeal for new money—which at first was concentrated mainly on deposits, but has recently been extended to shares—provides clear proof that this is now a positive task. A few years ago, on the first rapid fall in interest rates, they received a considerable volume of "bad money," which might have been withdrawn on short notice, and could not be fully employed in new advance business. The result was that restrictions were quickly imposed on new investment, and interest rates were scaled down. To-day, that situation is in process of being reversed, for reasons which are evident in the following table:—

TRENDS IN INVESTMENT BUSINESS

|                  | Average Balance Outstanding | Subscribed during Year | Proportion of Average Outstanding | Repaid during Year | Proportion of Average Outstanding |
|------------------|-----------------------------|------------------------|-----------------------------------|--------------------|-----------------------------------|
|                  | (£'000)                     | (£'000)                | (%)                               | (£'000)            | (%)                               |
| <b>SHARES—</b>   |                             |                        |                                   |                    |                                   |
| 1925*            | 96,928.6                    | 29,383.8               | 30.3                              | 15,072.3           | 15.6                              |
| 1929*            | 194,645.7                   | 54,152.8               | 27.8                              | 28,458.3           | 14.6                              |
| 1932*            | 309,053.5                   | 61,958.2               | 20.0                              | 36,742.3           | 11.9                              |
| 1933             | 349,645.4                   | 35,283.3               | 10.1                              | 34,384.8           | 9.8                               |
| 1934             | 366,591.8                   | 46,483.1               | 12.7                              | 31,723.1           | 8.6                               |
| 1935             | 382,142.1                   | 43,395.2               | 11.3                              | 24,602.5           | 6.4                               |
| 1936             | 404,952.9                   | 58,718.6               | 14.5                              | 39,285.1           | 9.7                               |
| 1937             | 435,659.9                   | 65,341.9               | 15.0                              | 47,790.5           | 11.0                              |
| 1938             | 469,845.9                   | 66,281.1               | 14.1                              | 56,689.5           | 12.1                              |
| <b>DEPOSITS—</b> |                             |                        |                                   |                    |                                   |
| 1925*            | 18,793.5                    | 10,638.1               | 56.6                              | 8,706.5            | 46.3                              |
| 1929*            | 28,344.0                    | 12,421.4               | 43.8                              | 13,891.1           | 49.0                              |
| 1932*            | 44,607.4                    | 23,278.9               | 52.1                              | 14,720.2           | 33.0                              |
| 1933             | 58,159.4                    | 29,210.0               | 50.2                              | 15,876.3           | 27.3                              |
| 1934             | 74,721.3                    | 39,845.1               | 53.3                              | 20,946.3           | 28.1                              |
| 1935             | 93,122.3                    | 41,167.4               | 44.1                              | 26,975.4           | 29.0                              |
| 1936             | 107,607.9                   | 38,043.4               | 35.4                              | 27,874.1           | 25.9                              |
| 1937             | 118,837.7                   | 38,360.7               | 32.3                              | 30,815.8           | 25.9                              |
| 1938             | 129,807.9                   | 42,660.3               | 32.9                              | 34,172.1           | 26.3                              |

\* Based on sample of 98 societies. 108 societies subsequently.

Taking the share department first, new share subscriptions for the 108 societies during 1938 amounted to £66,281,100, compared with £65,341,900 for 1937. The record of share subscriptions in recent years, however, needs careful interpretation. The table indicates the flood of "bad money" in 1932—when subscriptions totalled £61,958,200—and the close restriction on new subscriptions between 1933 and 1935. In 1937, however, the figures

showed a considerable increase compared with 1936, but that increase has not been repeated to anything like the same extent in 1938.

If we now turn to repayments of shares, the converse position is found. Between 1933 and 1935, repayments of shares fell considerably, but significant increases have since been recorded. Some part of these share repayments is associated with new mortgage business—a share account is frequently opened with a view to a later purchase of a house by the shareholder, who will then apply his savings towards the mortgage. But the significant fact is that, while new share subscriptions have been relatively stationary, at between 14 and 15 per cent. of the average volume of shares outstanding between 1936 and 1938, the proportion of repayments has been rising somewhat sharply over the same period from 9.7 per cent. to 12.1 per cent. The net difference between repayments and new subscriptions, expressed as a percentage of the average volume of shares outstanding, has declined from 4.8 per cent. to 2.0 per cent.

On the deposits side, somewhat different considerations apply. This branch of building society finance has been greatly developed during the phase of low interest rates. As a prior charge, deposits carry lower interest; and by statute their issue is limited to an amount not exceeding two-thirds of the societies' mortgage assets. That limit, despite the rapid increase in deposits in recent years, is still remote, for outstanding deposits for the 108 societies included in this survey, totalling £135,850,000, represent no more than 23 per cent. of the total amount of £591,118,000 due on mortgage. But although the societies have fostered the growth of deposits in preference to shares in recent years, the absolute amount of new deposits received has varied within the narrow range of £38 millions and £42.7 millions, between 1934 and 1938. And even after the recent encouragement of deposits net new sums received in this branch are still appreciably smaller than net new share investment. Deposit business has not replaced share business to any vital extent, although the movement clearly had the best reason to increase the proportion of deposit finance to its total liabilities. Deposits may carry the incidental disability of prompt repayment, in case of demand, but they are also considerably cheaper in interest cost. In the recent phase of low interest rates, that reduced charge has proved very useful in enabling the societies to scale down their mortgage rates, without absorbing an undue margin of profit.

### Estimated Interest Charges

It is possible to obtain a fairly accurate impression of average interest rates paid by building societies by using

the device of average balances for shares and deposits, and expressing the interest charged in the societies' accounts as a percentage of these averages. In the following table such calculations are shown since 1925, with the addition of the average rates charged to mortgagors:—

COMPUTED INTEREST RATES

|       | Average Balances (£'000's) |          |           | Interest Paid (£'000's) |          |           | Computed rates of interest (%) |          |           |
|-------|----------------------------|----------|-----------|-------------------------|----------|-----------|--------------------------------|----------|-----------|
|       | Shares                     | Deposits | Mortgages | Shares                  | Deposits | Mortgages | Shs.                           | Deposits | Mortgages |
| 1925* | 96,929                     | 18,794   | 100,179   | 4,242                   | 725      | 5,857     | 4.4                            | 3.9      | 5.9       |
| 1929* | 194,646                    | 28,344   | 199,145   | 8,786                   | 1,111    | 11,492    | 4.5                            | 3.8      | 5.8       |
| 1932* | 309,054                    | 44,607   | 309,060   | 13,884                  | 1,659    | 18,184    | 4.5                            | 3.7      | 5.8       |
| 1933  | 349,645                    | 58,159   | 349,777   | 13,416                  | 2,006    | 19,568    | 3.8                            | 3.4      | 5.6       |
| 1934  | 366,592                    | 74,721   | 388,113   | 13,548                  | 2,098    | 21,230    | 3.7                            | 3.0      | 5.2       |
| 1935  | 382,142                    | 93,122   | 433,146   | 13,594                  | 2,761    | 22,530    | 3.6                            | 3.0      | 5.2       |
| 1936  | 404,953                    | 107,608  | 481,059   | 13,786                  | 2,969    | 23,672    | 3.4                            | 2.8      | 4.9       |
| 1937  | 435,660                    | 118,838  | 526,429   | 14,474                  | 3,191    | 25,612    | 3.3                            | 2.7      | 4.9       |
| 1938  | 469,846                    | 129,808  | 569,007   | 15,399                  | 3,492    | 27,521    | 3.3                            | 2.7      | 4.8       |

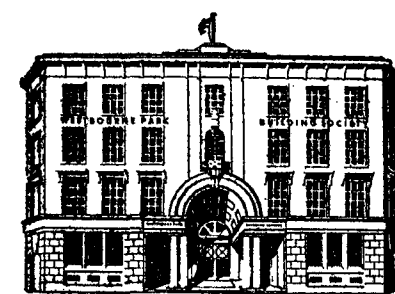
\* Based on sample of 98 societies. 108 societies subsequently.

The average cost of share interest has fallen from approximately 4.5 per cent. in 1932 to 3.3 per cent. in 1938. Some societies, in fact, pay a lower rate on their shares than the standard of  $3\frac{1}{2}$  per cent. tax free. In the case of deposits, a comparable fall in interest from 3.7 per cent. to 2.7 per cent. has been recorded over the period. In this branch it is evident that the standard rate of  $2\frac{1}{2}$  per cent. tax is sometimes exceeded. For mortgages, the average rate of interest showed a much later fall. It was not until 1934, when the existence of cheap money had been fully confirmed, that the movement made significant reductions in mortgage interest, partly by a reduction in the rate on new business and partly by rebate of interest to existing borrowers. The effect of these concessions is seen in the fall in the average rate from 5.9 per cent. in 1932 to 5.2 per cent. in 1935 and to 4.8 per cent. in 1938.

The movement of interest rates is thus of particular concern to building societies. In the recent period of low interest rates the movement was able to adjust its borrowing rates more promptly than its lending rates, and thus had the advantage of the time lag. What would happen if, in the future, interest rates showed a rising tendency? That the symptoms of such a tendency are already apparent may be inferred from the removal of restrictions upon new share subscriptions by many societies. If, as the result of any general upward movement in interest rates, due, say, to the defence borrowing programme, the attractions of outside investments became more competitive with building societies' shares and deposits than in recent years, the movement would need to take prompt steps to adjust their borrowing rates, in order to maintain their total funds. By no means the whole of building society resources, of course, is sensitive to changes in general interest rates, and gilt-edged rates, in any case, must rise further before they become competitive with shares, although they are now somewhat in excess of the average gross deposit rate after allowance for the standard rate of income tax. But if these interest adjustments should be required in the future, mortgage rates will need similar prompt adjustment. In all cases the societies have power to effect such adjustment, but it may be even more difficult to maintain new mortgage business if borrowing rates were to show an appreciable rise. The problem of reconciling the claims of creditors and borrowers during any phase of changing interest rates is invariably difficult; and the societies at present may well hope that any serious upward movement in rates will be averted.

The conclusion of this examination of the building societies' funds is that the growing balances in the share and deposit branches are the resultant of a fairly significant inflow and efflux of capital each year, though for part of the growth the societies may rely on the automatic accumulation of interest in share and deposit accounts. But there is a significant margin of sensitive balances which react fairly promptly to changes in interest rates and to the fluctuations of political confidence.

## STABILITY



## WESTBOURNE PARK

### BUILDING SOCIETY

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**3 $\frac{1}{2}$ %**  
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Established 55 Years

## FINANCIAL GROWTH OF 110

| SOCIETY               | Date<br>Established | TOTAL ASSETS |        |         |         |         |         | DUE TO SHAREHOLDERS, END YEAR |        |        |         |         | DUE TO DEPOSITORS, END YEAR |       |        |        |        | DUE ON |        |
|-----------------------|---------------------|--------------|--------|---------|---------|---------|---------|-------------------------------|--------|--------|---------|---------|-----------------------------|-------|--------|--------|--------|--------|--------|
|                       |                     | 1925         | 1929   | 1935    | 1936    | 1937    | 1938    | 1925                          | 1929   | 1936   | 1937    | 1938    | 1925                        | 1929  | 1936   | 1937   | 1938   | 1925   | 1929   |
| Halifax Permanent     | 1853                | 331,222      | 59,394 | 108,087 | 114,327 | 122,626 | 128,242 | 25,904                        | 48,376 | 75,025 | 82,281  | 87,280  | 136,847                     | 8,000 | 34,279 | 34,808 | 35,004 | 37,654 | 27,446 |
| Abbey Road            | 1874                | 3,602        | 19,167 | 46,131  | 48,034  | 50,295  | 51,295  | 17,171                        | 36,129 | 97,523 | 139,371 | 150,211 | 1,201                       | 9,349 | 9,337  | 10,509 | 8,479  | 3,479  | 3,479  |
| Woolwich Equitable    | 1847                | 3,597        | 61,403 | 30,112  | 33,923  | 37,218  | 39,353  | 2,379                         | 9,437  | 25,256 | 25,962  | 27,407  | 718                         | 9,194 | 8,288  | 9,347  | 9,835  | 9,835  | 9,835  |
| Leeds Permanent       | 1848                | 6,443        | 12,012 | 28,820  | 33,055  | 36,906  | 40,204  | 4,823                         | 7,995  | 23,185 | 25,229  | 27,946  | 937                         | 3,284 | 8,090  | 9,376  | 10,509 | 10,509 | 10,509 |
| National              | 1849                | 3,138        | 9,552  | 27,281  | 31,422  | 33,016  | 36,031  | 2,699                         | 8,067  | 27,758 | 29,346  | 28,458  | ...                         | ...   | 4,038  | 2,898  | ...    | ...    | ...    |
| Co-operative          | 1884                | 2,705        | 9,644  | 20,623  | 22,580  | 25,844  | 30,278  | 2,090                         | 7,878  | 17,563 | 18,610  | 20,600  | 490                         | 1,037 | 4,065  | 6,059  | 8,317  | 2,535  | 2,535  |
| Bradford Third        | 1854                | 8,077        | 11,348 | 14,191  | 14,500  | 14,908  | 15,197  | 5,864                         | 9,202  | 11,442 | 11,671  | 11,860  | 1,943                       | 1,779 | 2,128  | 2,162  | 2,169  | 2,224  | 2,224  |
| Huddersfield          | 1864                | 5,741        | 9,815  | 13,247  | 13,730  | 14,310  | 14,705  | 4,765                         | 8,139  | 16,686 | 10,180  | 10,381  | 733                         | 3,309 | 3,208  | 3,177  | 3,283  | 3,279  | 3,279  |
| Leicester Permanent   | 1853                | 4,495        | 7,756  | 12,959  | 13,989  | 14,658  | 15,485  | 4,284                         | 7,338  | 11,711 | 11,310  | 11,390  | 50                          | 21    | 2,237  | 2,161  | 2,233  | 2,353  | 2,353  |
| Westbourne Park       | 1885                | 3,003        | 7,331  | 11,911  | 12,640  | 13,554  | 14,457  | 2,461                         | 6,451  | 10,112 | 11,025  | 11,948  | 265                         | 9     | 1,707  | 1,568  | 1,473  | 2,834  | 2,834  |
| Burnley               | 1850                | 4,498        | 7,276  | 12,891  | 14,061  | 14,715  | 15,299  | 3,381                         | 5,920  | 9,953  | 10,049  | 10,282  | 800                         | 898   | 3,775  | 3,775  | 4,060  | 3,478  | 3,478  |
| Bradford Second       | 1851                | 3,652        | 5,928  | 7,254   | 7,279   | 7,591   | 7,807   | 2,589                         | 4,764  | 5,540  | 5,595   | 5,670   | 951                         | 1,000 | 1,402  | 1,570  | 1,691  | 1,402  | 1,402  |
| Leeds Provincial      | 1849                | 1,917        | 2,516  | 6,872   | 8,215   | 9,106   | 10,054  | 1,574                         | 2,993  | 6,078  | 6,684   | 7,128   | 265                         | 8     | 1,745  | 1,958  | 2,387  | 1,458  | 1,458  |
| Cheltenham and G.     | 1850                | 2,366        | 3,760  | 6,002   | 6,403   | 6,744   | 7,217   | 1,723                         | 2,714  | 8,853  | 4,054   | 4,447   | 484                         | 677   | 1,775  | 1,878  | 1,906  | 2,232  | 2,232  |
| Northampton T. & C.   | 1848                | 2,282        | 6,000  | 7,312   | 7,612   | 7,960   | 8,263   | 1,753                         | 2,832  | 4,467  | 5,026   | 5,432   | 425                         | 684   | 1,432  | 1,427  | 1,392  | 1,680  | 1,680  |
| Bingley               | 1851                | 1,709        | 3,169  | 5,878   | 6,879   | 7,691   | 8,432   | 1,265                         | 2,553  | 5,253  | 5,654   | 6,257   | 342                         | 428   | 1,310  | 1,602  | 1,788  | 1,506  | 1,506  |
| Temperance Perm.      | 1854                | 2,592        | 4,017  | 5,210   | 5,707   | 5,934   | 6,194   | 1,810                         | 2,958  | 6,232  | 7,215   | 7,656   | 434                         | 611   | 1,995  | 2,268  | 2,424  | 2,508  | 2,508  |
| Birmingham Inc.       | 1851                | 3,383        | 8,337  | 14,385  | 15,892  | 17,181  | 18,408  | 2,577                         | 6,850  | 13,862 | 13,877  | 13,889  | 4                           | ...   | 1,003  | 974    | 987    | 1,526  | 1,526  |
| Portman               | 1851                | 6,795        | 2,358  | 4,365   | 4,491   | 4,671   | 4,708   | 1,435                         | 1,557  | 3,817  | 3,817   | 3,817   | 281                         | 1     | 974    | 974    | 987    | 1,526  | 1,526  |
| Leek and Moorlands    | 1856                | 1,936        | 2,759  | 4,801   | 5,379   | 5,902   | 6,509   | 1,779                         | 2,551  | 4,482  | 4,722   | 5,256   | 30                          | 17    | 665    | 818    | 857    | 1,705  | 1,705  |
| Derbyshire            | 1859                | 1,224        | 2,031  | 4,018   | 4,286   | 4,591   | 4,823   | 1,182                         | 1,944  | 3,304  | 3,508   | 3,733   | ...                         | ...   | 758    | 835    | 815    | 917    | 917    |
| Borough (Burnley) (c) | 1874                | 1,164        | 1,967  | 4,147   | 4,558   | 5,012   | 5,430   | 1,686                         | 1,686  | 3,726  | 3,958   | 4,123   | ...                         | ...   | 594    | 793    | 989    | 960    | 960    |
| Newcastle Perm.       | 1861                | 1,889        | 2,180  | 3,483   | 3,504   | 3,676   | 3,860   | 1,555                         | 1,934  | 3,271  | 3,353   | 3,504   | ...                         | ...   | ...    | ...    | ...    | 1,593  | 1,593  |
| Rock                  | 1864                | 1,578        | 2,101  | 3,438   | 3,707   | 3,822   | 4,080   | 1,514                         | 1,988  | 3,504  | 3,551   | 3,798   | ...                         | ...   | ...    | ...    | ...    | 1,578  | 1,578  |
| Keighley and Craven   | 1851                | 1,549        | 2,645  | 3,377   | 3,559   | 3,704   | 3,924   | 1,307                         | 1,629  | 3,014  | 3,145   | 3,241   | 162                         | 7     | 387    | 379    | 407    | 1,389  | 1,389  |
| Coventry Perm. Econ.  | 1884                | 731          | 1,462  | 2,347   | 2,355   | 2,481   | 2,642   | 695                           | 1,352  | 3,335  | 3,665   | 3,967   | ...                         | ...   | 362    | 519    | 735    | 516    | 516    |
| Liverpool Invest.     | 1877                | 495          | 888    | 3,285   | 3,293   | 3,449   | 3,459   | 211                           | 579    | 2,666  | 2,918   | 2,965   | 172                         | 229   | 1,089  | 1,236  | 1,376  | 379    | 379    |
| Hastings Perm.        | 1849                | 882          | 1,482  | 3,456   | 3,710   | 4,005   | 4,588   | 1,242                         | 2,924  | 2,451  | 2,748   | 3,174   | 268                         | 397   | 895    | 870    | 904    | 860    | 860    |
| Nottingham            | 1874                | 1,091        | 1,734  | 2,773   | 2,891   | 2,862   | 2,917   | 947                           | 1,544  | 2,164  | 2,150   | 2,149   | 75                          | 64    | 419    | 447    | 467    | 987    | 987    |
| Eastern Counties      | 1855                | 1,095        | 1,954  | 2,746   | 2,937   | 3,141   | 3,377   | 1,041                         | 1,863  | 2,717  | 3,024   | 3,457   | ...                         | ...   | 115    | 107    | 1,088  | 1,946  | 1,946  |
| Magnet                | 1868                | 676          | 1,505  | 2,849   | 3,075   | 3,345   | 3,455   | 503                           | 1,213  | 2,480  | 2,832   | 2,656   | 92                          | 159   | 353    | 458    | 538    | 652    | 652    |
| Skipton               | 1853                | 646          | 1,186  | 2,275   | 2,390   | 2,419   | 2,402   | 508                           | 990    | 2,703  | 3,191   | 3,219   | 62                          | 99    | 918    | 931    | 975    | 635    | 635    |
| Northern Counties     | 1850                | 1,407        | 1,744  | 2,818   | 3,190   | 3,575   | 3,756   | 1,259                         | 1,539  | 2,935  | 3,301   | 3,477   | 74                          | 48    | 478    | 448    | 422    | 1,288  | 1,288  |
| Bristol and West*     | 1850                | 559          | 867    | 2,331   | 2,698   | 3,174   | 3,412   | 628                           | 1,400  | 2,462  | 2,768   | 2,858   | 202                         | 375   | 967    | 1,089  | 1,077  | 1,527  | 1,527  |
| Leeds and Holbeck     | 1875                | 1,076        | 1,532  | 3,030   | 3,634   | 4,157   | 4,546   | 848                           | 1,212  | 2,437  | 2,763   | 3,053   | 178                         | 212   | 997    | 1,163  | 1,231  | 959    | 959    |
| Church of England...  | 1882                | 514          | 1,356  | 2,673   | 2,967   | 3,201   | 3,578   | 293                           | 980    | 1,537  | 1,893   | 2,194   | 63                          | 127   | 875    | 933    | 894    | 497    | 497    |
| Wakefield             | 1846                | 1,050        | 1,823  | 2,493   | 2,747   | 2,984   | 3,214   | 650                           | 1,266  | 2,045  | 2,086   | 2,145   | 348                         | 462   | 324    | 336    | 346    | 867    | 867    |
| Barnsley              | 1853                | 1,323        | 1,863  | 2,536   | 2,812   | 3,003   | 3,165   | 947                           | 1,419  | 1,837  | 1,637   | 1,617   | 273                         | 286   | 853    | 1,053  | 1,210  | 1,043  | 1,043  |
| Cumberland Co-op.     | 1850                | 1,394        | 1,909  | 2,518   | 2,586   | 2,819   | 2,958   | 1,040                         | 1,524  | 1,952  | 2,098   | 2,225   | 265                         | 259   | 405    | 436    | 469    | 525    | 525    |
| Hearts of Oak         | 1870                | 1,186        | 1,907  | 2,537   | 2,685   | 2,968   | 3,247   | 904                           | 1,494  | 1,784  | 2,035   | 2,221   | 200                         | 264   | 617    | 612    | 701    | 1,085  | 1,085  |
| Scottish Amicable     | 1892                | 202          | 409    | 3,063   | 3,636   | 4,317   | 5,119   | 78                            | 252    | 2,511  | 2,800   | 3,343   | 91                          | 118   | 980    | 1,353  | 1,415  | 1,972  | 1,972  |
| Lambeth               | 1852                | 167          | 476    | 3,352   | 3,922   | 4,310   | 4,747   | 90                            | 218    | 2,943  | 3,340   | 3,345   | 49                          | 138   | 803    | 1,172  | 1,183  | 1,646  | 1,646  |
| Leek United           | 1863                | 1,134        | 1,583  | 2,539   | 2,846   | 3,174   | 3,412   | 1,067                         | 1,400  | 2,462  | 2,768   | 2,858   | 202                         | 375   | 967    | 1,089  | 1,077  | 1,527  | 1,527  |
| Principal             | 1860                | 1,200        | 1,650  | 2,402   | 2,496   | 2,572   | 2,729   | 594                           | 1,420  | 1,682  | 1,658   | 1,752   | 141                         | 177   | 680    | 710    | 709    | 1,081  | 1,081  |
| West Bromwich         | 1849                | 497          | 914    | 2,476   | 2,788   | 3,078   | 3,367   | 233                           | 368    | 2,189  | 2,445   | 2,886   | 247                         | 358   | 470    | 477    | 500    | 442    | 442    |
| Leicester Temp.       | 1875                | 688          | 1,344  | 2,454   | 2,684   | 3,062   | 3,547   | 682                           | 1,293  | 2,209  | 2,561   | 2,980   | 1                           | 2     | 331    | 325    | 364    | 503    | 503    |
| Isle of Thanet        | 1850                | 674          | 1,158  | 2,432   | 2,688   | 3,050   | 3,343   | 468                           | 860    | 1,824  | 2,178   | 2,372   | 174                         | 257   | 539    | 578    | 634    | 901    | 901    |
| Bradford Perm.        | 1855                | 231          | 485    | 2,319   | 3,192   | 4,160   | 4,787   | 384                           | 381    | 2,365  | 2,997   | 3,505   | 62                          | 82    | 723    | 1,032  | 1,070  | 1,971  | 1,971  |
| Fourth City           | 1862                | 679          | 1,154  | 1,937   | 2,103   | 2,328   | 2,561   | 318                           | 723    | 1,588  | 1,748   | 1,818   | 287                         | 328   | 399    | 434    | 503    | 602    | 602    |
| Darlington Equit.     | 1856                | 892          | 1,189  | 1,959   | 2,359   | 2,937   | 3,367   | 704                           | 949    | 1,781  | 1,983   | 2,233   | 106                         | 106   | 396    | 437    | 494    | 682    | 682    |
| Marsden               | 1860                | 585          | 795    | 2,058   | 2,270   | 2,464   | 2,675   | 503                           | 678    | 1,733  | 1,908   | 2,030   | 48                          | 62    | 403    | 404    | 477    | 427    | 427    |
| Brighton and Sussex   | 1863                | 22           | 615    | 2,409   | 2,896   | 3,742   | 4,624   | 94                            | 423    | 2,560  | 3,203   | 3,901   | 11                          | 12    | 224    | 406    | 507    | 516    | 516    |
| Universal             | 1863                | 778          | 883    | 1,703   | 1,948   | 2,052   | 2,259   | 691                           | 809    | 1,808  | 1,879   | 2,126   | 61                          | 62    |        |        |        |        |        |



## Mortgage Finance

THE table in the preceding section shows that the proportion of mortgage assets to total assets has now reached practically 90 per cent. From the figures given in the table on page 11, it is possible to draw up a consolidated balance sheet for the 108 societies included, which illustrates not merely their financial position but also certain financial problems. Reduced to percentages, it would show the following position:—

|                                           |       |                        |       |
|-------------------------------------------|-------|------------------------|-------|
| Due to shareholders ...                   | 74.2  | Due on mortgages ..... | 89.9  |
| Due to depositors .....                   | 20.7  | Investments .....      | 7.6   |
| Bank loans .....                          | 0.5   | Cash .....             | 1.9   |
| Undivided profits and reserves, etc. .... | 4.6   | Other assets .....     | 0.6   |
|                                           | 100.0 |                        | 100.0 |

That is the typical financial set-up of the building society movement. It is not, in some points, an ideal one. Certainly, the growth of mortgage assets, both absolutely, and as a proportion of total assets from 81.4 per cent. in 1932 to 89.9 per cent. last year, carries some disadvantages, particularly for those societies whose growth has been so spectacular that they have lacked the opportunity to augment their liquid funds at the same rate. But the problem is not only one of present liquidity; it is also concerned with the future rate of repayment due in respect of mortgage advances made in recent years. The first step in its examination is to relate new mortgage business to repayments, as in the following table:—

TRENDS IN MORTGAGE FINANCE

|      | Total<br>Mortgages<br>outstanding | New<br>Mortgage<br>advances | Repayment<br>of advances<br>inc. interest | Proportion<br>new<br>advances to<br>average<br>outstanding | Proportion<br>repayments<br>to average<br>outstanding | Proportion<br>gross<br>repayments<br>to new<br>advances |
|------|-----------------------------------|-----------------------------|-------------------------------------------|------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------------|
|      | (£'000)                           | (£'000)                     | (£'000)                                   | (%)                                                        | (%)                                                   | (%)                                                     |
| 1925 | 121,660.3                         | 43,191.3                    | 25,996.4                                  | ...                                                        | ...                                                   | 60.1                                                    |
| 1929 | 226,137.4                         | 65,706.6                    | 41,642.0                                  | ...                                                        | ...                                                   | 63.4                                                    |
| 1932 | 334,465.2                         | 69,473.9                    | 64,273.0                                  | ...                                                        | ...                                                   | 92.5                                                    |
| 1933 | 365,089.6                         | 88,335.1                    | 77,158.8                                  | 25.2                                                       | 22.0                                                  | 87.4                                                    |
| 1934 | 410,137.3                         | 107,964.7                   | 82,503.0                                  | 27.8                                                       | 21.3                                                  | 79.7                                                    |
| 1935 | 456,154.1                         | 111,837.7                   | 88,071.5                                  | 25.8                                                       | 20.5                                                  | 79.0                                                    |
| 1936 | 505,964.2                         | 119,051.5                   | 94,130.1                                  | 24.8                                                       | 18.7                                                  | 85.7                                                    |
| 1937 | 546,895.2                         | 115,235.5                   | 98,598.4                                  | 21.9                                                       | 17.5                                                  | 86.2                                                    |
| 1938 | 591,118.0                         | 115,923.3                   | 99,784.0                                  | 20.4                                                       | 17.5                                                  | 86.2                                                    |

Except in 1932, when several societies adopted a cautious advance policy, the total of new mortgage advances has comfortably outstripped mortgage repayments, including interest. Last year the margin was over £16 millions, and in the record advance year, 1936, it amounted to nearly £25 millions. The expansion has been comfortably financed, of course, by increased shares and deposits. But the significant factor for the future lies in the prospects of advance business, and the growth of repayments. Since 1932, the amount repaid, together with interest, on mortgage has increased from £64,273,000 to

£99,784,000. A substantial part of any year's advance business can thus be financed from "return money."

How large is this proportion? The gross figures, including interest, suggest that repayments have increased from 76.4 per cent. of new advances in 1934 to 86.2 per cent. in 1938. But the repayments figures are perhaps less revealing than they should be. Formerly, sums arising from the sale of properties in possession were sometimes treated as repayments. But even after the exclusion of these items, it is also necessary to eliminate interest from the total repayments, in order to isolate the amount of capital involved, which can be re-invested in new advances. The societies' accounts do not separate the figures—a disadvantage, incidentally, which also applies to the gross withdrawal figures for shares and deposits, which also include substantial amounts of interest. Hence, it is necessary to fall back on the method of calculation first devised in the survey of April 23rd last year.

Gross repayments are first expressed as a percentage of the average amount of mortgage assets at the beginning and end of the year. Next, the amount of interest charged on mortgages during the year (this is not the same sum, of course, as the amount paid by mortgagors) is expressed as a percentage of the average amount outstanding. The difference between the two rates gives the approximate net rate of repayment of capital, excluding interest, and this rate can then be expressed as a proportion of the new advances. In the following table, these calculations are set out for the 108 societies for each year since 1933:—

GROSS AND NET REPAYMENT RATES  
(As percentage of average mortgages outstanding)

|      | Gross Rate | Computed<br>rate of interest | Approximate<br>net rate of<br>repayment | Net repayments<br>as percentage<br>of new advances |
|------|------------|------------------------------|-----------------------------------------|----------------------------------------------------|
| 1933 | 22.0       | 5.6                          | 16.4                                    | 65.1                                               |
| 1934 | 21.3       | 5.5                          | 15.8                                    | 58.9                                               |
| 1935 | 20.3       | 5.2                          | 15.1                                    | 58.5                                               |
| 1936 | 19.6       | 4.9                          | 14.7                                    | 59.3                                               |
| 1937 | 18.7       | 4.9                          | 13.8                                    | 63.0                                               |
| 1938 | 17.5       | 4.8                          | 12.7                                    | 62.2                                               |

Since 1933 the approximate net rate of repayment of mortgage advances has been consistently falling. Undue accuracy cannot be imputed to the figures, for the new advance figures are not entirely composed of purchases of new property, nor are all mortgages maintained until full term. But some lengthening of the average term of mortgage advances seems to have occurred over the past six years. The latest net repayment rate of 12.7 per cent. suggests that approximately one-eighth of the mortgage balance is now being repaid each year. Assuming increasing repayments of capital the average actual life of mort-

gages would amount to approximately 16 years, compared with slightly over twelve years in 1933. Between the average effective life of mortgage advances and the term of years arranged for individual advances, however, there may be a significant difference.

Although the net rate of repayment, expressed as a percentage of the average mortgages outstanding, has been declining in recent years, however, the proportion of these net repayments to new advance business has been steadily increasing. In 1934, net repayments accounted for approximately 56.9 per cent. of the new advances of that year, which totalled £107,964,000; the proportion has since grown—even in the record advance year, 1936, when new mortgage business totalled £119,051,500 for the 108 societies, the trend was not interrupted—until the latest year. In 1938, however, repayments, including interest, showed a much smaller increase than in recent years. In 1936, the total increased by some £6 millions compared with 1935, and in 1937 by nearly £4½ millions compared with the preceding year. Last year, however, repayments increased by no more than £1,185,600 from £98,598,400 to £99,784,000. Clearly this was not due to any decline in the volume of mortgages outstanding. It may have been due, in part, to the gradual completion of mortgages arranged at higher rates of interest in earlier years, and the consequent increase in the proportion of mortgages at lower interest, on which initial interest payments would be lower. Again, any tendency to increase the average life of advances would also be reflected in the repayments figure.

## Trends in Lending Policy

BETWEEN the beginning of 1919 to September, 1938, some 2,767,443 houses have been built by private enterprise in this country. Over the same twenty-year period the movement's mortgage advances have reached a prodigious total of £1,440 millions, of which no less than £1,109 millions has been advanced since 1929. A rising standard of living has translated the desire for better housing accommodation into effective demand; the development of the outer London area—and outer urban areas generally—as centres of light manufacture has added to this demand; the former resident of the inner suburbs has moved outwards in a search for fresher air for his children, a garden for his leisure, and a garage for his car. These factors have been accompanied by two others—a period of low interest rates, and the development of new methods of mortgage finance involving the use of collateral security. Of these, the builders' pool has certainly been outstanding.

The volume of new mortgage business which has resulted from these trends since 1925 has already been examined. We have seen how the proportion of mortgage assets to total assets has tended to rise in recent years, and how the volume of repayments on outstanding mortgages now finances an increased proportion of new advances with each succeeding year. Unfortunately, it is impossible to subdivide new advances into more than two categories—those over £1,000 and those below £1,000. This year we have analysed the new mortgage advances (totaling £115,923,300 for the 108 societies) into these two classes. Advances up to £1,000 totalled £86,798,000, and thus accounted for almost 75 per cent. of the year's business. The average value of the new advances in this category was £478, while the average value for the 10,424 advances exceeding £1,000, which totalled £29,125,300, was £2,795. Thus mortgage advances are heavily weighted in favour of "owner-occupier" business in the smaller house categories, as the following table shows:—

AVERAGE VALUE OF NEW MORTGAGES

|      |      |      |      |
|------|------|------|------|
| 1929 | £546 | 1935 | £565 |
| 1932 | £522 | 1936 | £564 |
| 1933 | £438 | 1937 | £579 |
| 1934 | £580 | 1938 | £604 |

For a more detailed analysis of mortgage policy, it is possible only to use the figures relating to outstanding

There is no evidence from other published figures, at least, that borrowers have shown any increased inability or unwillingness to maintain their payments. The schedules which set out particulars of properties in possession, and properties in arrears, for more than twelve months, it is true, are not among the most helpful features in building society accounts. The rapid decline in the figures during recent years, despite the striking increase in mortgage business—some of which, inevitably, must prove bad—sets up a presumption that the usefulness of the schedules is limited. And when large societies are able to show no entries in either schedule, that presumption widens into the virtual certainty that the intention of the schedules—to show how carefully the societies' advance business is conducted—is being avoided. It is, of course, in the societies' interest to realise any property on which total default has occurred as quickly as possible, and they have no wish to hold property as mortgagees. The fact that, in most cases, properties in arrears or possession, are disposed of, either to eventual buyers or to interim receivers, within the space of twelve months means that, in effect, there is no clear evidence regarding the extent of default. The extended figures showing the original advances, and arrears for properties in possession or arrears which have been computed in our summary table for the latest year are of little value as ancillary evidence in themselves. But over the next few years it is hoped that they will throw increased light on this aspect of building society management. The latest figures certainly do not go far to explain the relatively small increase in mortgage repayments last year.

mortgage balances, which are divided into five categories in building society balance sheets. In the first table these

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No Capital Depreciation to fear  
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## COVENTRY —PERMANENT— ECONOMIC BUILDING SOCIETY

(Established 1884)

ASSETS £5,000,000  
RESERVES £240,000

ADVANCES AT 4½%  
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COVENTRY

Secretaries:  
T. Wells Daffern, O.B.E. W. S. Heatley  
(Manager)

figures are expressed as a percentage of total mortgage assets for each class:—

PERCENTAGE DISTRIBUTION OF MORTGAGE ASSETS

|            | Under £500 | £500-£1,000 | £1,000-£3,000 | £3,000-£5,000 | Over £5,000 |
|------------|------------|-------------|---------------|---------------|-------------|
| 1925 ..... | 46.4       | 30.3        | 13.8          | 3.2           | 5.3         |
| 1929 ..... | 44.4       | 35.9        | 12.5          | 2.4           | 3.7         |
| 1932 ..... | 40.7       | 42.5        | 11.2          | 2.0           | 3.1         |
| 1933 ..... | 42.0       | 42.6        | 10.0          | 1.9           | 3.1         |
| 1934 ..... | 43.6       | 41.8        | 8.7           | 2.0           | 3.2         |
| 1935 ..... | 44.3       | 41.0        | 7.8           | 2.0           | 3.9         |
| 1936 ..... | 45.7       | 39.8        | 7.3           | 2.3           | 4.5         |
| 1937 ..... | 46.7       | 39.0        | 7.1           | 2.2           | 5.0         |
| 1938 ..... | 46.9       | 37.7        | 7.1           | 2.7           | 5.6         |

Changes in the constituent items below £5,000, of course, partly reflect the shift of individual mortgages into the lower classifications as the outstanding balance is reduced by repayment. But the concentration of the societies' business upon moderate-sized house property is plainly marked. The outstanding mortgage assets on which current balances are below £1,000 account for 84.6 per cent. of the total mortgage assets recorded last year. The movement can fairly claim that a substantial element of diversification of risk has been achieved for the protection of building society investors.

It will be noticed, however, that mortgages over £5,000 show a rise, as a proportion of total assets, for the fifth successive year. This increase raises some interesting questions of policy, on which some societies probably hold divergent views. Some of the larger societies have tended to develop a general mortgage business as an ancillary to owner-occupier mortgages, which are the commonly recognised building society terrain. Large mortgage business, if it is to be transacted at all, is best left to the larger societies, who can handle it without impairing the diversification of their mortgage assets, and have the expert staffs to assess the commercial risks involved. Since the protection of the personal covenant, which is so important in owner-occupier mortgages, is not present in the same form for the majority of larger mortgages on commercial buildings, flat property and the like, this valuation point is of great importance.

In order to throw additional light on lending policy in respect of large mortgages, we have this year extracted particulars of the original valuation and amounts advanced on mortgages whose outstanding balance still exceeds £5,000, which are set out in the summary table on page 11. For the 2,347 properties concerned, the original valuation was £52,984,200, equivalent to £22,600. The amount advanced was £37,266,100, an average of approximately £15,900, or 70.4 per cent. of the valuation. This percentage shows that the societies transacting large-scale business apply a more cautious discount to appraisal values before making their advances than would normally apply to house property, on which the basic advance is usually 75 per cent. of valuation. But this proportion of 70.4 per cent. is slightly in excess of the two-thirds limit which is laid down by the Trustee Acts for mortgages arranged on the sale of trust lands.

In the next table the average balance outstanding per mortgage in the five different categories is set out:—

AVERAGE VALUE OF MORTGAGES

|            | Under £500 | £500-£1,000 | £1,000-£3,000 | £3,000-£5,000 | Over £5,000 |
|------------|------------|-------------|---------------|---------------|-------------|
| 1925 ..... | £309       | £614        | £1,444        | £3,753        | £9,375      |
| 1929 ..... | 265        | 669         | 1,368         | 3,803         | 10,494      |
| 1932 ..... | 274        | 664         | 1,355         | 3,772         | 10,580      |
| 1933 ..... | 280        | 655         | 1,415         | 3,707         | 11,063      |
| 1934 ..... | 287        | 648         | 1,413         | 3,507         | 11,560      |
| 1935 ..... | 293        | 642         | 1,422         | 3,861         | 12,957      |
| 1936 ..... | 302        | 632         | 1,456         | 3,813         | 13,838      |
| 1937 ..... | 301        | 637         | 1,454         | 3,857         | 13,849      |
| 1938 ..... | 303        | 635         | 1,471         | 3,891         | 14,174      |

This table requires rather careful interpretation, owing to the changing constituents in each group. We know, however, that the total amount of new mortgage business in recent years shows only a modest reduction from the peak of 1936, and if the composition of recent new mortgages among the different groups has remained relatively constant, the distorting effects occasioned by the transfer of mortgages into successively lower categories should be relatively small over a short period. That presumption, at least, seems to be confirmed by the great steadiness in the average values of outstanding mortgages during the past three years in the three lower categories. It is noticeable, however, that as the categories become higher the average balance tends to increase, and in the largest category it has increased fairly rapidly. Thus, although the societies' bulk business remains unchanged, in the smaller owner-occupier classes, large mortgage business is being developed on a significant, though not relatively substantial, scale.

This development clearly has considerable significance in the circumstances of to-day, when it would be idle to look for the maintenance of owner-occupied mortgage business on the record scale of recent years. The societies are not, of course, dependent exclusively upon the level of the new house building. Changes in ownership from older to newer properties, and dealings in the substantial volume of pre-war houses, are important sources of new mortgage advance business. Moreover, there is some prospect of an increase in investment demand for new houses which are leased to tenants, at least in selected areas. Some general problems affecting the future character of the demand for housing are discussed in an earlier article, and in the long run it can hardly be doubted that further progress in housing standards will provide new business for the movement. At this juncture, however, it is only reasonable to anticipate some decline from the high levels of recent years. House-building plans approved in 1938 showed a reduction from £67,636,000 to £60,004,000—equivalent to 11.3 per cent.—and movements in plans approved have usually been fairly closely correlated with the advance business of the following year. That relation, it is true, did not hold good of 1938, and the explanation may possibly be that the societies obtained a rather larger proportion of a smaller volume of house mortgage business actually available. Whether these conditions will hold good during the current year has yet to be seen.

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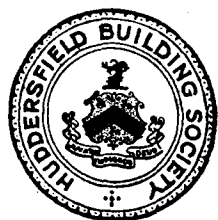
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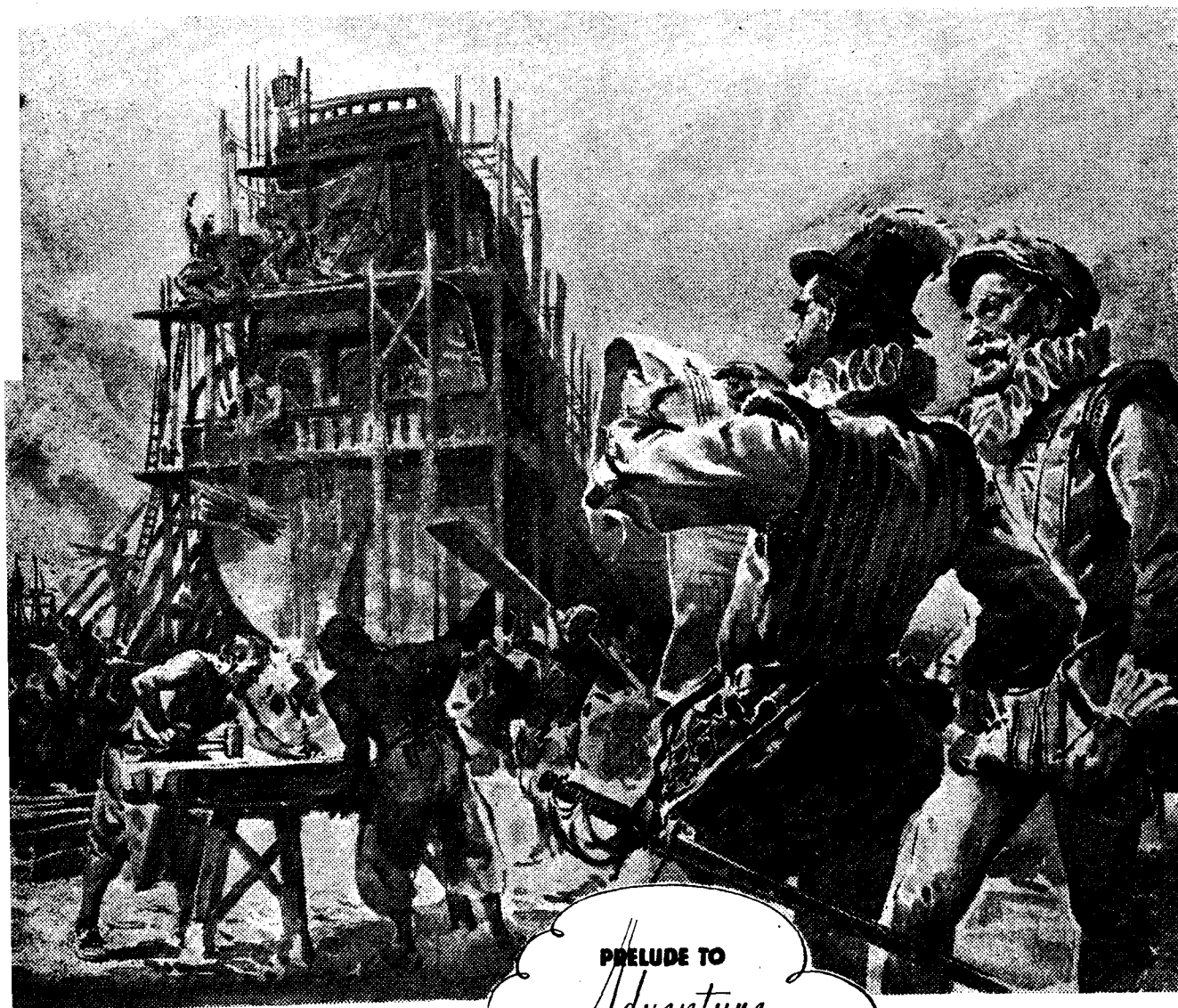
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# INSURANCE IN 1938

## A Review of Progress and Prospects

CXXXVI

SATURDAY, JULY 15, 1939

No. 5003

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## INSURANCE IN A CHANGING WORLD

### War Risks on Sea and Land

WHEN war broke out in 1914 the British insurance market was in a reasonably comfortable position. On land, its war commitments were negligible and at sea the marine underwriter had for long been inserting in his policies the f.c. and s. clause, freeing him from liability for capture, seizure, detention and the consequences of hostilities. He had thus a clean book, and he was able to rate the war risks when war started, without thought or care for war liabilities accepted in time of peace.

One of the minor legacies left by the war was the habit of war insurance; and from 1918 onwards not only did merchants wish to insure their cargoes against war damage, but bankers would not take policies as security unless the risk was covered. Consequently, insurance against war damage became all but universal in cargo policies, and for a long time it was thrown in as a make-weight without additional premium. The more cautious underwriters shook their heads over the habit, but it stayed until 1935, when, disturbed by the Abyssinian crisis, underwriters asked for and obtained a small premium to pay for the risk.

Even this, however, left many underwriters uncomfortable, for, as they argued, the war when it came would come quickly, and long before the liabilities which had been assumed for a nominal premium ran off, the Mediterranean, the Bay and the Channel would be filled with the gravest dangers for ships and cargoes. "We are writing," they argued, "war risk at 6d. per cent., and if war comes we shall be insuring these cargoes for that trivial premium when an adequate rate would be £5 per cent." At least one Lloyd's underwriter was so much impressed with this argument that he gave up his cargo account altogether, rather than run the war risk without which he could not take the marine. And when the September crisis came he was justified, for his fellow underwriters had risks on their books at 6d. per cent. which would take weeks or months to run off and for which the rate was ridiculously inadequate.

The chaos which fell upon the marine insurance market during September is explained by these low rates for war cover charged during times of peace, and those critics of marine underwriters who complained of profiteering not only overestimated the profits made in that hectic fortnight, but underestimated the troubles by which the underwriters were beset. War rates, especially for Mediterranean voyages, rose very sharply, jumping to £2 per cent. and, at the height of the crisis, to £5 per cent.

When the crisis temporarily settled down the market returned to more normal rates, cover through the Mediterranean being obtainable at 7s. 6d. per cent. for the outward voyage and 10s. per cent. for the homeward. But the old dilemma remained unsolved. On the one hand, underwriters were chary of filling their books with liabilities that would run for weeks or months, and, on the other hand, merchants could not afford to pay in times of peace rates that would be appropriate should war break out. In particular, merchants were worried by one agreement which underwriters made among themselves—that they would not fix war rates more than seven days ahead. If a risk were written at 7s. 6d. per cent. and the vessel sailed ten days later, underwriters could, if they desired, fix a higher rate than the one originally agreed upon, so that a merchant after basing his price on a 7s. 6d. per cent. rate might find himself paying £2 or £5 per cent. when the boat actually sailed. The awkwardness of that arrangement for the merchants is obvious.

There is little doubt that, throughout this period, the Government, which was anxious to keep trade moving, was bombarded with complaints from merchants about the paralysing effect of this ambiguity on business. There were long negotiations which dragged on without much effect—mainly because the Government, while anxious to help trade, was scarcely less anxious not to become an underwriter till war broke out—and that state of mind continued until the rape of Prague and Albania at last forced the issue. War rates through the Mediterranean had shot up again to 35s. per cent. and were likely to go higher, and in a great hurry the Government Pool for covering war risks on cargoes, was born, after a leisurely gestation.

The Pool is an arrangement by which the Government acts, not as a direct insurer of war risks, but as a re-insurer of marine underwriters. The underwriters in the first place write the whole war risk at a premium agreed with the Government and then re-insure with the Government the King's Enemy risk, which may roughly be defined as capture or destruction by enemy vessels. Thus the bulk of the risk falls on the Government, and the bulk of the premium goes with it. But as the Government is prepared to face a loss which underwriters cannot face, the rate of premium is much below what the market, normally functioning, would charge. Immediately the Pool started the Mediterranean rate fell to 5s. per cent. and the limit of seven days, to which merchants had rightly objected, was removed.



The scheme is, in essence, a State subsidy to commerce—a Government insurance thinly camouflaged as a measure of re-insurance, and its value was at once demonstrated by the establishment of similar pools in other countries to subsidise their own foreign trade as the British Treasury was subsidising ours. It is likely to continue until—which Heaven forbid—it is replaced by a scheme of direct Government insurance on the outbreak of war.

So much for war insurance of cargoes. Progress in covering war risks on hulls and on stocks on land has been slow, but both are covered by the War Risks Insurance Bill, published this week, to which reference is made in the accompanying issue of *The Economist*. As merchants found that the sensitive movements of war rates at sea were paralysing their enterprise, so they were loth to hold stocks of commodities in warehouses which might be attacked from the air. They preferred to keep stocks low and buy from hand to mouth—a policy which carried the most obvious threat to our economic strength in time of war. A general scheme of insurance on land has been again and again refused by the Government, but under the threat of low stocks the Government did agree

to work out a limited scheme of insurance for essential commodities held for sale or manufacture. As long ago as January last the Chancellor of the Exchequer announced his plans to the House of Commons, and doubtless they have been under negotiation since he made his speech. But Treasury clerks share a well-known attribute with the mills of God, and the details of the essential commodities scheme have only been made public this week, so that cover is still not available. The growing strength of our air defences and the enormous increase in public confidence which has resulted from it may have stilled some of the demands for cover, but it is, nevertheless, highly desirable for the scheme to become operative without delay so that merchants may know where they will stand.

Lastly comes the problem of buildings, and here there is neither cover nor prospect of cover. Various enterprising concerns have stepped in where the British Treasury fears to tread, but the confidence they enjoy is not widespread, and nothing can solve the problem except a national compulsory levy chargeable on all buildings irrespective of their site and their prospective danger—an *ad hoc* *ad valorem* tax imposed to meet a common national risk.

## Insurance and Economic Nationalism

IN the post-war period, and especially in the last decade, British insurance offices have been forced to admit into their vocabulary words which previously found no place there—like “nationalism” and “self-sufficiency.” Before 1914 it was generally agreed that these concepts were alien to the very idea of insurance, for the basic principle that risks should be spread as widely as possible was commonly accepted. But as soon as nationalistic economic policies displaced trade that was relatively free, restrictions were imposed on the free international conduct of insurance, and in recent years these impediments have increased both in number and effectiveness. In many countries a drive towards self-sufficiency in economic life generally, and in insurance in particular, has been growing. At the same time, harassed Finance Ministers have come to regard foreign insurers as an easy source of revenue. Thus, in addition to the general restrictions upon international trade from which insurance companies have suffered with other traders, they have also been subjected to attack on two fronts. First, many governments have set out to tap the profits of their business to the greatest possible extent. Secondly, in the interests of nationalism, insurers have been deprived of many underwriting liberties.

Since the essence of international insurance business is the remittance of balances between one country and another according to underwriting experience, the growth of currency restrictions of various kinds naturally constitutes a serious difficulty, whose scope may be measured by the widespread nature of devices of currency control. British insurers, in particular, have been wont to operate, either directly or by way of reinsurance, in practically every one of the world's currencies. The companies find that even when they succeed in making an underwriting profit, it becomes increasingly difficult to transfer their earnings home. Moreover, they frequently find that remittances of underwriting profits, even when effected, are calculated at a rate of exchange completely unrelated to that used when currency has to be remitted to the country in question in settlement of large claims, so that losses on exchange accrue. There are, it is true, some mitigating points. In a number of countries reinsurance has not been saddled with the fullest currency restrictions—rather surprisingly, Germany may be cited as one of these countries. Nevertheless, the general obstructions on trade entailed by currency regulations severely handicap British companies.

The difficulties thus placed in the way of insurers are grievous enough, but if they were all, insurers at least would not consider themselves the victims of undue discrimination. But as it is, the demands of foreign governments for monetary dues, directed peculiarly against insurance companies, and the restriction of underwriting

powers in various directions, constitute heavy burdens, which are relieved only by the fact that in some very important parts of the foreign field the tendencies towards restricted underwriting have been extended less far than in countries which are not so important, from the viewpoint of the volume of business involved.

The amount which insurance is expected to contribute to national exchequers is, however, increasing in practically all countries. Types of taxes peculiar to insurance multiply and rates of tax tend upwards. To mention only a few of the special levies, in the United States there is a fire marshal tax; in Canada, a fire prevention tax; in the Argentine, an impost is levied on sums assured; while in Queensland there is a levy on reinsurances; commissions are taxed in Spain, capital in Portugal, and remittances in Brazil. The ingenuity of government officials is applied towards the abstraction of as large a portion as possible of insurance underwriting profits—not merely to the detriment of shareholders' dividends, but also to the possible risk of insufficient allocations to reserves. It was estimated by Mr N. M. Sharp last year that the total taxation on insurance companies, both at home and abroad, amounted to a minimum of 43 per cent. of underwriting profits during the period 1933-37. It is probable that, at the present time, at least one-half of the underwriting balance is absorbed by governments. In the United States, taxes peculiar to insurance, apart entirely from Federal and general taxes, amount to over \$100 millions, of which about three-fifths is paid by non-life insurers.

There are also other aspects of the taxation problem which need mention. In some countries insurance taxation has to contribute towards the upkeep of government supervisory offices. When, as in the United States and Canada, the degree of supervision thus subsidised by the insurance companies is extensive and is multiplied by the existence of State as well as Federal control, the companies are penalised in a manner difficult indeed to justify. In other countries insurers are forced to bear taxes for special purposes which cannot by any stretch of the imagination be deemed a proper charge upon them; thus in Germany they must contribute towards the reconstruction of the collapsed Phoenix Company of Vienna. Other countries, for example Spain, go so far as to compute foreign companies' taxation, not on the basis of profits earned within the national area, but on profits over the whole sphere of the companies' operation.

Underwriting liberty is restricted in many countries and in many different ways. Since fire insurance forms the largest and most widespread section of the business of the companies' foreign agencies and branches, it suffers most in this respect; but accident insurance is not immune,

though it is concentrated in the U.S.A., where discrimination against British companies is fortunately largely absent. The life business of British companies written abroad is very limited indeed, and marine insurance is mainly effected in London or Liverpool. In relatively few countries was the British principle of “freedom with publicity” teen followed, though fortunately the countries which have adopted control or interference of a kind which leaves a fair degree of freedom of operation—for example, the United States, France, Holland, Portugal, Scandinavia and the British Dominions—produce a very important part of the companies' foreign business. A favourite imposition is the requirement of excessive deposits and reserves, to be invested in national securities, and an outstanding instance of this form of control carried to extreme is provided by Mexico. In this case, the British companies, finding the conditions imposed upon them impossibly onerous, recently decided *en masse* to cease business in the country. Though the American companies still transact Mexican reinsurance business, foreign insurance interests as a whole in the country have been severely truncated.

In some countries, again, not only are insurers required to deposit large amounts in national securities, but, ironically enough, they must replenish the reserves in the not unlikely event of depreciation in the values of these investments: this situation has arisen in Greece. Other forms of interference which are quite common include the control, or fixing, of premium rates and the close regulation of policy conditions. In the United States there is a rather advanced form of interference with the companies' powers of determining premiums, which frequently works against the interests of the companies. So long as the United States retains its present degree of freedom in other directions, however, and preserves the present lack of discrimination against non-national companies, it would be invidious to stress this point too strongly, for on the whole the American market—by far the most important single market for British insurers—remains unrestricted.

Nationalism in insurance takes on other forms. National companies, either in the ownership or control of governments or under official patronage, are fostered. During the past year the extreme nationalism of Japan, for example, has led to the setting-up of a national reinsurance pool and to other attempts to restrict the volume of reinsurances coming to British companies. In all, the amount of Japanese reinsurance business lost to the British market is considerable, though the reinsurance pool is reported to be a failure, and there is some consolation in the fact that much of the Japanese business at the present time is not particularly attractive on underwriting grounds. In Peru and other countries national companies have been set up and encouraged, *vis-à-vis* foreign insurers. In Cuba only authorised insurers are allowed to transact insurance, and in Chile new entrants into the business are forbidden. Already in a number of instances the extreme step has been taken of establishing government reinsurance or insurance offices, sometimes existing side by side with commercial (including non-national) companies, sometimes possessing a complete monopoly. Thus State reinsurance offices have existed for some years in Chile and Turkey, while Iran and Brazil have now to be added to the list. In the U.S.S.R. a State office, the Gosstrach, has the complete monopoly of insurance, though it reinsures with foreign, including British, companies; in Uruguay, New Zealand and Queensland state fire insurance offices are in existence, but commercial companies also operate; in a number of States of the U.S.A., government workmen's compensation offices, either competitive or monopolistic, exist. It has been decided to establish a State fire office in Alberta, and in a number of other countries—for example, France and Belgium—nationalisation of insurance has been mooted in some quarters during the past year.

What, then, are the prospects for British insurers abroad? Due regard must be paid to the efforts of the companies to retain their portfolios in the various markets where unrestricted working is no longer possible. To an important degree they are turning to the development of reinsurance business in the place of direct business, the volume of which is on the decline; there is no doubt that the number of reinsurance treaties between British com-

panies and those in foreign countries has increased substantially in recent years. This development is, however, subject to two drawbacks—reinsurance is normally less remunerative than insurance, and it cannot usually be obtained without the reciprocal cession of direct business. Sometimes a number of British companies find it possible to minimise the effects of restrictions upon their operations by setting up a single organisation within a given country, which pools risks among the companies in stipulated proportions; in other instances one or a number of British insurers may interest themselves in a “national” company working in the country concerned. It has also happened on occasion that pressure by the British Government has fortunately prevented the imposition of further restrictions. In the case of Cuba, for example, the companies have received valuable assistance from the Government in this way. Perhaps, however, there is room for a rather readier appreciation by the authorities of the value of the invisible exports represented by British insurance abroad and for a more emphatic determination to give the companies every possible protection.

It remains a lamentable fact that over a large part of the foreign field *laissez-faire* must be regarded, for all practical purposes, as defunct, unless a widespread revulsion of feeling against the cult of nationalism and self-sufficiency occurs. The consolation remains that another large part of the world—which as it happens is far more important to British companies—retains what is relatively speaking a considerable degree of freedom, or at least imposes little differentiation against non-national companies. This section of the foreign field is constituted, broadly speaking, by the British Empire, the United States, the sterling bloc and the Continental democracies. It appears, therefore, that the British companies may increasingly be compelled to concentrate their main attentions on the countries which happen to lie closest to Great Britain politically, though they will do everything possible to avoid any retreat from the outstanding position they had acquired in the insurance business in other parts of the world.

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# Regulating Insurance in the United States

[The following article, which has been contributed by Professor George W. Goble, professor of law in the University of Illinois, reviews the scope of the restrictions imposed by the forty-eight States of the Union and the District of Columbia, which are designed to combat fraudulent insurance business and to improve the policyholder's security.]

IN America, as in other countries, insurance began as a project of individual initiative and private enterprise. Originally, the only limitations imposed upon the business were those of the common law and those contained in the charters of companies. But with the increased recognition of the benefits of insurance and the consequent expansion of the business it became a fertile field for exploitation by the unscrupulous and dishonest adventurer. The technicality and complexity of the subject and the employment in policies of words and phrases incomprehensible to the layman supplied the insurance swindler with an effective shield for his fraud. The insurance crook sometimes enticed his unwary victim into a transaction by offering him a policy with practically unlimited protection at very low cost. He would collect and pocket the premiums until claims began to appear and then liquidate the company. Or, relying upon the normal person's disinclination to read his contract, or inability to understand it if he did, he sold a policy containing many deceptive and unfair provisions, and, when a loss occurred, materially reduced or completely avoided liability by resort to one of the trick clauses of the policy. When sued by the deceived and disappointed policyholder his defence was completely covered by that glittering Anglo-American legal maxim "freedom of contract." Even for an insurer organised on a sound basis and issuing fair and reasonable policies, the temptation to speculate with accumulated reserve funds was in some instances too great to resist, and policyholders were forced to take heavy losses because of impaired assets.

That such practices have been resorted to in America more frequently than in England is partly explained by the fact that during the last half of the nineteenth century—the period during which insurance was passing through its crucial formative years—America was still in its pioneer stage. Its morality was that of the frontier. Land speculations, railroad bubbles, gold rushes and other get-rich-quick schemes set the business temper of the time. The insurance man, armed with his policy full of tricks, worked the same territory as did his more romantic contemporary Jesse James armed with his forty-four. It was inevitable that the reckless business standards of the period should find their way into the insurance field. As recently as 1935, there was a type of document being sold in the State of Illinois which appeared upon its face to be a regular \$1,000 life insurance policy, but a close inspection would reveal that if the insured died of any of a list of diseases, including practically every ailment to which man is susceptible, the amount payable would be reduced to about \$15.

The only recourse of the people against this exploitation of the ignorant and unwary was to the legislatures, and these bodies responded in generous measure. As a consequence, insurance in the United States is more closely supervised by Government than any other business. Since there is no provision in the Federal Constitution which empowers Congress to legislate in this field, the supervision of insurance falls exclusively within the jurisdiction of the several States. All the 48 States and the District of Columbia have enacted laws setting out, most of them in great detail, the requirements that must be met by companies, brokers and agents to enable them to do business within the State.

Such statutes specify the procedure for incorporation; provide how a company's reserve liability shall be calculated; require that rates shall be reasonable; impose restrictions upon expenses and dividends; set forth what shall and shall not be contained in all policies issued in the State, even to the point, in the case of fire insurance policies, of dictating the actual provisions; require the filing with the State Insurance Commissioner of detailed annual financial statements; define what constitutes insolvency; and set out the procedure for liquidating and winding-up

insolvent companies. Statutes also govern a company's minimum capital and surplus; the types of securities in which its funds may be invested; the method by which such securities shall be valued, and the required amount of the securities which must be deposited with the State Insurance Commissioner. For examples of typical requirements, under the Illinois Insurance Code, the minimum capital for most types of companies is \$200,000, all of which must be deposited in the form of cash or securities with the State Commissioner of Insurance. The required minimum surplus is 50 per cent. of the capital. A company may invest its funds without limit in Government, State, county and municipal bonds, but it may not invest more than 25 per cent. of its assets in railroad, public utility or private corporation bonds, more than 10 per cent. in preferred stocks, nor more than an amount equal to its capital and surplus (and less if it is a life company) in common stocks. In order to assure wide diversity and distribution of investments the statute also limits the amounts that may be invested in the stocks and bonds of any one corporation and in any one issue.

Each State has a department of insurance, usually headed up by a single official known as the Commissioner of Insurance. But administering the insurance laws of even a small State is more than a one-man job. Consequently, many deputies and assistants are used, and in the more populous States, such as New York, Pennsylvania and Illinois, the number of officers and employees of the insurance department runs into several hundreds. The Commissioner has sweeping inquisitorial and supervisory powers over all insurance companies, brokers and agents doing business in his State. He may conduct hearings, summon insurance officials and agents to appear before him and compel them to testify under oath. He may visit the offices of companies and examine their books, inspect their properties and securities, and make such orders as seem to him necessary to keep the business on a sound basis. The most drastic sanction back of the order of the Commissioner is his power to refuse, revoke or suspend the licence of any company, broker or agent found to have violated the law, and such action is not infrequently taken. However, the orders of the Commissioner are subject to review by a court of law.

What has been said has primary reference to domestic insurance companies—that is, companies organised or domiciled within the State whose law is under discussion. Of special interest to British offices are the rules imposed upon an out-of-State, or alien, company desiring to do business in the United States. In general, an alien company must satisfy the law applicable to domestic companies in each of the States in which it desires to do business. It must, for example, satisfy the same requirements as to the amounts of its capital and surplus, must file an annual financial statement (only, however, of its United States business), its policy forms must comply with the domestic law, and there must be compliance with the local law affecting agents. Usually, however, such a company is not subject to the domestic law with respect to the limitation of expenses or declaration of dividends, and after it has made a deposit of securities in one State in compliance with the law of that State, further deposits in other States into which it might extend its business are not usually required. If such a deposit depreciates in value, however, contrary to the British practice, it must be repaired. As to investments of its funds, an alien company usually need only comply with the law of its domicile, provided (in some States) that such compliance affords a degree of financial security equal to that required for similar domestic companies.

Though, of course, an Insurance Commissioner of one State has no jurisdiction in another State or country, he

can request an alien company to submit to him its books and records for examination, or request its officers to appear before him to testify, and, in case of refusal, revoke or suspend the company's licence to do business in the State.

With legislation continuously spouting forth from 49 unrestrained legislative bodies in the United States, a great diversity in insurance law is inevitable. This diversity is accentuated by the rule that judgments in one State are not binding in the courts of another, and by a recent Supreme Court decision holding that a judgment of a State court, not involving a federal question, is binding in the federal court. The same words in a policy of insurance, therefore, may have different meanings in different States. For example, a clause in the standard fire insurance policy provides that the policy shall be void if the insured transfers his title, interest or possession. In some States a contract for the future conveyance of insured property is a transfer of "title"; in others it is not. In some States putting a vendee into the occupancy of the property is a change in "possession," while in others it is not. In some States "interest" means only legal interest, in others it means legal or equitable.

But there are strong influences counteracting this move-

ment toward diversity, found in the tendency of States to copy legislation from each other, and in the active promotion by various insurance societies and bar associations of uniformity in State legislation and administrative rulings. These forces have eliminated the most serious inconsistencies and have kept the system within practicable bounds.

In their desire to kill off the insurance "racketeer," it now seems probable that the American States have extended their regulations of the insurance business too far. This strictness, without doubt, has been good for bad insurance, but it has also been bad for good insurance. The inelasticity of the system has in some degree stifled enterprise and ingenuity, and in a few instances has actually crystallised undesirable insurance practice and saddled the public with unfair and unreasonable policy forms. On the other hand, the States in which most of the largest and soundest insurance companies in America have originated and developed, and in which there have been the fewest insurance failures, are States with the strictest regulations. But this is probably due to a combination of many factors. After all, the wise regulation of insurance is more dependent upon the honesty and competency of State officials than upon the law.

## Equity Investment in Assurance

THE investor's distinction between fixed interest securities and equities finds a parallel in life assurance policies. Non-profits, or non-participating, policies simply guarantee payment of stated sums on the death of the lives assured; interest on these policies is assumed at a certain level and no account is taken of variations in the actual interest experience. With-profits, or participating, policies, on the other hand, guarantee the holders minimum sums assured, but in addition they provide for variable additions to these minima. As the interest experience of the life office varies, holders of its with-profits policies share in its changing fortunes. They bear—or, rather, enjoy the benefit of—part of the equity.

The popularity of the with-profits policy was established long ago. The idea of the periodically declared surplus profits appealed to the public to such good effect that by 1886—the first year for which official statistics are available—sums assured under with-profits policies totalled £366.8 millions against only £75.9 millions on a without-profits basis. The public welcomed the opportunity of combining a stake in economic prosperity at large, as represented in assurance offices' "surplus" earnings, with an assurance proper. By 1913 there were in force with-profits policies for £691.1 millions, compared with a total of £163.9 millions without-profits assurances. In the decade following the Great War, the rate of expansion of participating policies was very marked, and by 1928 the respective totals had reached the huge figures of £1,055.7 millions and £383.6 millions. Unprecedented expansion has proceeded in both categories since that date, but the last few years have witnessed some alteration of emphasis. The public have by no means lost sight of the advantages which with-profits assurances bestow, for by 1937 a total of no less than £1,443.0 millions was assured under these policies. But the without-profits policy has come into greater relative favour, for sums assured in this category totalled £696.8 in 1937.

It is not necessary to search far for an explanation of this development. In part it is due to the fact that certain popular types of policy which were introduced comparatively recently are most appropriately without-profits in form—for example, the group life assurance and the family income contract. But without doubt it is partly due to a realisation that if with-profits policyholders stand to share in a mounting profit surplus during a period of rising interest earnings, they also stand to bear their part of the brunt when conditions are reversed. The falling trend of interest rates since 1931 has found its reflection in surpluses, and though offices have been reluctant to reduce their

bonus declarations on with-profits policies, such a step has become inevitable in many cases and is in prospect in others. Thus some cold-shouldering of the with-profits policy has become discernible.

From the viewpoint of the assurance office, however, experience in the investment market in recent years has thrown the advantages of the participating policy into sharp

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focus. Anxiety regarding interest earnings is considerably relieved if the office can pass on to policyholders part of the burden of any decline. If the assured does not participate in profits, higher premiums on new policies are the only remedy for a continued fall in interest rates, and offices are loth to seek this way out of the difficulty. It is true that lowering of profit declarations is also to be avoided as far as possible—but at least this course does not prejudice irretrievably the ultimate return offered by the office, for profits may rise in future. But once premiums on without-profits policies are raised, new contracts are fixed irrevocably on a more expensive basis. By the same token, the absence of the profit-sharing element causes new policyholders to suffer relatively to the old, whereas participating policies do ensure something like equal treatment to new and old holders alike.

A number of life offices, having decided that the unwelcome rise in premium rates could not be postponed beyond the current year, have been persuaded by such arguments to increase rates in the without-profits branch in relatively greater degree. Thus, over the section of the life assurance market where higher premium rates were put into force during the early months of this year, it is probable that with-profits policies have regained part, at least, of their superior popularity. If a pronounced upward movement of interest rates were to set in, and were not to be offset by increased taxation, such a tendency would no doubt become emphasised. But failing such a development, the offices must consider the possibility of a continued movement away from with-profits policies. It was partly to ensure that the policyholder took some share in the equity that early this year the "Equitable"—incidentally the first office to introduce the with-profits policy—made all new policies participating contracts in greater or less degree. This office decided that all policies should fall into two classes—"major-profits" or "minor-profits"—ranking, as it were, as first and second participating preference shares respectively. The example has not been followed, though the principle has not failed to receive support.

Actuaries have, indeed, carried the principle very much further, at least in theory. Thus Mr E. H. Lever has argued that all premium rates should be computed on the assumption of a rate of interest of zero, account being taken of actual earnings in excess of this only by way of profit declarations on policies. If this idea of the extreme with-profits policy were adopted, the assurance office would be entirely protected for variations in interest earnings. It would perform the elementary and pure assurance function whereby the estates of those who die young are subsidised out of the incomes of those who die old—a service for which there would always be a demand—but it would not guarantee any given interest return. If the future prospects for the lender of capital are as barren as some economists forecast, an approach towards this revolutionary suggestion may ultimately prove necessary, but the extreme form of this proposed policy is, to say the least, unlikely. The two facts, that life assurance is a competitive institution and that the assurer who charges premiums on an assumed rate of interest of zero would need to pitch them very high, seem sufficient to ensure that offices will continue

to bear some of the equity, even if they attempt to place a larger part of it with policyholders.

The greater inclination of policyholders for the fixed-interest type of policy—at least to cover a substantial part of their risk—rather than the equity type, has probably been one major factor causing a number of the offices to invest a greater part of their incoming funds than formerly in equities and a smaller proportion in fixed-interest bearing securities. In recent years the assurer's burden arising from a fall in interest has increased. At the present time, moreover, the net interest rate earned, after income tax, on insurance funds, shows no tendency to move upwards—rather the reverse. Hence, many life offices have found it desirable to take advantage of the higher average return which can be obtained from equity investments.

Thus, the assured also shares in the equity in a different sense from that used earlier in this article, for he does so when the assurance office holds a proportion of the accumulated funds in ordinary securities on his behalf. On the general question of the desirability of ordinary securities as an assurance investment, controversy has extended over generations. The first of Arthur H. Bailey's famous "canons of investment"—which, laid down in 1862, have not yet passed out of current citation—was that the primary necessity was to secure safety of capital. Some argue that equities do not satisfy this principle. But the proponents of the "active investment policy," which means, in the main, the policy of placing part of insurance funds in equity securities, have undoubtedly gained ground in recent years.

It is true that the proportion of total insurance funds placed in ordinary shares remains limited, and there is therefore little danger of the active policy being carried to excess. But, as the table given on page 14 of this supplement shows, the proportion has increased appreciably in recent years, from 5.1 per cent. in 1932 to 9.2 per cent. in 1938. The average figures do not, moreover, reflect the full significance of the movement, for in the case of a number of offices the proportion is considerably higher and its expansion in recent years is much more pronounced. Thus, seventeen out of thirty-eight offices, as the table referred to demonstrates, now hold more than 10 per cent. of their funds in equities, though seven years ago only eight offices held more than this percentage. A few offices still retain only minimal amounts in equity form, but their number diminishes. The precepts of the "active investment" school grow in forcefulness, moreover, with the danger of war.

Even in normal times, the assumption that the capital of variable interest securities is more vulnerable than that in fixed interest investments is far from proved. The adherents of the active investment policy have produced statistical evidence to show that over periods of years not only has the interest return on ordinary securities been greater but also the movement in capital values has been more satisfactory. The researches of Mr H. E. Raynes may be mentioned in this connection—and there have been other workers who have reached substantially similar conclusions. Provided that reasonable limits are observed, it is a legitimate conclusion that the assurance office may safely give the policyholder a share in the equity.

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# BRITISH INSURANCE EXPERIENCE

## General Results in 1938

THE departmental results in 1938 were, on the whole, rather better than in 1937, but owing to heavier taxation there was some small reduction in the net profit shown in the following table. In the life branch the net rate of interest fell further, largely on account of the increase in the rate of income tax. New sums assured, after showing regular increases for many years, declined by about 3 per cent., a fall which is fully explained by the increased political tension in the second half of the year. Annuity con-

sideration moneys were also smaller. A sharp increase took place in marine premiums, but underwriting results were again unsatisfactory. Fire premiums and underwriting results were somewhat smaller, but while premium income in the accident department showed little change, profits were very satisfactory and much above the average. Under present-day conditions insurance companies with world wide interests encounter problems of currency and exchange restrictions, and are affected by a continuous flood

PREMIUM INCOME, UNDERWRITING PROFITS AND DIVIDENDS, 1933-38.

| Year | Total Premium Income (Excl. Life, Annuity and Sinking Fund) | Underwriting Profits                                       |                              | Dividend Position           |                                 |                                                     |
|------|-------------------------------------------------------------|------------------------------------------------------------|------------------------------|-----------------------------|---------------------------------|-----------------------------------------------------|
|      |                                                             | Net Trading Surplus (Excl. Life, Annuity and Sinking Fund) |                              | Total Net Interest Earnings | Cost of Ordinary Share Dividend | Proportion of Dividend Met out of Interest Earnings |
|      |                                                             | Amount                                                     | Percentage of Premium Income |                             |                                 |                                                     |
| 1933 | 102,240,852                                                 | 2,339,247                                                  | 2.3                          | 6,507,391                   | 8,153,563                       | 80                                                  |
| 1934 | 105,427,999                                                 | 2,799,348                                                  | 2.7                          | 6,524,064                   | 8,317,337                       | 78                                                  |
| 1935 | 106,964,457                                                 | 3,546,715                                                  | 3.3                          | 6,525,324                   | 8,396,674                       | 78                                                  |
| 1936 | 109,214,845                                                 | 3,282,245                                                  | 3.0                          | 6,549,563                   | 8,338,960                       | 79                                                  |
| 1937 | 115,793,858                                                 | 2,672,212                                                  | 2.3                          | 6,678,472                   | 8,306,833                       | 80                                                  |
| 1938 | 115,192,812                                                 | 2,768,339                                                  | 2.4                          | 6,539,905                   | 8,115,525                       | 81                                                  |

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of foreign legislation. At the moment, according to good authority, there are no fewer than twenty overseas States in which legislation is pending which affects the interest of British insurance companies. Unfortunately, much of this legislation involves the lodging of deposits with limi-

tations as to investment. Restrictions of this kind are a negation of the fundamental basis of insurance.

In the annexed table, which gives the results in respect of all branches of insurance of twenty-two of the most important companies, the figures have been calculated on

#### UNDERWRITING PROFIT AND LIFE CONTRIBUTIONS IN 1938

| Company                        | Total Premium Income (excluding Life, Annuity and Sinking Fund) | Underwriting Profits                                           |                                          |                                                                         | Dividend Position         |                                                                                   |                                                 |
|--------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------------------|---------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------|
|                                |                                                                 | Net Trading Surplus (excluding Life, Annuity and Sinking Fund) | Ratio of Net Trading Surplus to Premiums | Contribution to Net Trading Surplus from Life, Annuity and Sinking Fund | Total Net Trading Surplus | Net Interest Earnings after deducting Debenture Interest and Preference Dividends | Proportion of Dividend met by Interest Earnings |
|                                | (1)                                                             | (2)                                                            | (3)                                      | (4)                                                                     | (5)                       | (6)                                                                               | (8)                                             |
| Alliance                       | 4,108,836                                                       | 142,141                                                        | 3.5                                      | 72,569                                                                  | 214,710                   | 367,415                                                                           | 458,063                                         |
| Atlas                          | 2,565,568                                                       | 54,424                                                         | 2.1                                      | 34,081                                                                  | 88,505                    | 120,247                                                                           | 176,000                                         |
| Caledonian                     | 1,381,647                                                       | 33,105                                                         | 2.4                                      | 12,872                                                                  | 45,977                    | 74,775                                                                            | 85,008                                          |
| Commercial Union               | 14,220,552                                                      | 288,385                                                        | 2.0                                      | 103,451                                                                 | 391,836                   | 687,654                                                                           | 1,041,348                                       |
| Eagle Star                     | 3,611,770                                                       | 27,368                                                         | .8                                       | 99,548                                                                  | 126,916                   | 287,217                                                                           | 256,522                                         |
| Employers' Liability           | 6,632,331                                                       | 70,915                                                         | 1.1                                      | ...                                                                     | 70,915                    | 225,352                                                                           | 195,272                                         |
| General Accident               | 9,557,781                                                       | 216,102                                                        | 2.3                                      | ...                                                                     | 216,102                   | 280,810                                                                           | 255,129                                         |
| Guardian                       | 2,762,488                                                       | 165,556                                                        | 6.0                                      | 18,545                                                                  | 184,101                   | 154,173                                                                           | 180,819                                         |
| Liverpool and London and Globe | 9,046,323                                                       | 337,300                                                        | 3.7                                      | 28,000                                                                  | 365,300                   | 382,453                                                                           | 524,246                                         |
| London Assurance               | 4,453,864                                                       | 123,883                                                        | 2.8                                      | 22,500                                                                  | 146,383                   | 202,449                                                                           | 224,183                                         |
| London and Lancashire          | 6,752,539                                                       | 236,724                                                        | 3.5                                      | 18,413                                                                  | 255,137                   | 481,363                                                                           | 536,798                                         |
| North British and Mercantile   | 5,125,609                                                       | 389,403                                                        | 7.6                                      | 67,460                                                                  | 456,863                   | 506,785                                                                           | 505,599                                         |
| Northern                       | 4,627,363                                                       | 98,155                                                         | 2.1                                      | ...                                                                     | 98,155                    | 178,968                                                                           | 220,914                                         |
| Norwich Union                  | 3,600,047                                                       | 58,671                                                         | 1.6                                      | ...                                                                     | 58,671                    | 142,384                                                                           | 191,466                                         |
| Pearl                          | 1,661,896                                                       | 179,656                                                        | 10.8                                     | 868,250                                                                 | 688,594                   | 63,444                                                                            | 630,000                                         |
| Phoenix                        | 7,371,352                                                       | 171,073                                                        | 2.3                                      | 40,000                                                                  | 211,073                   | 365,915                                                                           | 437,175                                         |
| Prudential                     | 2,580,131                                                       | 22,369                                                         | .9                                       | 15,703                                                                  | 38,072                    | 120,829                                                                           | 133,333                                         |
| Royal                          | 12,474,945                                                      | 445,829                                                        | 3.6                                      | 50,000                                                                  | 495,829                   | 1,193,184                                                                         | 1,332,754                                       |
| Royal Exchange                 | 3,405,178                                                       | 103,167                                                        | 3.0                                      | 42,908                                                                  | 146,075                   | 207,872                                                                           | 206,731                                         |
| Scottish Union                 | 1,736,456                                                       | 66,564                                                         | 3.8                                      | ...                                                                     | 66,564                    | 134,074                                                                           | 141,375                                         |
| Sun                            | 4,730,457                                                       | 3,522                                                          | .1                                       | ...                                                                     | 3,522                     | 260,007                                                                           | 243,375                                         |
| Yorkshire                      | 2,785,679                                                       | 33,511                                                         | 1.2                                      | 13,750                                                                  | 47,261                    | 102,535                                                                           | 139,415                                         |
|                                | 115,192,812                                                     | 2,768,339                                                      | 2.4                                      | 1,508,050                                                               | 4,276,389                 | 6,539,905                                                                         | 8,115,525                                       |

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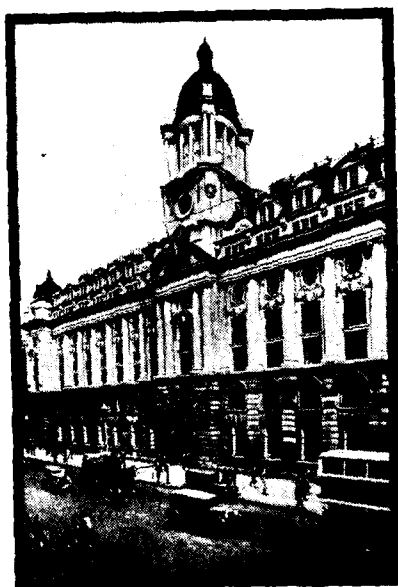
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a uniform basis for all the offices. The reserve for unexpired risk, except in the marine branch, has been taken at 40 per cent. of the premium income of the year, which is the basis used by the majority of offices. It is not possible to use a uniform method of calculating marine underwriting profits, and the method of the company concerned has been followed. Special attention is drawn to the headings of each column; the calculations may differ from the published results of individual companies, as is only to be expected when various data are reduced to a comparable basis, and this fact should constantly be borne in mind. In arriving at the trading surplus shown in column 2 all allocations to investment and other special reserves have been deducted, as well as amounts actually written off investments, which last year were in some cases substantial. Undoubtedly this method will operate somewhat unfairly in certain cases, but it is impossible from the accounts to distinguish between what may be regarded as

an addition to free reserves and what is required by ordinary business prudence. Column 4 indicates the amount of the contribution to the net trading surplus derived from the operations of the life department. Such profits emerge from actuarial valuations, and in the majority of cases these valuations take place only at quinquennial intervals. It may be mentioned that some companies set aside the shareholders' proportion of surplus revealed at a quinquennial valuation, and, in each year of the new quinquennium, credit one-fifth of that surplus to profit and loss. This practice, however, is not universal. Hence the absence of any figure in this column for some companies which transact life business merely means that no valuation was due to be made. The Prudential is in a special position, since the life profits belong entirely to the "A" shareholders. The table is concerned only with the "B" shareholders, whose interest is confined to the remaining departments.

## Life Assurance Business

THE valuation returns made by the British Life Offices to the Board of Trade as at the end of 1937, or to the preceding valuation date, show that, excluding industrial insurance policies, there were 5,978,000 policies in force, representing sums assured, plus existing bonuses, of £2,140 millions. The total interest income in 1937 was £38,903,000, and the premium income £87,900,000, while the accumulated funds totalled £984,453,000. The adjoining table is compiled from the same official source.

### NEW BUSINESS

(a) *Life Assurance.*—The table on page 12 shows the new sums assured, excluding industrial assurances, effected in each of the past two years by a number of representative offices. Between 1932 and 1938 new sums assured showed steady expansion each year, due to some

| Year | Aggregate Net Sums Assured under New Policies Mill. £ | Increase or Decrease per cent. compared with preceding Year |
|------|-------------------------------------------------------|-------------------------------------------------------------|
| 1923 | 112                                                   | + 5.7                                                       |
| 1924 | 124                                                   | + 10.7                                                      |
| 1925 | 130                                                   | + 4.8                                                       |
| 1926 | 129                                                   | - 0.8                                                       |
| 1927 | 148                                                   | + 14.7                                                      |
| 1928 | 160                                                   | + 8.1                                                       |
| 1929 | 162                                                   | + 1.2                                                       |
| 1930 | 166                                                   | + 2.5                                                       |
| 1931 | 161                                                   | - 3.0                                                       |
| 1932 | 164                                                   | + 1.9                                                       |
| 1933 | 183                                                   | + 11.6                                                      |
| 1934 | 208                                                   | + 13.7                                                      |
| 1935 | 224                                                   | + 7.7                                                       |
| 1936 | 243                                                   | + 8.5                                                       |
| 1937 | 261                                                   | + 7.4                                                       |



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## NET NEW BUSINESS

| Company                                   | 1937            |              | 1938            |              |
|-------------------------------------------|-----------------|--------------|-----------------|--------------|
|                                           | No. of Policies | Sums Assured | No. of Policies | Sums Assured |
| <b>Mutual Offices :-</b>                  |                 |              |                 |              |
| Equitable .....                           | 6,001           | 1,934,984    | 6,806           | 2,028,917    |
| Friends' Provident and Century .....      | 2,835           | 2,680,312    | 2,728           | 2,483,366    |
| London Life .....                         | 2,079           | 2,709,416    | 2,098           | 2,700,913    |
| Marine and General .....                  | 917             | 525,342      | 888             | 563,812      |
| National Mutual .....                     | 1,301           | 1,037,771    | 1,275           | 1,082,312    |
| National Provident .....                  | 3,416           | 2,128,164    | 3,576           | 2,047,174    |
| Norwich Union .....                       | 17,966          | 11,530,120   | 18,736          | 11,755,700   |
| Provident Mutual .....                    | 29,058          | 3,127,161    | 30,879          | 3,286,712    |
| Scottish Amicable .....                   | 2,257           | 2,122,290    | 2,398           | 2,131,076    |
| Scottish Equitable .....                  | 2,928           | 1,922,947    | 2,745           | 1,836,395    |
| Scottish Provident .....                  | 4,543           | 3,313,004    | 4,289           | 3,158,519    |
| Scottish Temperance .....                 | 2,370           | 1,603,987    | 2,272           | 1,574,659    |
| Scottish Widows .....                     | 7,489           | 5,047,615    | 7,324           | 5,240,530    |
| Standard .....                            | 8,006           | 5,129,974    | 9,506           | 6,466,259    |
| United Kingdom .....                      | 6,614           | 5,022,969    | 6,478           | 5,116,390    |
|                                           | 97,780          | 49,834,056   | 101,998         | 51,472,734   |
| <b>Proprietary Offices :-</b>             |                 |              |                 |              |
| Clerical, Medical and General .....       | 3,146           | 3,239,348    | 3,139           | 2,733,251    |
| Equity and Law .....                      | 2,260           | 4,667,681    | 1,893           | 3,512,506    |
| Scottish Life .....                       | 2,087           | 2,214,068    | 2,379           | 2,316,749    |
| Sun Life .....                            | 33,491          | 22,009,595   | 35,048          | 21,659,650   |
|                                           | 40,984          | 32,130,692   | 42,459          | 30,222,156   |
| <b>Industrial-cum-Ordinary Offices :-</b> |                 |              |                 |              |
| Britannic .....                           | 17,617          | 3,593,768    | 16,004          | 3,422,721    |
| Co-operative .....                        | 21,043          | 3,461,388    | 20,135          | 3,274,614    |
| Pearl .....                               | 52,571          | 8,664,444    | 48,885          | 8,230,510    |
| Provident Association .....               | 1,453           | 581,000      | 1,392           | 563,225      |
| Prudential .....                          | 99,337          | 32,457,832   | 93,910          | 31,762,732   |
| Refuge .....                              | 55,782          | 8,684,649    | 50,744          | 7,894,878    |
| Wesleyan and General .....                | 8,156           | 1,649,933    | 7,612           | 1,498,122    |
|                                           | 255,959         | 59,093,014   | 238,682         | 56,646,802   |
| <b>Composite Offices :-</b>               |                 |              |                 |              |
| Alliance .....                            | 6,234           | 3,836,336    | 7,187           | 4,205,415    |
| Atlas .....                               | 6,264           | 4,536,416    | 6,752           | 4,042,720    |
| Beacon .....                              | 3,849           | 1,232,325    | 3,811           | 1,291,351    |
| British Equitable .....                   | 1,366           | 834,743      | 1,326           | 871,230      |
| British General .....                     | 1,723           | 897,434      | 1,832           | 957,861      |
| Caledonian .....                          | 3,041           | 2,166,349    | 3,034           | 2,102,749    |
| Commercial Union .....                    | 9,203           | 6,076,523    | 9,281           | 5,991,320    |
| Eagle Star .....                          | 2,792           | 10,464,781   | 3,097           | 10,313,261   |
| General Accident .....                    | 2,388           | 2,843,642    | 2,187           | 2,611,070    |
| Law Union and Rock .....                  | 9,842           | 2,606,269    | 4,225           | 3,106,448    |
| Legal and General .....                   | 21,082          | 18,549,228   | 21,513          | 16,565,154   |
| Liverpool and London and Globe .....      | 6,201           | 2,886,475    | 5,613           | 2,851,415    |
| London and Scottish .....                 | 2,715           | 1,892,266    | 2,252           | 1,588,374    |
| London Assurance .....                    | 3,635           | 2,956,153    | 3,091           | 2,679,181    |
| North British and Mercantile .....        | 11,044          | 5,619,779    | 10,805          | 5,326,927    |
| Northern .....                            | 2,911           | 1,710,736    | 3,174           | 1,781,207    |
| Royal .....                               | 5,644           | 4,921,474    | 5,330           | 4,967,072    |
| Royal Exchange .....                      | 8,184           | 5,158,467    | 7,692           | 5,176,871    |
| Scottish Union and National .....         | 7,065           | 4,654,737    | 6,914           | 4,358,599    |
| Yorkshire .....                           | 5,464           | 3,849,394    | 3,622           | 2,539,368    |
|                                           | 3,459           | 2,855,127    | 3,652           | 3,029,741    |
|                                           | ...             | 92,364,377   | ...             | 88,076,718   |
| Total .....                               | ...             | 233,422,139  | ...             | 226,418,405  |

extent to the increasing popularity of low-rated plans, such as family income and group insurances. This expansion continued during the first half of last year, but the September crisis had a serious effect on business, and although the offices in general imposed no war restrictions on new assurances they exercised discrimination in offering the cheaper types of policy. Over the whole year, the aggregate fall in new business in respect of the offices included in the table was only 3 per cent., which in the circumstances, appears remarkably small. For the present year to date, new business is almost certainly on a lower level than a year ago. As the offices still issue unrestricted policies in most cases, life assurance at the present time is offered on very attractive terms in view of the possibilities of war, but the public has not taken advantage of the liberality of the present policy pursued by the assurance companies. The uncertain outlook is, no doubt, a very strong deterrent against even the most advantageous long-dated assurance contract.

(b) *Annuity Business.* The immense increase in annuity business a few years ago was mainly due to the fall in income suffered by many people from the time that interest on War Loan was reduced. Although the terms offered by the offices since 1932 for annuities are substantially less favourable to purchasers than was the case previously, the amount of business transacted, although tending to fall steadily, is still much in excess of a decade ago. It will be seen from the table on page 13 that there was a further reduction in consideration moneys last year. The peak year for the combined offices shown in the table was 1935, with a total of £14,426,000, but the largest individual item was in 1936, when the Equity and Law received purchase moneys amounting to £2,510,000. This office has pursued a bold policy in the extent to which it has sought this class of business. The directors have held the view—and it is gratifying to learn that they remain satisfied with the results of their policy—that owing to the broadening in the basis of annuity business the boggy of exceptional longevity traditionally enjoyed by annuitants has largely disappeared.

## CONSIDERATION MONEY FOR PURCHASE OF ANNUITIES

| Company                              | 1937      | 1938      |
|--------------------------------------|-----------|-----------|
| <b>Mutual Offices :-</b>             |           |           |
| Equitable .....                      | 203,394   | 164,543   |
| Friends' Provident and Century ..... | 1,217,023 | 1,020,056 |
| London Life .....                    | 111,471   | 72,708    |
| Marine and General .....             | 6,848     | 1,442     |
| National Mutual .....                | 22,955    | 29,400    |
| National Provident .....             | 108,935   | 65,281    |
| Norwich Union .....                  | 301,408   | 371,162   |
| Provident Mutual .....               | 38,112    | 52,606    |
| Scottish Amicable .....              | 13,004    | 14,694    |
| Scottish Equitable .....             | 31,661    | 20,772    |
| Scottish Provident .....             | 98,876    | 62,465    |
| Scottish Temperance .....            | 5,453     | 101,509   |
| Scottish Widows .....                | 116,958   | 72,568    |
| Standard .....                       | 260,618   | 136,594   |
| United Kingdom Provident .....       | 28,934    | 29,337    |
|                                      | 2,565,650 | 2,215,137 |

|                                     |           |           |
|-------------------------------------|-----------|-----------|
| <b>Proprietary Offices :-</b>       |           |           |
| Clerical, Medical and General ..... | 268,884   | 270,434   |
| Equity and Law .....                | 1,997,639 | 1,594,131 |
| Scottish Life .....                 | 72,353    | 54,660    |
| Sun Life .....                      | 195,325   | 189,524   |
|                                     | 2,534,201 | 2,108,749 |

|                                           |           |           |
|-------------------------------------------|-----------|-----------|
| <b>Industrial-cum-Ordinary Offices :-</b> |           |           |
| Britannic .....                           | 11,552    | 4,300     |
| Co-operative .....                        | 38,923    | 28,700    |
| Pearl .....                               | 158,477   | 173,045   |
| Provident Association .....               | 511,863   | 443,144   |
| Prudential .....                          | 876,940   | 782,766   |
| Refuge .....                              | 58,999    | 60,866    |
| Wesleyan and General .....                | 36,828    | 63,220    |
|                                           | 1,693,582 | 1,556,041 |

|                             |         |         |
|-----------------------------|---------|---------|
| <b>Composite Offices :-</b> |         |         |
| Alliance .....              | 252,465 | 213,173 |
| Atlas .....                 | 454,493 | 667,300 |
| Beacon .....                | 10,895  | 3,041   |
| British Equitable .....     | 2,255   | 4,524   |
| British General .....       | 4,597   | 4,688   |
| Caledonian .....            | 113,664 | 126,755 |
| Commercial Union .....      | 379,768 | 338,849 |
| Eagle Star .....            | 91,791  | 136,417 |

## Composite Offices (continued) :-

|                                      | 1937       | 1938       |
|--------------------------------------|------------|------------|
| General Accident .....               | 63,014     | 52,559     |
| Guardian .....                       | 85,634     | 101,234    |
| Law Union and Rock .....             | 38,842     | 67,071     |
| Legal and General .....              | 1,647,917  | 1,159,350  |
| Liverpool and London and Globe ..... | 39,825     | 30,974     |
| London and Scottish .....            | 3,456      | 7,868      |
| London Assurance .....               | 122,229    | 92,055     |
| North British and Mercantile .....   | 645,051    | 498,122    |
| Northern .....                       | 81,373     | 72,479     |
| Phoenix .....                        | 80,466     | 92,798     |
| Royal .....                          | 124,721    | 285,084    |
| Royal Exchange .....                 | 183,487    | 354,827    |
| Scottish Union and National .....    | 67,153     | 58,208     |
| Yorkshire .....                      | 123,166    | 162,861    |
|                                      | 4,616,262  | 4,530,237  |
| Grand Total .....                    | 11,409,695 | 10,410,164 |

## MORTALITY

So far as can be gathered from the Annual Reports and Chairman's speeches, the mortality experience in 1938 did not differ very materially from that in the previous year. The obsolete O<sup>M</sup> table is being steadily replaced by the A<sup>1924-29</sup> table as and when actuarial valuations fall due.

## INTEREST

Following on a decrease in 1936 of 1s. 5d. per cent. in the average net rate of interest and a further 1s. per cent. in 1937—in both these years there was an increase of 3d. in the rate of income-tax—the net rate of interest again fell last year by 2s. 9d. per cent., when the standard rate of tax was increased by a further 6d. These results must be regarded as very satisfactory, and their effect on future bonus rates seems more encouraging than might have been anticipated a few years ago. There has been a distinct tendency to reduce the rate of interest adopted in valuing liabilities and the average rate is now definitely below 3 per cent. There is a further point that the published rates of interest are calculated on the assurance

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funds; actuarially the proper basis of comparison with the valuation rate of interest is the rate earned on actuarial liabilities. The true margin, therefore, is substantially greater than is revealed. In considering the following table, it should be borne in mind that the net rates shown for any two offices are not necessarily strictly comparable owing to differences in book-keeping. Among other things, a good deal depends on the method of valuing the assets.

## NET RATE OF INTEREST

## Life and Annuity Funds (including Reversions)

| Company                                  | 1937    | 1938    |
|------------------------------------------|---------|---------|
| <i>Mutual Offices:—</i>                  |         |         |
| Equitable                                | 4 4 5   | 4 0 10  |
| Friends' Provident and Century           | 3 19 10 | 3 16 9  |
| London Life                              | 3 16 0  | 3 15 0  |
| Marine and General                       | 4 5 10  | 4 1 2   |
| *National Mutual                         | 4 2 1   | 4 3 6   |
| National Provident                       | 4 3 0   | 4 1 0   |
| Norwich Union                            | 4 6 6   | 4 2 5   |
| Provident Mutual                         | 4 9 2   | 4 4 7   |
| Scottish Amicable                        | 4 2 10  | 4 0 5   |
| Scottish Equitable                       | 4 2 5   | 3 18 0  |
| Scottish Provident                       | 3 17 5  | 3 15 0  |
| Scottish Temperance                      | 4 1 5   | 3 19 6  |
| Scottish Widows                          | 4 4 10  | 4 1 6   |
| Standard                                 | 4 15 0  | 4 14 2  |
| United Kingdom Provident                 | 4 5 7   | 4 1 6   |
|                                          | 4 3 9   | 4 1 0   |
| <i>Proprietary Offices:—</i>             |         |         |
| Clerical, Medical and General            | 3 19 6  | 3 16 6  |
| *Equity and Law                          | 4 9 0   | 4 8 0   |
| Scottish Life                            | 4 4 6   | 4 2 2   |
| Sun Life                                 | 4 0 7   | 3 18 0  |
|                                          | 4 3 5   | 4 1 2   |
| <i>Industrial-cum-Ordinary Offices:—</i> |         |         |
| Britannic                                | 4 6 8   | 4 2 10  |
| Co-operative                             | 3 19 10 | 3 15 11 |
| Pearl                                    | 4 5 8   | 4 1 9   |
| Provident Association                    | 3 15 2  | 3 12 5  |
| Prudential                               | 4 8 3   | 4 4 4   |
| Refuge                                   | 4 2 6   | 3 19 5  |
| Wesleyan and General                     | 3 19 3  | 3 17 2  |
|                                          | 4 2 6   | 3 19 1  |
| <i>Composite Offices:—</i>               |         |         |
| Alliance                                 | 3 13 10 | 3 9 8   |
| Atlas                                    | 4 7 10  | 4 3 2   |
| Beacon                                   | 4 0 1   | 4 0 9   |
| British Equitable                        | 4 1 10  | 3 18 2  |
| British General                          | 3 12 4  | 3 11 4  |
| Caledonian                               | 3 18 11 | 3 16 8  |
| Commercial Union                         | 3 16 4  | 3 14 4  |
| Eagle Star                               | 4 4 2   | 4 1 3   |
| General Accident                         | 4 2 6   | 3 17 11 |
| Guardian                                 | 3 16 8  | 3 13 9  |
| Law, Union and Rock                      | 3 13 6  | 3 11 7  |
| *Legal and General                       | 4 6 7   | 4 2 8   |
| Liverpool and London and Globe           | 3 17 2  | 3 16 0  |
| London and Scottish                      | 4 0 10  | 4 2 9   |
| London Assurance                         | 3 16 8  | 3 14 8  |
| North British and Mercantile             | 3 11 9  | 3 8 6   |
| Northern                                 | 4 1 5   | 3 17 4  |
| Phoenix                                  | 4 0 3   | 3 16 5  |
| Royal                                    | 3 17 3  | 3 15 11 |
| Royal Exchange                           | 3 19 1  | 3 15 3  |
| Scottish Union and National              | 3 19 0  | 3 12 11 |
| Yorkshire                                | 4 3 8   | 4 2 11  |
|                                          | 3 19 2  | 3 16 6  |
| Average of British Offices               | 4 1 5   | 3 18 8  |

\* Excluding Reversions.

## Life Office Investments

THE adjoining table shows the distribution of the assets of the principal British countries, the average of the percentages held in each group of assets by all companies, and also the average percentage holdings in each of the four groups, viz. mutual, proprietary, industrial-cum-ordinary and composite offices.

In recent years there has been some steady increase in the proportion of assets invested in mortgages, and this tendency was repeated last year, but the increase in debentures, preference and ordinary stocks seems to have slowed

down. The percentage of assets in British Government securities has fallen further, and this is true also of foreign government and municipal securities. The amount of depreciation or appreciation in Stock Exchange security holdings is seldom mentioned in the reports, and its extent last year must have varied considerably according to the nature of the investment portfolio of individual companies. Judging from the remarks of several of the chairmen, depreciation on securities for an office having an average distribution of investments did not exceed 4 per cent. of the total funds. In spite of the fall in market values in the last two years, the majority of offices still show book values below market values on December 31st last. The following table gives the average distribution of all the companies in each of the past five years:—

## PERCENTAGE DISTRIBUTION OF INSURANCE ASSETS, 1934-1938

| Class of Assets                                     | 1934 | 1935 | 1936 | 1937 | 1938 |
|-----------------------------------------------------|------|------|------|------|------|
| Mortgages, including loans on policies              | 22.8 | 22.0 | 22.3 | 23.0 | 23.6 |
| British Government securities                       | 21.3 | 19.5 | 18.1 | 17.5 | 17.0 |
| Indian, Colonial and Foreign Government securities  | 9.2  | 8.8  | 8.2  | 7.5  | 7.1  |
| British municipal and county stocks                 | 2.9  | 2.9  | 2.9  | 2.8  | 2.9  |
| Indian, Colonial and Foreign municipal securities   | 2.9  | 2.7  | 2.5  | 2.3  | 2.1  |
| Debenture stocks                                    | 17.7 | 18.4 | 18.6 | 18.7 | 18.9 |
| Preference and guaranteed stocks                    | 7.6  | 8.7  | 9.2  | 9.5  | 9.4  |
| Ordinary stocks                                     | 6.4  | 7.5  | 8.6  | 9.2  | 9.2  |
| Reversionary interests, properties and other assets | 9.2  | 9.5  | 9.6  | 9.5  | 9.8  |

## PERCENTAGE DISTRIBUTION OF ASSETS OF 38 PRINCIPAL OFFICES

| Office                                 | Mortgages including Loans on Policies | British Government Securities | Indian, Colonial and Foreign Government Securities | British Municipal and County Stocks | Indian, Colonial and Foreign Municipal Securities | Debenture Stocks | Preference and Guaranteed Stocks | Ordinary Stocks | Reversionary Interests, Properties, and Other Assets |
|----------------------------------------|---------------------------------------|-------------------------------|----------------------------------------------------|-------------------------------------|---------------------------------------------------|------------------|----------------------------------|-----------------|------------------------------------------------------|
| <i>Mutual Offices</i>                  | %                                     | %                             | %                                                  | %                                   | %                                                 | %                | %                                | %               | %                                                    |
| Equitable                              | 28.9                                  | 2.7                           | 7.8                                                | 3.2                                 | 3.7                                               | 22.4             | 4.9                              | 5.4             | 21.0                                                 |
| Friends' Provident                     | 20.9                                  | 8.8                           | 3.1                                                | 1.0                                 | 0.9                                               | 29.7             | 6.3                              | 19.4            | 9.9                                                  |
| London Life                            | 29.7                                  | 14.4                          | 7.9                                                | 1.8                                 | 1.8                                               | 12.0             | 9.6                              | 10.3            | 12.5                                                 |
| Marine and General                     | 13.2                                  | 14.1                          | 9.7                                                | 4.7                                 | 4.9                                               | 29.0             | 15.5                             | 7.9             | 1.0                                                  |
| National Mutual                        | 13.8                                  | 10.1                          | 2.3                                                | 0.8                                 | —                                                 | 23.8             | 15.0                             | 14.1            | 20.1                                                 |
| National Provident                     | 26.2                                  | 12.0                          | 6.8                                                | 1.0                                 | 2.6                                               | 24.6             | 6.5                              | 6.8             | 13.5                                                 |
| Norwich Union                          | 34.8                                  | 7.2                           | 7.7                                                | 0.2                                 | 2.1                                               | 19.5             | 6.4                              | 13.5            | 8.6                                                  |
| Provident Mutual                       | 7.9                                   | 19.9                          | 5.4                                                | 1.4                                 | 0.7                                               | 17.8             | 20.8                             | 19.1            | 7.0                                                  |
| Scottish Amicable                      | 18.9                                  | 20.5                          | 5.4                                                | 1.5                                 | 0.6                                               | 21.9             | 18.4                             | 8.5             | 4.3                                                  |
| Scottish Equitable                     | 26.8                                  | 10.8                          | 7.3                                                | 1.2                                 | 1.4                                               | 29.0             | 8.8                              | 19.3            | 5.4                                                  |
| Scottish Provident                     | 6.9                                   | 32.7                          | 5.8                                                | 2.7                                 | 2.3                                               | 13.8             | 11.7                             | 15.2            | 3.9                                                  |
| Scottish Temperance                    | 22.2                                  | 6.9                           | 4.5                                                | 1.5                                 | 3.3                                               | 19.9             | 20.0                             | 8.2             | 13.5                                                 |
| Scottish Widows                        | 15.6                                  | 20.4                          | 5.5                                                | 3.4                                 | 0.3                                               | 21.3             | 16.6                             | 12.5            | 4.4                                                  |
| Standard                               | 12.1                                  | 20.8                          | 6.7                                                | 0.4                                 | 3.0                                               | 27.9             | 9.0                              | 15.9            | 4.2                                                  |
| United Kingdom                         | 26.7                                  | 12.8                          | 8.4                                                | 0.1                                 | 2.6                                               | 8.8              | 7.2                              | 13.6            | 19.8                                                 |
| Average                                | 20.3                                  | 14.3                          | 6.3                                                | 1.6                                 | 2.0                                               | 21.4             | 11.8                             | 12.0            | 10.3                                                 |
| <i>Proprietary Offices</i>             |                                       |                               |                                                    |                                     |                                                   |                  |                                  |                 |                                                      |
| Clerical, Medical and General          | 42.3                                  | 4.0                           | 7.1                                                | 0.9                                 | 0.9                                               | 12.5             | 2.2                              | 7.1             | 23.0                                                 |
| Equity and Law                         | 36.6                                  | 7.6                           | 3.6                                                | 0.4                                 | 1.1                                               | 11.3             | 7.9                              | 16.9            | 14.6                                                 |
| Scottish Life                          | 17.7                                  | 13.5                          | 5.2                                                | 0.1                                 | 1.4                                               | 25.3             | 21.8                             | 10.9            | 4.1                                                  |
| Sun                                    | 28.5                                  | 24.1                          | 10.0                                               | 2.6                                 | 2.7                                               | 24.7             | 1.0                              | 1.7             | 4.7                                                  |
| Average                                | 31.3                                  | 12.3                          | 6.5                                                | 1.0                                 | 1.5                                               | 18.5             | 8.2                              | 9.1             | 11.6                                                 |
| <i>Industrial-cum-Ordinary Offices</i> |                                       |                               |                                                    |                                     |                                                   |                  |                                  |                 |                                                      |
| Britannic                              | 17.5                                  | 20.3                          | 11.8                                               | 4.5                                 | 3.0                                               | 9.1              | 8.4                              | 17.3            | 8.1                                                  |
| Pearl                                  | 6.0                                   | 31.4                          | 12.9                                               | 5.4                                 | 3.3                                               | 14.4             | 7.2                              | 12.6            | 6.8                                                  |
| Provident Association                  | 53.7                                  | 4.0                           | 20.9                                               | 8.7                                 | 5.7                                               | 4.0              | 0.1                              | 0.2             | 2.7                                                  |
| Prudential                             | 14.2                                  | 28.1                          | 4.9                                                | 1.8                                 | 1.5                                               | 16.9             | 9.2                              | 12.4            | 11.0                                                 |
| Refuge                                 | 15.5                                  | 36.5                          | 6.9                                                | 2.5                                 | 1.1                                               | 20.6             | 11.3                             | 0.7             | 4.9                                                  |
| Wesleyan and General                   | 34.2                                  | 19.7                          | 6.7                                                | 8.9                                 | 3.2                                               | 12.5             | 6.1                              | —               | 8.7                                                  |
| Average                                | 23.5                                  | 23.3                          | 10.7                                               | 5.3                                 | 3.0                                               | 12.9             | 7.1                              | 7.2             | 7.0                                                  |
| <i>Composite Offices</i>               |                                       |                               |                                                    |                                     |                                                   |                  |                                  |                 |                                                      |
| Alliance                               | 29.8                                  | 17.4                          | 6.3                                                | 3.9                                 | 1.0                                               | 23.0             | 7.4                              | 4.7             | 6.5                                                  |
| Atlas                                  | 31.0                                  | 5.3                           | 11.3                                               | 0.9                                 | 2.8                                               | 19.5             | 5.9                              | 8.6             | 14.7                                                 |
| British Equitable                      | 24.5                                  | 15.1                          | 6.3                                                | 5.7                                 | 6.4                                               | 16.4             | 7.0                              | 5.5             | 13.1                                                 |
| Caledonian                             | 16.4                                  | 23.1                          | 5.0                                                | 2.3                                 | 0.8                                               | 18.9             | 10.1                             | 12.7            | 10.7                                                 |
| Commercial Union                       | 26.6                                  | 27.7                          | 5.1                                                | 9.0                                 | 1.2                                               | 16.4             | 7.0                              | 5.0             | 2.0                                                  |
| Eagle Star                             | 18.7                                  | 25.3                          | 1.1                                                | 1.6                                 | 0.6                                               | 14.5             | 13.3                             | 11.0            | 13.9                                                 |
| Guardian                               | 33.5                                  | 5.7                           | 4.9                                                | 2.8                                 | 0.4                                               | 21.9             | 11.8                             | 11.4            | 7.6                                                  |
| Law Union and Rock                     | 30.7                                  | 25.4                          | 8.5                                                | 1.1                                 | 2.0                                               | 10.4             | 11.6                             | 2.5             | 7.8                                                  |
| Legal and General                      | 35.0                                  | 15.2                          | 3.8                                                | 5.7                                 | 1.1                                               | 8.4              | 4.7                              | 8.7             | 17.4                                                 |
| London Assurance                       | 19.4                                  | 14.9                          | 4.4                                                | 2.4                                 | 1.0                                               | 30.9             | 9.6                              | 7.8             | 9.6                                                  |
| North British and Mercantile           | 21.8                                  | 27.7                          | 9.9                                                | 6.5                                 | 2.0                                               | 17.4             | 4.6                              | 4.7             | 5.4                                                  |
| Phoenix                                | 18.4                                  | 21.4                          | 11.0                                               | 4.0                                 | 4.6                                               | 24.5             | 8.8                              | 2.4             | 4.9                                                  |
| Royal Exchange                         | 18.5                                  | 14.7                          | 8.5                                                | 2.5                                 | 1.7                                               | 24.8             | 5.5                              | 6.6             | 17.2                                                 |
| Average                                | 25.0                                  | 18.4                          | 6.6                                                | 3.7                                 | 2.0                                               | 19.0             | 8.2                              | 7.0             | 10.1                                                 |
| Average of all Co.'s                   | 23.6                                  | 17.0                          | 7.1                                                | 2.9                                 | 2.1                                               | 18.9             | 9.4                              | 9.2             | 9.8                                                  |

## Life Office Valuations

THE Assurance Companies Act, 1909, provides that every office "shall cause an investigation to be made into its financial position, including a valuation of its liabilities," at least once in every five years. The table on page 16 analyses the results of the valuations made at the end of last year, together with the corresponding data for the preceding valuation. Where no allocation to shareholders is shown, the office concerned is a mutual society and has no shareholders. All the offices which make annual valuations maintained their reversionary rates of bonus. The National Mutual, the only office which values biennially, has declared its normal rates of bonus, but has not repeated the special additional bonuses of the previous two occasions. The bonus rate declared by the Beacon is poor, and probably exceptional, while among those offices valuing quinquennially only the Scottish Provident shows a reduction of bonus rate. Thus, out of the sixteen offices no less than thirteen maintained their previous rates. In the industrial branches the results were also satisfactory. The bases of valuation are in general more stringent than a few years ago, and in spite of falling interest rates there is no indication so far of the drastic reduction in bonus rates which might have been expected. But, even in the absence of war, some moderate reduction in bonus rates in the future is almost certain.

## Annual Valuations

*Britannic.*—Ordinary branch bonus 38s. per cent. on the sum assured (same). It will be seen that the cost of this bonus is well within earning capacity. In the industrial branch the same sum as in 1937 has been set aside for policyholders.

*Co-operative.*—Ordinary branch bonus 36s. per cent. calculated on the sum assured (same) and the same bonuses as in 1937 have been declared in the industrial branch. In the ordinary branch the valuation of immediate profit assurances was altered from O<sup>M</sup> to A<sup>1924-29</sup>; 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.

*London Life.*—Bonus reserve method used on the same assumptions as in 1937. The reversionary rate of bonus declared by the London Life is again 35s. per cent., calculated on the sum assured and bonuses. In the reduction of premium class the increase in rate of reduction for the year beginning July 1, 1939, is 2 per cent. This follows three successive declarations of 3 per cent., but it was pointed out in these years that declarations of less than 3 per cent. must be expected in some years. The reversionary bonus declared for the Clergy Mutual is at the rate of 3 per cent., calculated on the sum assured, increasing in the case of whole life assurances by 3s. per cent. for each additional year of age over 65, compared with 4 per cent. and 4s. per cent. in recent years. The rate of abatement in the case of the Metropolitan is 6 per cent., against 5 per cent. in 1937.

*Pearl.*—The rate of bonus declared in the ordinary branch is 2 per cent. of the sum assured; in the industrial branch the rates are 16s. and 12s. for each weekly premium of 1s. in the whole life and endowment assurance classes respectively, and the policies participating are those effected prior to January 1, 1932 (same).

*Prudential.*—The rates of reversionary bonuses declared in the ordinary branch are 46s. per cent. for whole life

# A.M.P.

THE LARGEST BRITISH MUTUAL LIFE OFFICE

ASSETS EXCEED £117,000,000

Figures from 1939 Annual Report  
(Ordinary and Industrial Departments)

|                                            |   |   |              |
|--------------------------------------------|---|---|--------------|
| New Business (1938)                        | - | - | £29,104,683  |
| Business in Force                          | - | - | £356,218,289 |
| Claims (1938)                              | - | - | £6,298,141   |
| Cash Surplus Distributed<br>(for one year) | - | - | £3,444,864   |
| Reversionary Bonuses<br>(for one year)     | - | - | £5,805,000   |
| Added to Sums Assured                      | - | - |              |

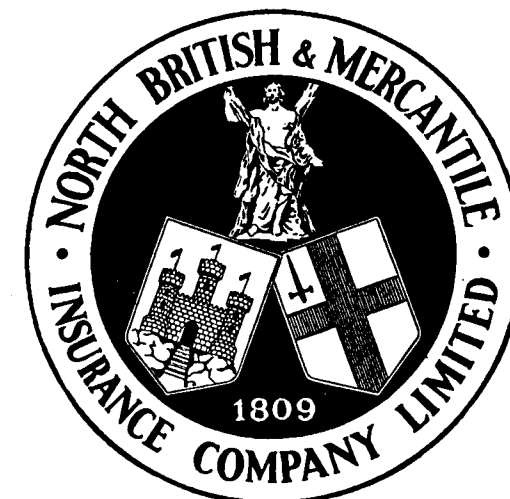
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assurances and 40s. for endowment assurances, calculated in each case on the sum assured. The bonus in the industrial branch is at the very satisfactory rate of 32s. per cent. on the sum assured (same). In the ordinary branch, as in the previous year, the bases of valuation are  $O^M$  3 per cent. for assurances and  $a^{(t)}$  and  $a^{(m)}$  3 per cent. for annuities. In the industrial branch English life table (No. 10) with interest at  $2\frac{1}{2}$  per cent., which was first adopted in 1937, has again been used.

**Refuge.**—The bonus in the ordinary branch is again at the moderate rate of 36s. per cent. on the sum assured. The allocation to policyholders in the industrial branch has been largely increased. In the ordinary branch the valuation bases were unaltered, namely  $O^M$  3 per cent. for assurances and  $a^{(t)}$  and  $a^{(m)}$  for annuities. In the industrial branch the reserves were again strengthened at an unstated cost. English life table No. 10 replaces the No. 8 table, and on this occasion  $2\frac{1}{2}$  per cent. was used not only as in 1937 for premium paying policies, but also for free policies. For a number of years the reserves have been progressively strengthened, and last year we pointed out that the results of this process were emerging in the shape of increased surpluses and bonus distributions. Last year the surplus earned was more than double that in 1937 and three and a half times that in 1936. In the ordinary branch, surplus earned differed little from that of recent years, but it will be seen that a substantial allocation has been made to the investment reserve fund at the expense of the carry forward.

**Standard Life.**—The very high bonus rate of 42s. per cent. per annum, calculated on the sum assured and bonuses, is declared for the twelfth successive year. As will

be seen, the cost of the bonus is much more than covered by current earnings.

**Wesleyan and General.**—The rate of bonus in the ordinary branch is again 38s. per cent., calculated on the sum assured. The allocation to policyholders in the industrial branch is on the same basis as in 1937, and takes the form of an addition to the sum assured payable in claims arising either by death or maturity between April 2, 1940, and March 31, 1941, equal to  $2\frac{1}{2}$  per cent. of the sum assured for policies of ten years' duration, increasing by  $\frac{1}{4}$  per cent. for each additional year up to a maximum of 10 per cent. for policies of forty years' duration and over. The valuation bases used in the ordinary branch were the same as last year, namely  $O^M$  3 per cent. for assurances and  $a^{(t)}$  and  $a^{(m)}$  3 $\frac{1}{2}$  per cent. for annuities. In the industrial branch English life table No. 9 has replaced English life table No. 6, and the rate of interest has been reduced from  $3\frac{1}{2}$  per cent. to 3 per cent.

#### Biennial Valuation

**National Mutual.**—The same normal rates of bonus as have been distributed in each of the preceding six years have again been declared: 42s. 6d. per cent. per annum for whole life full profit policies, 37s. 6d. per cent. per annum for endowment assurance with full profits policies, and 15s. per cent. per annum for low premium participating policies. These rates are calculated on the sum assured and existing bonuses. In view of the present obscure financial outlook it has been decided not to repeat the additional "prosperity" bonuses given on the last two occasions. The basis used in valuing liabilities at the close of 1936 was

#### VALUATION RESULTS (in £000's)

| Name of Company                  | Year of Valuation | Source of Surplus      |                |                                        | Total Surplus | Allocation of Surplus |               |                               |                        |
|----------------------------------|-------------------|------------------------|----------------|----------------------------------------|---------------|-----------------------|---------------|-------------------------------|------------------------|
|                                  |                   | Profit Brought Forward | Trading Profit | Investment Profit Brought into Account |               | Policy-holders        | Share-holders | Investment and other Reserves | Profit Carried Forward |
| ANNUAL VALUATIONS :—             |                   |                        |                |                                        |               |                       |               |                               |                        |
| Britannic :—                     |                   |                        |                |                                        |               |                       |               |                               |                        |
| (a) Ordinary Branch              | { 1937            | 161                    | 413            | ...                                    | 574           | 286                   | 39            | 70                            | 179                    |
|                                  | { 1938            | 179                    | 400            | ...                                    | 579           | 296                   | 40            | 60                            | 183                    |
| (b) Industrial Branch            | { 1937            | 158                    | 698            | ...                                    | 856           | 268                   | 240           | 155                           | 193                    |
|                                  | { 1938            | 193                    | 741            | ...                                    | 934           | 267                   | 240           | 215                           | 212                    |
| Co-operative :—                  |                   |                        |                |                                        |               |                       |               |                               |                        |
| (a) Ordinary Branch              | { 1937            | 72                     | 263            | 15                                     | 350           | 280                   | ...           | ...                           | 70                     |
|                                  | { 1938            | 70                     | 292            | ...                                    | 362           | 307                   | ...           | ...                           | 55                     |
| (b) Industrial Branch            | { 1937            | 112                    | 277            | 23                                     | 412           | 258                   | ...           | ...                           | 154                    |
|                                  | { 1938            | 154                    | 569            | ...                                    | 723           | 288                   | ...           | 250                           | 185                    |
| London Life                      | { 1937            | 157                    | 540            | ...                                    | 697           | 456                   | ...           | 128                           | 113                    |
|                                  | { 1938            | 113                    | 536            | ...                                    | 649           | 383                   | ...           | 115                           | 151                    |
| Pearl :—                         |                   |                        |                |                                        |               |                       |               |                               |                        |
| (a) Ordinary Branch              | { 1937            | 253                    | 1,171          | ...                                    | 1,424         | 886                   | 215           | 43                            | 280                    |
|                                  | { 1938            | 280                    | 1,191          | ...                                    | 1,471         | 914                   | 218           | 44                            | 295                    |
| (b) Industrial Branch            | { 1937            | 661                    | 1,611          | ...                                    | 2,272         | 786                   | 650           | 146                           | 690                    |
|                                  | { 1938            | 690                    | 1,759          | ...                                    | 2,449         | 812                   | 650           | 269                           | 718                    |
| Prudential :—                    |                   |                        |                |                                        |               |                       |               |                               |                        |
| (a) Ordinary Branch              | { 1937            | 596                    | 3,046          | 30                                     | 3,672         | 2,730                 | 288           | 15                            | 639                    |
|                                  | { 1938            | 639                    | 3,137          | 1                                      | 3,777         | 2,809                 | 296           | 16                            | 656                    |
| (b) Industrial Branch            | { 1937            | 589                    | 5,995          | ...                                    | 6,584         | 4,044                 | 894           | 1,004                         | 642                    |
|                                  | { 1938            | 642                    | 6,097          | ...                                    | 6,739         | 4,131                 | 901           | 1,042                         | 665                    |
| Refuge :—                        |                   |                        |                |                                        |               |                       |               |                               |                        |
| (a) Ordinary Branch              | { 1937            | 696                    | 1,060          | ...                                    | 1,756         | 941                   | 105           | ...                           | 710                    |
|                                  | { 1938            | 710                    | 1,066          | ...                                    | 1,776         | 958                   | 106           | 250                           | 464                    |
| (b) Industrial Branch            | { 1937            | 120                    | 353            | ...                                    | 473           | 256                   | 45            | 50                            | 122                    |
|                                  | { 1938            | 121                    | 773            | ...                                    | 894           | 454                   | 51            | 250                           | 139                    |
| Standard                         | { 1937            | 31                     | 528            | ...                                    | 559           | 428                   | ...           | 100                           | 31                     |
|                                  | { 1938            | 31                     | 563            | ...                                    | 594           | 463                   | ...           | 100                           | 31                     |
| Wesleyan and General :—          |                   |                        |                |                                        |               |                       |               |                               |                        |
| (a) Ordinary Branch              | { 1937            | 46                     | 156            | 5                                      | 207           | 151                   | ...           | 13                            | 43                     |
|                                  | { 1938            | 43                     | 172            | 5                                      | 220           | 157                   | ...           | 13                            | 50                     |
| (b) Industrial Branch            | { 1937            | 38                     | 198            | 3                                      | 239           | 60                    | ...           | 143                           | 36                     |
|                                  | { 1938            | 36                     | 176            | 5                                      | 217           | 65                    | ...           | 96                            | 56                     |
| BIENNIAL VALUATION :—            |                   |                        |                |                                        |               |                       |               |                               |                        |
| National Mutual                  | { 1935-36         | 1,029                  | 321            | 514                                    | 1,864         | 330                   | ...           | 311                           | 1,223                  |
|                                  | { 1937-38         | 1,223                  | 331            | 887                                    | 2,441         | 287                   | ...           | 293                           | 678                    |
| TRIENNIAL VALUATIONS :—          |                   |                        |                |                                        |               |                       |               |                               |                        |
| Beacon                           | { 1933-35         | 33                     | 235            | 4                                      | 272           | 242                   | 10            | 5                             | 15                     |
|                                  | { 1936-38         | 15                     | 218            | 5                                      | 238           | 167                   | 12            | 10                            | 49                     |
| United Kingdom Provident         | { 1933-35         | 277                    | 1,706          | 300                                    | 2,283         | 1,583                 | ...           | 300                           | 400                    |
|                                  | { 1936-38         | 400                    | 1,652          | 40                                     | 2,092         | 1,720                 | ...           | ...                           | 372                    |
| QUINQUENNIAL VALUATIONS :—       |                   |                        |                |                                        |               |                       |               |                               |                        |
| Alliance                         | { 1929-33         | 381                    | 2,431          | ...                                    | 2,812         | 1,790                 | 199           | ...                           | 823                    |
|                                  | { 1934-38         | 823                    | 2,437          | ...                                    | 3,260         | 2,074                 | 231           | 600                           | 355                    |
| Liverpool and London and Globe   |                   |                        |                |                                        |               |                       |               |                               |                        |
| Exact results are not available. |                   |                        |                |                                        |               |                       |               |                               |                        |
| Scottish Provident               | { 1929-33         | 364                    | 2,394          | ...                                    | 2,758         | 1,691                 | ...           | 688                           | 379                    |
|                                  | { 1934-38         | 379                    | 1,815          | ...                                    | 2,194         | 1,617                 | ...           | 99                            | 478                    |
| Scottish Widows                  | { 1929-33         | 81                     | 3,792          | ...                                    | 3,873         | 3,710                 | ...           | ...                           | 163                    |
|                                  | { 1934-38         | 163                    | 4,067          | 500                                    | 4,730         | 4,063                 | ...           | 500                           | 167                    |
| Yorkshire                        | { 1929-33         | 112                    | 877            | ...                                    | 989           | 611                   | 68            | 50                            | 260                    |
|                                  | { 1934-38         | 260                    | 960            | ...                                    | 1,220         | 869                   | 96            | 150                           | 105                    |
| TOTALS :—                        |                   |                        |                |                                        |               |                       |               |                               |                        |
| Annual Valuations :—             | { 1937            | 2,012                  | 7,177          | 50                                     | 9,239         | 6,158                 | 647           | 369                           | 2,065                  |
| (a) Ordinary Branch              | { 1938            | 2,065                  | 7,357          | 6                                      | 9,428         | 6,285                 | 660           | 389                           | 2,185                  |
| (b) Industrial Branch            | { 1937            | 1,678                  | 9,132          | 26                                     | 10,836        | 5,672                 | 1,829         | 1,498                         | 1,837                  |
|                                  | { 1938            | 1,836                  | 10,115         | 5                                      | 11,956        | 6,017                 | 1,842         | 1,622                         | 1,975                  |
| Biennial Valuations              | { 1935-36         | 1,029                  | 321            | 514                                    | 1,864         | 330                   | ...           | 311                           | 1,223                  |
|                                  | { 1937-38         | 1,223                  | 331            | 887                                    | 2,441         | 287                   | ...           | 293                           | 678                    |
| Triennial Valuations             | { 1933-35         | 33                     | 235            | 4                                      | 272           | 242                   | 10            | 5                             | 15                     |
|                                  | { 1936-38         | 15                     | 218            | 5                                      | 238           | 167                   | 12            | 10                            | 49                     |
| Quinquennial Valuations          | { 1929-33         | 381                    | 2,431          | ...                                    | 2,812         | 1,790                 | 199           | ...                           | 823                    |
|                                  | { 1934-38         | 823                    | 2,437          | ...                                    | 3,260         | 2,074                 | 231           | 600                           | 355                    |

very stringent; on this occasion the rate of interest assumed for assurances has been increased from  $3\frac{1}{2}$  per cent. to  $3\frac{3}{4}$  per cent. and for annuities from 3 per cent. to  $3\frac{1}{2}$  per cent. The new basis is still strong and more stringent than that employed in the 1934 and earlier valuations.

#### Triennial Valuations

**Beacon.**—The rate of reversionary bonus calculated 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 the very poor rates of 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 even had it remained unchanged the bonus earned would have been increased by only about 4s. per cent. The basis used in valuing the life assurance contracts is the same as three years ago, namely  $O^M$  3 per cent., but some strengthening of reserves took place for annuities and capital redemption policies.

**United Kingdom.**—Bonuses are at the same high rates as on the last three triennial occasions, namely 45s. per cent. and 41s. per cent. for whole life policies in the temperance and general sections respectively, these bonuses being calculated on the sum assured and existing bonuses. For endowment assurances the rate is 43s. per cent. in the temperance section where the original term is not less than twenty-five years and 41s. per cent. under all other policies, including those in the general section. On this occasion, however, the cost of bonus is somewhat in excess of the surplus earned in the period. The bases of the valuation are the same as three years ago.

#### Quinquennial Valuations

**Alliance.**—The rate of bonus is 38s. per cent. per annum calculated on the sum assured and existing bonuses (same). The basis of valuation has been strengthened by the assumption of interest at  $2\frac{1}{2}$  per cent. in place of 3 per

cent. The cost of this change is stated to be in excess of £600,000, the amount set aside five years ago to effect this purpose.

**Liverpool and London and Globe.**—Reversionary bonuses are declared at the rate of 45s. per cent. in the whole life and 40s. per cent. in the endowment assurance classes, both calculated on the sum assured (same). In the valuation the opportunity was taken to move to the A<sup>1924-29</sup> ultimate table for assurances; the rate of interest used was  $2\frac{1}{2}$  per cent. compared with  $2\frac{3}{4}$  per cent., combined with  $O^M$  3 per cent. net premiums, five years ago. For annuity contracts the  $a^{(t)}$  and  $a^{(m)}$  tables were again used, but  $2\frac{1}{2}$  per cent. interest was substituted for 3 per cent. These changes result in a further strengthening of reserves. Unfortunately the report does not furnish the necessary information to enable us to give our customary analysis of the valuation results.

**Scottish Provident.**—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 of 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 36s. per cent. per annum, compared with from 30s. per cent. to 40s. per cent. per annum five years ago. 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. In the endowment assurance class the rate of bonus is 35s. per cent. per annum compound, compared with 38s. per cent. in 1933.

**Scottish Widows.**—The rate of bonus is 42s. per cent. per annum calculated on the sum assured and existing

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bonuses (same). Five years ago the  $O^M$  and  $O^M(5)$  tables were used in valuation for assurances, but on this occasion a change has been made to the  $A^{1924-29}$  table using "select" net premiums. For annuities the  $a^{(m)}$  and  $a^{(f)}$  tables have again been employed. Interest has been taken at  $2\frac{3}{4}$  per cent., except that for both existing bonuses and in arriving at the cost of the bonuses now declared  $2\frac{1}{2}$  per cent. has been used.

**Yorkshire.**—The rate of bonus declared is 48s. per cent. on the sum assured (same); it is of interest to note that the intention is to pay interim bonuses at the rate now

declared on claims arising before the next valuation. In 1933 the  $O^M(5)$  table was used for whole life policies and the  $O^M$  table for endowment assurance policies, with interest at  $2\frac{1}{2}$  per cent. and 3 per cent. for participating and non-participating classes respectively; on this occasion the  $A^{1924-29}$  ultimate table has been used with special net premiums, with the result that the reserves are "very materially greater" than those of a  $2\frac{1}{2}$  per cent.  $A^{1924-29}$  net premium valuation. The reduction in the amount carried forward is stated to be due to the strengthening of the valuation reserves.

## Fire Insurance

FIRE insurance premium income last year appears to have been somewhat smaller than in 1937. This reduction was probably due in the main to the lower United States receipts, which resulted from reductions in premium rates in 1937 and 1938 following the unusually favourable underwriting results of recent years. Conditions in China must also have accounted for some falling off in premiums, but now that hostilities in Spain have ceased some partial return, at least, to normal trading conditions in that country should ensue. The following tables relate to twenty-two large composite offices and include many subsidiary com-

panies. It will be seen that there is remarkably little annual fluctuation in the aggregate premium income, especially considering that the income is derived from all parts of the world. Underwriting profits also show a considerable degree of stability, in spite of the effect of increased foreign taxation on expenses in most cases. Among individual offices the General Accident (which, moreover, charges lower rates than the average) again shows the highest profit ratio. The Alliance, whose results are consistently excellent, takes second place on a much larger premium income than the General Accident.

FIRE—GENERAL RESULTS, 1934-38

|                                        | 1934       |                        | 1935       |                        | 1936       |                        | 1937       |                        | 1938       |                        |
|----------------------------------------|------------|------------------------|------------|------------------------|------------|------------------------|------------|------------------------|------------|------------------------|
|                                        | Amount     | Percentage of Premiums | Amount     | Percentage of Premiums | Amount     | Percentage of Premiums | Amount     | Percentage of Premiums | Amount     | Percentage of Premiums |
| Claims                                 | 18,597,890 | 42.2                   | 17,543,429 | 40.0                   | 18,208,169 | 41.8                   | 17,704,138 | 39.9                   | 18,571,498 | 42.3                   |
| Commission                             | 8,840,713  | 20.1                   | 8,889,005  | 20.3                   | 8,834,750  | 20.3                   | 8,986,349  | 20.3                   | 8,986,126  | 20.4                   |
| Expenses                               | 11,952,100 | 27.2                   | 11,988,897 | 27.3                   | 11,970,896 | 27.5                   | 12,202,476 | 27.5                   | 12,241,621 | 27.9                   |
| Increase in reserve for unexpired risk | 141,827    | 0.3                    | 63,937     | 0.1                    | 85,270     | 0.2                    | 316,933    | 0.7                    | 213,553    | 0.5                    |
| Profit                                 | 4,514,838  | 10.3                   | 5,458,580  | 12.5                   | 4,637,220  | 10.6                   | 5,144,075  | 11.6                   | 4,368,160  | 9.9                    |
| Premiums                               | 44,047,368 |                        | 43,815,974 |                        | 43,565,765 |                        | 44,355,971 |                        | 43,953,850 |                        |

FIRE—INDIVIDUAL OFFICES, 1937-38

| Company                      | Year | Claims     |                        | Commission |                        | Expenses   |                        | Increase in Reserve for Unexpired Risk |                        | Profit    |                        | Premiums   |
|------------------------------|------|------------|------------------------|------------|------------------------|------------|------------------------|----------------------------------------|------------------------|-----------|------------------------|------------|
|                              |      | Amount     | Percentage of Premiums | Amount     | Percentage of Premiums | Amount     | Percentage of Premiums | Amount                                 | Percentage of Premiums | Amount    | Percentage of Premiums |            |
| Alliance                     | 1937 | 745,789    | 34.2                   | 330,197    | 15.2                   | 656,719    | 30.2                   | 10,782                                 | 0.5                    | 432,613   | 19.9                   | 2,176,100  |
|                              | 1938 | 769,148    | 34.8                   | 341,811    | 15.5                   | 664,009    | 30.0                   | 14,060                                 | 0.6                    | 422,224   | 19.1                   | 2,211,252  |
| Atlas                        | 1937 | 759,609    | 42.2                   | 409,754    | 22.7                   | 440,581    | 24.5                   | 16,995                                 | 0.9                    | 174,713   | 9.7                    | 1,801,652  |
|                              | 1938 | 758,362    | 43.4                   | 395,572    | 22.6                   | 446,708    | 25.5                   | 21,435                                 | 1.2                    | 168,858   | 9.7                    | 1,748,065  |
| Caledonian                   | 1937 | 298,279    | 42.7                   | 170,680    | 24.0                   | 169,844    | 24.0                   | 6,470                                  | 0.3                    | 65,472    | 3.4                    | 697,490    |
|                              | 1938 | 310,388    | 43.6                   | 172,427    | 24.2                   | 171,422    | 24.1                   | 5,652                                  | 0.3                    | 51,782    | 3.3                    | 711,621    |
| Century                      | 1937 | 186,526    | 44.2                   | 132,155    | 31.3                   | 82,557     | 19.6                   | 31,622                                 | 7.5                    | 11,095    | 2.6                    | 421,765    |
|                              | 1938 | 194,724    | 55.3                   | 99,700     | 28.3                   | 81,534     | 23.1                   | 27,781                                 | 7.9                    | 4,135     | 1.2                    | 352,312    |
| Commercial Union             | 1937 | 2,151,900  | 39.5                   | 979,585    | 18.0                   | 1,687,120  | 30.9                   | 56,894                                 | 1.0                    | 575,149   | 10.6                   | 5,450,648  |
|                              | 1938 | 2,278,965  | 42.4                   | 993,525    | 18.5                   | 1,681,285  | 31.2                   | 28,503                                 | 0.5                    | 454,119   | 8.4                    | 5,379,391  |
| Eagle Star                   | 1937 | 306,311    | 37.4                   | 172,655    | 21.1                   | 241,980    | 29.5                   | 9,419                                  | 1.1                    | 89,099    | 10.9                   | 819,464    |
|                              | 1938 | 339,000    | 41.9                   | 170,524    | 21.1                   | 248,893    | 30.8                   | 4,400                                  | 0.5                    | 54,447    | 6.7                    | 808,464    |
| Employers' Liability         | 1937 | 172,019    | 46.0                   | 63,325     | 16.2                   | 107,069    | 27.5                   | 9,888                                  | 2.5                    | 37,352    | 9.6                    | 389,653    |
|                              | 1938 | 184,843    | 46.0                   | 62,553     | 15.6                   | 121,582    | 30.2                   | 5,028                                  | 1.2                    | 28,117    | 7.0                    | 402,223    |
| General Accident             | 1937 | 212,359    | 29.5                   | 146,392    | 20.3                   | 157,034    | 21.8                   | 21,815                                 | 3.0                    | 183,213   | 25.4                   | 720,813    |
|                              | 1938 | 241,293    | 33.0                   | 146,754    | 20.0                   | 159,239    | 21.7                   | 8,431                                  | 1.2                    | 176,495   | 24.1                   | 732,212    |
| Guardian                     | 1937 | 412,740    | 37.0                   | 221,732    | 19.9                   | 318,335    | 28.5                   | 8,621                                  | 0.8                    | 171,542   | 15.4                   | 1,115,728  |
|                              | 1938 | 411,841    | 38.2                   | 203,367    | 18.9                   | 310,808    | 28.8                   | 15,171                                 | 1.4                    | 166,955   | 15.5                   | 1,077,800  |
| Liverpool London and Globe   | 1937 | 1,596,822  | 40.7                   | 863,499    | 22.0                   | 1,036,753  | 26.4                   | 6,534                                  | 0.2                    | 422,244   | 10.7                   | 3,925,852  |
|                              | 1938 | 1,628,754  | 42.5                   | 847,966    | 22.1                   | 1,062,451  | 27.7                   | 36,286                                 | 1.0                    | 332,251   | 8.7                    | 3,835,136  |
| London Assurance             | 1937 | 844,728    | 42.0                   | 492,460    | 24.5                   | 501,917    | 25.0                   | 9,565                                  | 0.5                    | 181,328   | 9.0                    | 2,010,868  |
|                              | 1938 | 934,117    | 43.8                   | 530,077    | 24.9                   | 523,278    | 24.5                   | 9,909                                  | 0.5                    | 135,291   | 6.3                    | 2,132,672  |
| London and Lancashire        | 1937 | 1,079,281  | 38.9                   | 506,731    | 18.3                   | 809,431    | 29.2                   | 10,290                                 | 0.4                    | 366,720   | 13.2                   | 2,772,453  |
|                              | 1938 | 1,105,917  | 40.1                   | 516,866    | 18.8                   | 815,320    | 29.6                   | 6,770                                  | 0.3                    | 324,194   | 11.8                   | 2,735,527  |
| North British and Mercantile | 1937 | 1,460,700  | 41.0                   | 770,236    | 21.6                   | 909,736    | 25.5                   | 63,744                                 | 1.8                    | 356,938   | 10.1                   | 3,561,354  |
|                              | 1938 | 1,474,765  | 43.9                   | 701,798    | 20.9                   | 911,402    | 27.1                   | 79,358                                 | 2.4                    | 354,352   | 10.5                   | 3,362,959  |
| Northern                     | 1937 | 772,605    | 39.9                   | 405,817    | 20.9                   | 541,029    | 28.0                   | 3,433                                  | 0.2                    | 212,910   | 11.0                   | 1,935,294  |
|                              | 1938 | 824,456    | 42.4                   | 413,354    | 21.2                   | 553,631    | 28.5                   | 4,108                                  | 0.2                    | 150,014   | 7.7                    | 1,945,563  |
| Norwich Union                | 1937 | 701,877    | 40.2                   | 345,179    | 19.8                   | 484,711    | 27.8                   | 42,743                                 | 2.5                    | 169,295   | 9.7                    | 1,743,805  |
|                              | 1938 | 823,437    | 46.0                   | 362,253    | 20.3                   | 494,695    | 27.6                   | 18,186                                 | 1.0                    | 90,699    | 5.1                    | 1,789,270  |
| Phoenix                      | 1937 | 1,123,943  | 46.9                   | 637,830    | 23.3                   | 689,227    | 25.1                   | 22,000                                 | 0.8                    | 272,654   | 9.9                    | 2,745,654  |
|                              | 1938 | 1,170,197  | 42.8                   | 645,851    | 23.6                   | 682,289    | 25.0                   | 6,000                                  | 0.2                    | 239,138   | 8.8                    | 2,731,475  |
| Prudential                   | 1937 | 404,709    | 42.5                   | 182,088    | 19.1                   | 262,607    | 27.5                   | 13,083                                 | 1.4                    | 90,397    | 9.5                    | 952,884    |
|                              | 1938 | 417,045    | 41.9                   | 184,957    | 18.6                   | 292,169    | 29.4                   | 16,683                                 | 1.7                    | 87,799    | 8.4                    | 994,593    |
| Royal                        | 1937 | 2,237,173  | 40.4                   | 1,142,629  | 20.6                   | 1,525,387  | 27.5                   | 5,062                                  | 0.1                    | 628,499   | 14.4                   | 5,538,750  |
|                              | 1938 | 2,317,274  | 42.7                   | 1,126,176  | 20.7                   | 1,517,578  | 28.0                   | 43,864                                 | 0.8                    | 511,926   | 9.4                    | 5,429,090  |
| Royal Exchange               | 1937 | 568,181    | 39.0                   | 340,197    | 23.4                   | 351,583    | 24.1                   | 18,419                                 | 1.3                    | 176,939   | 12.2                   | 1,455,319  |
|                              | 1938 | 604,317    | 41.7                   | 347,974    | 24.0                   | 340,817    | 23.5                   | 2,530                                  | 0.1                    | 158,415   | 10.9                   | 1,448,968  |
| Scottish Union and National  | 1937 | 410,901    | 41.4                   | 191,877    | 19.3                   | 276,100    | 27.8                   | 2,263                                  | 0.2                    | 115,841   | 11.7                   | 992,456    |
|                              | 1938 | 447,488    | 45.8                   | 187,831    | 19.2                   | 262,707    | 26.9                   | 6,285                                  | 0.6                    | 85,003    | 8.7                    | 976,744    |
| Sun                          | 1937 | 888,146    | 39.7                   | 385,624    | 17.3                   | 667,941    | 29.9                   | 7,734                                  | 0.1                    | 289,427   | 13.0                   | 2,233,872  |
|                              | 1938 | 948,771    | 42.0                   | 402,550    | 17.8                   | 659,615    | 29.2                   | 7,484                                  | 0.3                    | 255,304   | 11.3                   | 2,258,756  |
| Yorkshire                    | 1937 | 369,546    | 41.3                   | 141,751    | 15.8                   | 241,071    | 27.0                   | 1,096                                  | 0.1                    | 142,825   | 16.0                   | 894,097    |
|                              | 1938 | 386,446    | 44.4                   | 132,140    | 15.2                   | 240,189    | 27.6                   | 9,745                                  | 1.1                    | 120,702   | 13.9                   | 869,732    |
| Totals                       | 1937 | 17,704,138 | 39.9                   | 8,988,349  | 20.3                   | 12,202,476 | 27.5                   | 316,933                                | 0.7                    | 5,144,075 | 11.6                   | 44,355,971 |
|                              | 1938 | 18,571,498 | 42.3                   | 8,986,126  | 20.4                   | 12,241,621 | 27.9                   | 213,553                                | 0.5                    | 4,368,160 | 9.9                    | 43,953,850 |

## Marine Insurance

MOST companies recorded a sharp increase in the marine premium income in 1937 and last year showed some further increase. Underwriting results were unsatisfactory. The moderate upward adjustment of hull rates is being well supported, and the effect of these increases may be more apparent in later years. The cost of repairs is estimated, however, to be about 40 per cent. higher than 1937. Premium rates for cargo insurance are inadequate, and the real position is obscured by the inclusion of war risk premiums. The special arrangements which have now been made for the treatment of war risks will involve the separation of the war premiums, and by clearly showing the meagreness of the cargo rates may result in greater co-operation among underwriters for the purpose of improving the position. During the September crisis and again during recent months the market has been faced with abnormal commitments on gold shipments in one bottom across the Atlantic. The market has thus been exposed to the risk of a loss of much greater margin than it should properly undertake. It is the practice of those offices who confine their activities mainly to this class of business to leave the underwriting account open for two years. The account is then closed by taking the unexpended balance of the first year's premiums to profit and loss, after making suitable provision for further claims by a transfer to a suspense account. Hence the 1938 report shows the profit which, it is estimated, emerges from the 1937 premiums. The following table gives the results obtained during the past five years by representative marine companies:—

| Office              | Account | Premiums | Claims and Suspense | Expenses | Surplus or Deficit |
|---------------------|---------|----------|---------------------|----------|--------------------|
| British and Foreign | 1933    | 371,539  | 268,117             | 97,202   | 6,220              |
|                     | 1934    | 389,127  | 262,890             | 98,650   | 27,587             |
|                     | 1935    | 398,073  | 280,100             | 99,942   | 19,031             |
|                     | 1936    | 398,101  | 292,839             | 89,732   | 15,530             |
|                     | 1937    | 470,108  | 417,073             | 90,639   | 37,603             |
| Indemnity           | 1933    | 316,256  | 275,228             | 21,028   | 20,000             |
|                     | 1934    | 348,286  | 311,971             | 21,295   | 15,000             |
|                     | 1935    | 316,457  | 279,945             | 21,512   | 15,000             |
|                     | 1936    | 362,232  | 338,484             | 22,748   | —                  |
|                     | 1937    | 456,017  | 433,083             | 22,934   | —                  |
| Merchants           | 1933    | 180,188  | 145,374             | 32,949   | 1,865              |
|                     | 1934    | 166,766  | 129,097             | 33,082   | 4,587              |
|                     | 1935    | 153,419  | 128,540             | 32,737   | 7,858              |
|                     | 1936    | 150,101  | 130,814             | 33,196   | 13,909             |
|                     | 1937    | 196,570  | 163,325             | 33,245   | —                  |
| Sea                 | 1933    | 478,092  | 377,926             | 46,956   | 53,210             |
|                     | 1934    | 475,505  | 400,705             | 36,336   | 38,484             |
|                     | 1935    | 452,005  | 360,006             | 34,124   | 57,875             |
|                     | 1936    | 464,737  | 391,342             | 38,408   | 34,987             |
|                     | 1937    | 570,032  | 500,815             | 38,420   | 30,797             |

The general practice of composite offices is to present their marine accounts in the form used for their fire and accident business. The claims are thus to a large extent unrelated to the premiums appearing in the same account. The amount transferred to profit and loss does not represent the underwriting profit of any particular year or years; the results, however, may be gauged approximately by comparing the total premiums received over a period of years with the total claims and expenses in the same period. During the last few years, voyage business has on the whole been profitable to marine underwriters, but few underwriters, if any, have even attempted until quite recently to separate in their books premiums received for war risks from the corresponding premiums received for marine. Voyage accounts have thus been a mixture of marine and war, and since, apart from Spanish voyages, no war risk claims have arisen, it is impossible to say whether the marine voyage has been profitable by itself or not. The immediate problem facing the marine underwriter is whether he will be able, at the present level of voyage rates, to make a profit out of marine risks pure and simple now that the war risk has been separated and carried to the pool.

| Office                           | Premiums  | Claims    | Expenses |
|----------------------------------|-----------|-----------|----------|
| Eagle Star:—                     |           |           |          |
| 1933                             | 269,761   | 220,155   | 64,276   |
| 1934                             | 254,088   | 194,582   | 63,529   |
| 1935                             | 233,328   | 183,037   | 60,165   |
| 1936                             | 252,042   | 184,255   | 58,905   |
| 1937                             | 278,847   | 226,365   | 60,554   |
| 1938                             | 275,060   | 225,905   | 56,532   |
|                                  | 1,563,124 | 1,229,299 | 363,991  |
|                                  |           | = 78.6%   | = 23.3%  |
| Commercial Union:—               |           |           |          |
| 1933                             | 534,405   | 253,031   | 153,565  |
| 1934                             | 542,563   | 277,883   | 133,911  |
| 1935                             | 584,935   | 328,734   | 137,100  |
| 1936                             | 609,516   | 356,221   | 129,645  |
| 1937                             | 703,575   | 469,388   | 129,315  |
| 1938                             | 683,961   | 466,251   | 127,054  |
|                                  | 3,658,955 | 2,151,508 | 810,590  |
|                                  |           | = 58.8%   | = 22.2%  |
| Liverpool and London and Globe:— |           |           |          |
| 1933                             | 285,288   | 230,559   | 32,098   |
| 1934                             | 282,413   | 229,997   | 33,411   |
| 1935                             | 290,933   | 237,903   | 28,010   |
| 1936                             | 294,163   | 243,286   | 28,352   |
| 1937                             | 330,080   | 330,701   | 29,782   |
| 1938                             | 345,638   | 306,114   | 30,174   |
|                                  | 1,827,975 | 1,578,560 | 181,827  |
|                                  |           | = 86.4%   | =        |



# Accident and Miscellaneous Insurance

ALL branches of insurance, except life, fire and marine, are included under this category. Premium income has increased rapidly in recent years and is now much in excess of fire premium income. The latest returns published by the Board of Trade relate to 1937, when the total accident and miscellaneous premiums of all companies established in this country exceeded £75 millions, of which £37 millions are attributable to motor insurance, while the corresponding fire premium income was less than £50 millions.

The following table shows little change in the aggregate premium income last year, but underwriting profit was very satisfactory and formed a higher percentage of premium income than in any previous year. There was a decrease of over £500,000 in the premium income of the employers' liability, which was mainly due to the large fall in workmen's compensation premiums in the United States. Many insurance chairmen have referred to the inadequacy of motor insurance rates in the home market in view of the increased cost of settling third-party claims. A year ago we referred to the concern felt by the companies at the decision in the House of Lords in the case of *Rose v. Ford*, which laid down that, in addition to any

claim which the dependants might have, the legal representatives of a person who had been killed in an accident through the negligence of another are entitled to claim for the benefit of the deceased's estate for loss of expectation of life. We also referred to the much larger amounts now being awarded in court. In one case towards the end of last year, £2,500 damages was awarded to a woman who was shocked through seeing a collision between two motor vehicles, one of which she feared was going to hit her. An even more remarkable case, however, was that in which the Court of Appeal awarded damages to four mourners who sustained shock when a tramcar jolted the hearse, causing the coffin to slip from its bearings while still remaining on a damaged vehicle.

On various occasions in the past, the high percentage of premium income absorbed in commission, both in the fire and accident departments, has been criticised in *The Economist*, and it may fairly be suggested that commission on motor premiums in particular should be reduced to a more modest level. The combined efforts of the companies might be devoted towards this objective in the first place, before the question of increased premium rates falls to be considered.

## ACCIDENT AND MISCELLANEOUS—GENERAL RESULTS, 1935-38

|                                        | 1934       |                        | 1935       |                        | 1936       |                        | 1937       |                        | 1938       |                        |
|----------------------------------------|------------|------------------------|------------|------------------------|------------|------------------------|------------|------------------------|------------|------------------------|
|                                        | Amount     | Percentage of Premiums | Amount     | Percentage of Premiums | Amount     | Percentage of Premiums | Amount     | Percentage of Premiums | Amount     | Percentage of Premiums |
| Claims                                 | 29,492,132 | 55.7                   | 29,825,749 | 55.0                   | 29,906,370 | 52.8                   | 31,364,158 | 52.1                   | 31,511,812 | 52.4                   |
| Commission                             | 9,664,149  | 18.2                   | 9,781,126  | 18.0                   | 10,235,561 | 18.1                   | 10,888,087 | 18.1                   | 10,747,282 | 17.9                   |
| Expenses                               | 11,105,743 | 21.0                   | 11,482,250 | 21.1                   | 12,028,912 | 21.3                   | 12,703,408 | 21.1                   | 13,389,088 | 22.3                   |
| Increase in reserve for unexpired risk | 1,246,772  | 2.4                    | 803,552    | 1.5                    | 1,544,009  | 2.7                    | 2,085,800  | 3.5                    | 4,049,487  | 6.7                    |
| Profit                                 | 951,225    | 1.8                    | 2,373,656  | 4.4                    | 2,898,708  | 5.1                    | 3,134,202  | 5.2                    | 4,049,487  | 6.7                    |
| Premiums                               | 52,960,021 |                        | 54,246,335 |                        | 56,613,560 |                        | 60,175,655 |                        | 60,127,251 |                        |

## ACCIDENT AND MISCELLANEOUS—INDIVIDUAL OFFICES, 1937-38

| Company                        | Year | Claims     |                        | Commission |                        | Expenses   |                        | Increase in Reserve for Unexpired Risk |                        | Profit    |                        | Premiums   |
|--------------------------------|------|------------|------------------------|------------|------------------------|------------|------------------------|----------------------------------------|------------------------|-----------|------------------------|------------|
|                                |      | Amount     | Percentage of Premiums | Amount     | Percentage of Premiums | Amount     | Percentage of Premiums | Amount                                 | Percentage of Premiums | Amount    | Percentage of Premiums |            |
| Alliance                       | 1937 | 695,375    | 48.8                   | 203,276    | 14.2                   | 332,944    | 23.3                   | 48,846                                 | 3.4                    | 146,315   | 10.3                   | 1,426,756  |
|                                | 1938 | 776,754    | 52.1                   | 220,742    | 14.3                   | 343,261    | 23.0                   | 26,047                                 | 1.7                    | 125,569   | 8.4                    | 1,491,873  |
| Atlas                          | 1937 | 297,425    | 46.8                   | 87,860     | 13.8                   | 168,738    | 26.5                   | 31,394                                 | 4.9                    | 51,039    | 8.0                    | 636,256    |
|                                | 1938 | 314,589    | 47.5                   | 94,701     | 14.3                   | 174,850    | 26.6                   | 22,974                                 | 3.5                    | 53,327    | 8.1                    | 660,441    |
| Caledonian                     | 1937 | 295,274    | 57.4                   | 106,127    | 20.6                   | 104,687    | 20.4                   | 2,850                                  | 0.5                    | 10,963    | 2.1                    | 514,201    |
|                                | 1938 | 290,567    | 52.0                   | 112,981    | 20.2                   | 107,934    | 19.3                   | 17,856                                 | 3.2                    | 29,501    | 5.3                    | 558,839    |
| Commercial Union               | 1937 | 4,312,368  | 52.8                   | 1,406,271  | 17.2                   | 1,879,821  | 23.0                   | 212,510                                | 2.6                    | 362,257   | 4.4                    | 8,173,227  |
|                                | 1938 | 4,406,138  | 54.0                   | 1,395,149  | 17.0                   | 1,948,112  | 23.9                   | 6,411                                  | 0.1                    | 414,212   | 5.1                    | 8,157,200  |
| Century                        | 1937 | 165,793    | 51.6                   | 53,155     | 16.6                   | 69,552     | 21.6                   | 13,112                                 | 4.1                    | 19,570    | 0.1                    | 321,182    |
|                                | 1938 | 168,304    | 50.2                   | 55,802     | 16.6                   | 68,359     | 23.4                   | 6,475                                  | 1.9                    | 26,355    | 7.9                    | 335,295    |
| Eagle Star                     | 1937 | 1,313,173  | 54.2                   | 478,486    | 19.8                   | 536,322    | 22.2                   | 35,746                                 | 1.4                    | 126,409   | 5.0                    | 2,418,607  |
|                                | 1938 | 1,327,083  | 52.5                   | 482,613    | 19.1                   | 556,395    | 22.0                   | 17,908                                 | 0.7                    | 72,658    | 3.0                    | 2,418,607  |
| Employers' Liability           | 1937 | 3,940,395  | 58.3                   | 1,298,263  | 19.2                   | 1,259,331  | 18.7                   | 141,517                                | 2.1                    | 126,409   | 5.0                    | 6,754,827  |
|                                | 1938 | 3,572,016  | 57.3                   | 1,205,677  | 19.4                   | 1,338,622  | 21.5                   | 193,250                                | 3.1                    | 115,121   | 1.7                    | 6,230,108  |
| General Accident               | 1937 | 4,496,752  | 51.4                   | 1,743,739  | 19.9                   | 1,393,878  | 15.9                   | 765,107                                | 8.8                    | 307,043   | 4.9                    | 8,745,059  |
|                                | 1938 | 4,583,599  | 53.2                   | 1,707,533  | 19.8                   | 1,462,671  | 17.0                   | 296,575                                | 3.5                    | 561,295   | 6.5                    | 8,611,673  |
| Guardian                       | 1937 | 600,248    | 47.9                   | 253,129    | 20.2                   | 306,699    | 24.5                   | 26,915                                 | 2.2                    | 65,559    | 5.2                    | 1,232,550  |
|                                | 1938 | 663,713    | 48.8                   | 265,072    | 19.5                   | 339,748    | 24.9                   | 43,301                                 | 3.2                    | 48,969    | 3.6                    | 1,340,803  |
| Liverpool and London and Globe | 1937 | 2,321,591  | 47.4                   | 839,427    | 19.2                   | 1,037,556  | 21.2                   | 108,558                                | 2.2                    | 491,391   | 10.0                   | 4,898,523  |
|                                | 1938 | 2,429,039  | 49.9                   | 866,823    | 17.8                   | 1,045,954  | 21.5                   | 13,198                                 | 0.3                    | 536,911   | 11.1                   | 4,865,529  |
| London Assurance               | 1937 | 811,367    | 57.7                   | 215,704    | 15.3                   | 255,354    | 18.2                   | 24,795                                 | 1.8                    | 98,078    | 7.0                    | 1,405,298  |
|                                | 1938 | 849,107    | 56.5                   | 239,993    | 16.0                   | 265,104    | 17.7                   | 32,275                                 | 2.1                    | 114,837   | 7.7                    | 1,501,316  |
| London and Lancashire          | 1937 | 1,324,335  | 62.5                   | 450,409    | 17.9                   | 578,581    | 22.9                   | 68,244                                 | 2.7                    | 100,629   | 4.0                    | 2,522,198  |
|                                | 1938 | 1,428,146  | 55.8                   | 463,161    | 18.1                   | 608,917    | 23.8                   | 14,569                                 | 0.6                    | 43,827    | 1.7                    | 2,558,620  |
| Motor Union                    | 1937 | 827,863    | 53.0                   | 280,560    | 18.0                   | 360,210    | 23.1                   | 21,309                                 | 1.4                    | 114,709   | 7.3                    | 1,562,033  |
|                                | 1938 | 767,284    | 49.4                   | 277,671    | 17.9                   | 371,748    | 24.0                   | 4,106                                  | 0.3                    | 139,170   | 9.0                    | 1,551,767  |
| North British and Mercantile   | 1937 | 589,804    | 43.8                   | 207,630    | 15.4                   | 318,783    | 23.7                   | 87,184                                 | 6.5                    | 143,055   | 10.6                   | 1,346,456  |
|                                | 1938 | 635,807    | 46.3                   | 216,059    | 15.4                   | 346,011    | 24.7                   | 33,601                                 | 2.4                    | 171,117   | 12.2                   | 1,402,595  |
| Northern                       | 1937 | 884,297    | 48.8                   | 296,538    | 16.7                   | 477,453    | 25.8                   | 37,327                                 | 2.8                    | 153,511   | 8.1                    | 1,810,993  |
|                                | 1938 | 852,477    | 46.0                   | 299,853    | 16.7                   | 477,453    | 25.8                   | 27,596                                 | 1.9                    | 87,862    | 5.9                    | 1,852,057  |
| Norwich Union                  | 1937 | 804,780    | 54.1                   | 227,833    | 15.3                   | 332,627    | 22.8                   | 130,000                                | 3.0                    | 105,409   | 6.8                    | 1,550,021  |
|                                | 1938 | 837,553    | 53.8                   | 234,546    | 15.1                   | 350,927    | 22.5                   | 65,000                                 | 3.2                    | 191,433   | 4.7                    | 1,550,021  |
| Phoenix                        | 1937 | 2,095,484  | 51.6                   | 788,464    | 19.4                   | 855,554    | 21.1                   | 130,000                                | 3.0                    | 304,872   | 7.8                    | 3,898,958  |
|                                | 1938 | 1,998,905  | 51.3                   | 732,467    | 18.8                   | 927,714    | 23.8                   | 65,000                                 | 3.2                    | 191,433   | 4.7                    | 3,898,958  |
| Prudential                     | 1937 | 767,091    | 61.8                   | 191,367    | 15.4                   | 301,318    | 24.3                   | 37,521                                 | 1.7                    | 304,872   | 7.8                    | 1,241,235  |
|                                | 1938 | 727,222    | 57.9                   | 196,478    | 15.6                   | 309,450    | 24.6                   | 7,483                                  | 0.6                    | 16,055    | 1.3                    | 1,256,688  |
| Royal                          | 1937 | 2,849,030  | 47.9                   | 1,007,508  | 17.0                   | 1,417,699  | 23.8                   | 180,547                                | 3.0                    | 490,761   | 8.3                    | 5,945,545  |
|                                | 1938 | 2,903,025  | 48.1                   | 996,712    | 16.5                   | 1,530,029  | 25.4                   | 34,094                                 | 0.6                    | 566,920   | 9.4                    | 6,030,780  |
| Scottish Union and National    | 1937 | 170,382    | 52.7                   | 43,647     | 13.5                   | 61,243     | 28.2                   | 39,587                                 | 12.2                   | 21,498    | 6.6                    | 324,361    |
|                                | 1938 | 218,934    | 61.7                   | 47,357     | 13.4                   | 65,681     | 27.0                   | 27,953                                 | 7.9                    | 35,508    | 10.0                   | 354,417    |
| Sun Life                       | 1937 | 1,002,725  | 53.9                   | 329,492    | 17.7                   | 473,557    | 18.6                   | 19,964                                 | 1.1                    | 159,343   | 7.2                    | 1,860,043  |
|                                | 1938 | 967,603    | 51.3                   | 339,657    | 18.0                   | 398,702    | 21.2                   | 56,756                                 | 3.9                    | 23,843    | 1.6                    | 1,860,043  |
| Yorkshire                      | 1937 | 798,606    | 54.3                   | 279,402    | 19.0                   | 310,922    | 21.2                   | 6,275                                  | 0.4                    | 80,343    | 5.4                    | 1,478,746  |
|                                | 1938 | 793,947    | 53.7                   | 286,735    | 19.4                   | 311,446    | 21.1                   | 6,275                                  | 0.4                    | 80,343    | 5.4                    | 1,478,746  |
| All Offices                    | 1937 | 31,364,158 | 52.1                   | 10,888,087 | 18.1                   | 12,703,408 | 21.1                   | 2,085,800                              | 3.5                    | 3,134,202 | 5.2                    | 60,175,655 |
|                                | 1938 | 31,511,812 | 52.4                   | 10,747,282 | 17.9                   | 13,389,088 | 22.3                   | 4,049,487                              | 6.7                    | 4,049,487 | 6.7                    | 60,127,251 |

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# THE ECONOMIST

TRADE SUPPLEMENT

New Series

SATURDAY, JULY 29, 1939

No. 31

## The Trend of Business

THE vigorous expansion in industrial activity, which began early this year, has continued in June and July. *The Economist* index of Business Activity rose from 101 (1935 = 100) in December to 110½ in May (revised) and 111½ in June; the current index is only two points below the highest level recorded in August and September, 1937.

The chief cause of the buoyancy of British industry is, of course, the rapid increase in defence expenditure. Originally estimated at £590 millions, defence expenditure for 1939-40 has been raised by supplementary estimates to £747 millions, an increase of £347 millions, or 87 per cent., over the outlay in 1938-39. But in spite of the persistent growth of the defence sector of British industry, there has as yet been no reduction in the activity of the consumption goods trades; on the contrary, the output of consumption goods has been expanding with the output of armaments, for while the wages bill has risen, prices have remained almost unchanged. The

advance in real wages has been assisted by the downward movement in import prices, due partly to the recession in the United States and to the overproduction of certain commodities, such as wheat.

So far, therefore, business activity in this country has advanced on a wide front, in contrast to the continued stagnation on the Stock Exchange. Of the thirteen constituent series of *The Economist* index of Business Activity, only four (those relating to building activity, raw cotton delivered to mills, the volume of domestic exports and Town clearings) showed a small decline between May and June, while two (those relating to the consumption of electric power and to the number of commercial vehicles in use) remained unchanged. The remaining seven indices all registered a further advance. The index of employment showed the biggest rise since recovery began. The advance in the figures for coal consumption and for the quantity of iron and steel becoming available for home consumption reflects the intensification of activity in the heavy industries, while the rise in the index of the volume of imports of raw materials points to a further expansion of business, though part of the increased intake may have been added to emergency stocks.

Only two indices, those relating to building activity and Town bank clearings, stood at a lower level in June than a year ago. The fall in Town clearings reflects the reduction in financial transactions in the City, due largely to the uncertain political outlook. So far as the fall in the index of building activity is concerned, this does not include direct Government contracts and consequently is no longer a reliable indicator of changes in the total volume of construction. But the index does suggest that the residential building industry is one of the few major branches of activity in which new private investment is on the downgrade.

Current reports from industrial centres show that there is little evidence this year of the usual decline in business

activity in the summer. The output of coal has shown some decline with the reduction in the demand for heating fuel, but production is running well above last year's level, a reflection of the increase in industrial consumption and in exports. Exports of coal last month, for example, were appreciably higher than in the corresponding months of 1937 and 1938. The iron and steel industry, too, remains very active, and the decline in output this month is expected to be smaller than usual. Activity in the shipbuilding industry is tending to expand as a result of the recent spurt in new orders; Lloyd's quarterly returns revealed a substantial increase in the tonnage of merchant ships under construction between the end of March and the end of June. Most branches of the engineering industry are still making headway, but the scarcity of labour is a limiting factor.

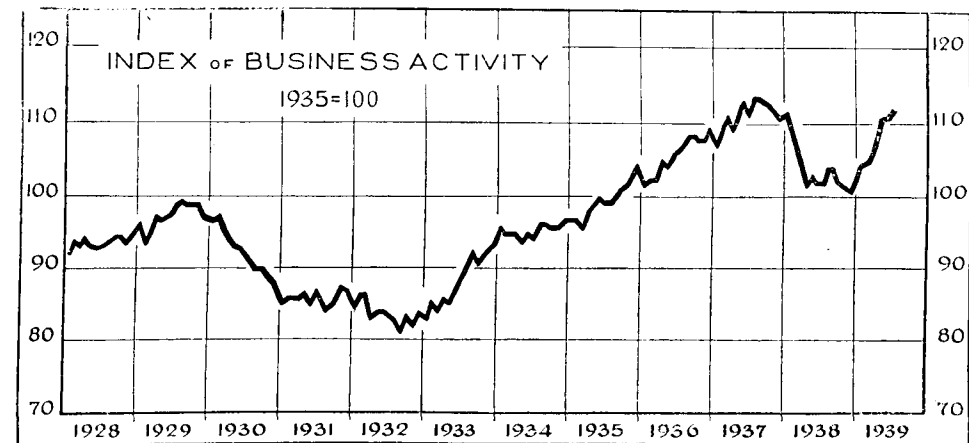
Among the consumption goods trades there has been a remarkable recovery in textiles. The expansion in the textile

trades, moreover, cannot be attributed directly to increased defence expenditure; not only has domestic civil demand shown an increase, but exports of all the principal materials are well up on the year, partly as a result of heavier takings by the United States.

Even sales of private cars have continued to increase, despite the gloomy forecasts after the announcement of the increase in the horsepower tax. New registrations of private cars in May were 15 per cent. higher than a year earlier, and there has been a switch from the heavier to the lighter cars.

Present indications point to a further expansion in industrial activity after the holidays. In view of the rapid increase in defence expenditure, the armament sector of British industry will continue to grow. Nor are there any signs of an imminent reduction in the activity of the consumption goods industries. So far the choice between guns and butter has scarcely become a problem in this country, but in view of the rapid absorption of our free labour resources the issue may well come to the fore next winter.

In the United States, hesitancy in industry has again given way to an upward movement. After declining from 104 (1923-25 = 100) last December to 92 in April and May, the Federal Reserve Board's index of production (adjusted for seasonal variations) rose to 97 in June. The flow of new orders to industry has shown a definite improvement and most observers now expect a further measure of recovery. In most Continental countries industrial activity is being stimulated by re-armament. In the Scandinavian countries, business activity remains at a high level and France is now going ahead fairly rapidly. In Germany further expansion is hampered by the shortage of labour and materials. The latest reports from the principal raw material producing countries do not reveal any significant changes, though the persistent fall in wheat prices is regarded with no little anxiety.



## British Industrial Developments

The following reports on British industry cover, in most cases, the period to the middle of July. In the remainder they relate to the month of June.

### COAL

As a result of the usual seasonal decline in the demand for heating fuel the output of coal has tended to decrease. But the reduction in output between May and June was much smaller than usual owing to the increased industrial intake and the improvement in exports. A year ago output declined from 19.1 million tons in May to 17.1 millions in June; during the corresponding period this year production declined only from 19.9 million tons to 19.3 millions, so that output last month exceeded the figure for June, 1938, by 2.2 million tons. That increased exports played no small part in the improvement is shown by the returns for June. Exports and shipments for the use of steamers last month were 4,565,000 tons, an increase of 843,000 tons over the figure for June, 1938. Compared with a year ago, output showed an improvement in June in all coal-fields. The latest weekly returns suggest that the improvement is being well maintained. During the week ended July 8th the quantity of coal raised was 4,611,000 tons, compared with 4,675,000 tons during the first week in June and 4,201,000 tons in the first week of July, 1938.

### IRON AND STEEL

The output of pig iron rose from 692,100 tons in May to 715,700 tons in June, but that of crude steel declined slightly from 1,218,100 tons in May to 1,175,600 tons in June. The slight decline in the output of crude steel between May and June was due to the smaller number of working days in the past month. Calculated on a daily basis, production rose from 45,115 tons per day in May to 45,215 tons in June; the number of steel furnaces in operation at the end of June was 356, against 335 at the end of May. In the case of pig iron, the increase in production was even more marked, though, in contrast to steel, output in June was still below the highest level reached in 1937. It is understood that the flow of raw materials to the steel furnaces is now fairly satisfactory and that the output of steel can be maintained at the present high level. Moreover, Mr R. S. Hudson announced in the House of Commons on July 10th that arrangements had been made to supplement domestic steel production by additional imports. Apart from the normal annual imports of just over 500,000 tons of steel under its agreement with the Continental Steel Cartel, the British Iron and Steel Federation has recently made arrangements with the Cartel to import an additional 300,000 tons of semi-manufactured steel during the next few months. Actually imports of iron and steel materials rose sharply in the last month, when they amounted to 199,900 tons compared with 60,900 tons in June last year. Imports last month thus exceeded exports, which totalled 162,300 tons against 150,900 tons a year ago.

### GENERAL ENGINEERING

The trend of production in engineering remained upwards in June and there has been little evidence of the usual seasonal lull in activity this month. Current reports indicate that the proportion of defence orders to total orders is steadily increasing. Nevertheless, civil business is still fairly well maintained. Those firms engaged mainly in defence work are, of course, the most active, and do not report any seasonal decline. On the other hand, the section engaged in the manufacture of printing, sugar crushing and refining, agricultural and mining and excavating machinery have experienced a slight lull in activity. The unemployment percentage in general engineering fell from 6 per cent. in May to 5.4 per cent. in June; a year ago the figure stood at 8 per cent. Consequently there is still a margin for further expansion in activity (in September, 1937, the unemployment percentage was actually down to 4.8). The margin, however, is now fairly small and if the demand continues to expand the industry may be faced with serious labour problems later in the year. Exports of machinery are sharply down in volume compared with last year; they amounted to 34,400 tons (valued at £4,442,400) in June against 40,400 tons (valued at £4,834,500) in June, 1938. Imports on the other hand, are up on the year. Last month shipments were 13,000 tons (valued at £2,481,500) compared with 10,400 tons (valued at £1,726,000) in the corresponding month last year.

### ELECTRICAL EQUIPMENT

Activity in the electrical equipment industry continued to expand in the past month. Thus, the proportion of insured persons unemployed declined between May and June from 4 per cent. to 3.6 per cent. in electrical engineering and from 6.3 per cent. to 5.4 per cent. in the case of electrical cable, apparatus and lamp manufacture. Exports of electrical goods and apparatus rose from £1,028,900 in June, 1938, to £1,076,400 in the past month. On the other hand, shipments of electric machinery declined sharply from £379,300 (1,977 tons) to £202,600 (1,049 tons) during this period.

### AUTOMOBILES

New registrations of private cars continue at a higher level than last year; the increase in May, when 28,268 private cars were registered, amounted to 15 per cent. over the figures for May, 1938. There has, however, been a considerable shift from the large to the smaller types of car, as a consequence of the increase in tax. Production is well maintained and exports of private cars in the first half of 1939 were slightly larger than a year ago, while imports were considerably reduced. Sales of commercial vehicles recovered in May from the low levels of previous months, but in the first eight months of the current season, only 69,218 commercial vehicles were produced, against 73,519 in the same months of the 1937-8 season.

### BUILDING

The value of building plans passed in June by 142 local authorities was 12.2 per cent. lower than a year ago. There has been a marked decline in the value of plans passed for dwelling houses but an appreciable increase in the figures for factories, workshops and other commercial premises. These returns, however, do not include direct Government contracts and the volume of constructional activity as revealed by the unemployment figures actually showed an increase last month and it is now higher than a year ago. The proportion of insured persons unemployed in building was 11.3 per cent. in June, 12.4 per cent. in May and 12.6 per cent. in June, 1938; the corresponding figures for public works contracting are 29.3 per cent. for June, 31.7 per cent. for May and 36.1 per cent. for June, 1938. The indications, moreover, point to the maintenance of a high level of constructional activity.

### CHEMICALS

Home trade in industrial chemicals has been quite active during the past month and values have remained practically unchanged. Among wood distillation products, there was a better demand for acetates of lime, and business in other products was also good. Further improvement was shown in trade in coal tar products, for some of which better prices were obtained; this market, however, is still far from satisfactory. Business in pharmaceutical and other fine chemicals was on a moderate scale throughout the month. There was a further improvement in June in the overseas trade in chemicals, drugs, dyes and colours; exports increased in value by £524,186 and imports by £586,192 as compared with June, 1938. Comparing the figures for the first six months of this year with those for the same period of 1938, exports show an increase in value of £966,856 and imports an increase of £2,131,916.

### POTTERY

There has been little change in the past month. Trade at Bristol and Derby remains good but in Staffordshire business is poor. In the trade as a whole there was a slight increase in unemployment between May and June, the proportion of insured persons unemployed rising from 16.8 to 17.1 per cent. The export trade is improving; in the first six months of 1939, the export of sanitary ware totalled 254,963 cwt. against 221,097 cwt. in the corresponding period of 1938 and exports of china have been well maintained. The United States continue to take good quantities of earthenware, but trade with the Empire has fallen off.

### FOOTWEAR

Work on service contracts keeps manufacturers busy in most centres. The volume of orders placed for Army boots has resulted in a shortage of suitable leather and some manufacturers may find it difficult to complete their contracts within the time specified. The civilian demand has been checked by the bad weather of the past few weeks, and autumn buying is not expected until after the holidays. It is expected that there will then be a rise in shoe prices, since manufacturers are having to pay higher prices for most types of leather.

### COTTON

During the past month, the industry has made further progress; unemployment has again fallen and more machinery is working than for some time past. Spinning production at the end of June rose to 67 per cent. of capacity, compared with 64 per cent. in the previous month and 50 per cent. a year earlier. This revival has been mainly due to Government orders for army clothing; orders have been placed for 24 million yards of cloth and it is understood that contracts for another 6 million yards are pending. Some difficulties have been experienced in arranging for the delivery of these goods before the end of November, and negotiations are taking place for the purpose of getting the Government to lower the standard of certain cloths so as to enable more machinery to be worked on the contracts. These orders have stimulated the demand for coarse counts, especially in ring descriptions and some mills working on

American yarns are fully sold for three or four months ahead. The Lancashire Cotton Corporation has made two advances of 4d. per lb. each in prices for ring yarns. In contrast, business in the Egyptian section remains unsatisfactory; it has been necessary to decontrol prices for carded counts and the whole price convention is in danger of collapse. Purchases by the home trade have been of fair extent but further improvement has been checked by the half-year stocktakings. The demand for piece goods for the export trade remains disappointing; the uncertain European situation is not good for trade and in addition, there is a certain resistance to the recent rise in prices. In spite of these unfavourable factors, exports of piece goods in June amounted to 112.5 million sq. yards, against 96.1 million sq. yards in June, 1938, and yarn shipments increased from 8.4 to 9.1 million lb.

### JUTE

The arrival of new crop jute into Calcutta has eased prices and civilian demand has slackened until a new price level has been established. Government orders continue to keep busy manufacturers in Dundee; unemployment in the jute trade declined in June to 17.5 per cent. of insured persons. Though production in Indian mills will be curtailed in August, prices for manufactured goods continue to decline in sympathy with those of the raw material.

### LINEN

Business remains quiet due partly to the holidays in Belfast and Dundee. While private trading is hampered by high production costs, spinners and weavers are well supplied with Government orders. Reports of the new flax crop on the continent are satisfactory and it is expected that supplies will be sufficient. Trade with America continues to give satisfaction but it is expected that the recent improvement in exports of piece goods to China will be checked by the Japanese invasion of Swatow and other ports. For the first six months of 1939, exports of linen piece goods totalled 36.6 million sq. yards, a considerable increase over the 26.8 million sq. yards exported in the same period of 1938, but still much below the 1937 half-year's total of 48.7 million sq. yards.

### RAYON

Rayon business has not been entirely satisfactory during the last

month, though buying for the autumn is expected shortly. There is still some delay in deliveries against old contracts of certain sorts. Hosiery business is moderately satisfactory. Exports of all-rayon piece goods continue to expand and for the first six months of the current year amounted to nearly 20 million sq. yards, compared with 15.0 million sq. yards in the first half of last year; most of this trade goes to the Empire. Business in mixed fibres is less satisfactory.

### WOOL

Raw wool prices continue firm with an increasing demand. The sales of English wools in London in the past fortnight have reflected the firm tone of previous auctions of imported wools. Manufacturing activity continues to increase and unemployment to fall. Government contracts are of course mainly responsible for this improvement but there is also a more confident feeling in the home trade. Buyers are more willing to meet manufacturer's ideas of prices and a higher level of prices for all types of piece goods is generally expected.

### AGRICULTURE

The hay harvest in the west has been much delayed by the wet weather of the last few weeks. Some fields were cut and carried during the fine spell early in June, but a considerable acreage is still standing. Corn crops are generally doing well although heavy thunderstorms have done some damage; not more than average yields are expected in most districts, and the long spring drought has reduced the length of straw. The lambing season is generally satisfactory.

### SHIPPING

The freight markets remain depressed. There is no demand for July tonnage at the River Plate and demand for August and September is very limited. A few vessels have been chartered by the grain trade from the St. Lawrence and more interest has been shown in tonnage available in the North Pacific. The sales of Australian flour to the Far East are temporarily stopped and both in that and the Mediterranean markets there is little inquiry.

## UNITED KINGDOM—THE ECONOMIST INDICES OF BUSINESS ACTIVITY\*

Corrected for normal seasonal variations. 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 Motor 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                    | ↑          | ↑                    | ↑           | ↑                       | ↑                       | ↑               | ↑                 | ↑                                             | ↑                             | ↑                        | ↑                               | ↑                  | ↑                                 | ↑    | ↑              | ...                           |
| 1930                    | 94         | 103                  | 68          | 127                     | 95                      | 65              | 67                | 111                                           | 98                            | 137                      | 108                             | 91                 | 109                               | 98   | ...            | ...                           |
| 1931                    | 91         | 92                   | 69          | 98                      | 83                      | 62              | 84                | 82                                            | 88                            | 108                      | 97                              | 89                 | 112                               | 93   | ...            | ...                           |
| 1932                    | 90         | 90                   | 71          | 86                      | 86                      | 64              | 77                | 84                                            | 86                            | 82                       | 94                              | 86                 | 96                                | 87   | ...            | ...                           |
| 1933                    | 93         | 90                   | 78          | 89                      | 96                      | 73              | 70                | 101                                           | 92                            | 85                       | 96                              | 91                 | 88                                | 89   | ...            | ...                           |
| 1934                    | 97         | 97                   | 88          | 100                     | 95                      | 97              | 83                | 93                                            | 98                            | 100                      | 92                              | 88                 | 95                                | 96   | ...            | ...                           |
| 1935                    | 100        | 100                  | 100         | 100                     | 100                     | 100             | 100               | 100                                           | 100                           | 100                      | 100                             | 100                | 100                               | 100  | ...            | ...                           |
| 1936                    | 105        | 104                  | 112         | 106                     | 105                     | 104             | 107               | 125                                           | 109                           | 101                      | 101                             | 102                | 104                               | 103  | ...            | ...                           |
| 1937                    | 111        | 109                  | 126         | 113                     | 111                     | 106             | 98                | 142                                           | 116                           | 112                      | 112                             | 109                | 105                               | 101  | ...            | ...                           |
| 1938                    | 110        | 103                  | 131         | 95                      | 114                     | 110             | 90                | 112                                           | 89                            | 107                      | 98                              | 105                | 100                               | 95   | ...            | ...                           |
| 1936—June               | 105        | 106                  | 107         | 104                     | 105                     | 101             | 108               | 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                | 103                               | 103  | 108            | 106                           |
| September               | 107        | 102                  | 112         | 106                     | 106                     | 108             | 132               | 107                                           | 123                           | 105                      | 100                             | 106                | 113                               | 108  | 107            | 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                                           | 117                           | 103                      | 120                             | 114                | 108                               | 107  | 111            | 110                           |
| April                   | 110        | 112                  | 122         | 115                     | 110                     | 110             | 102               | 117                                           | 116                           | 103                      | 108                             | 102                | 103                               | 103  | 109            | 110                           |
| May                     | 110        | 115                  | 123         | 113                     | 111                     | 106             | 100               | 130                                           | 143                           | 116                      | 117                             | 114                | 107                               | 98   | 112            | 111                           |
| June                    | 111        | 115                  | 122         | 113                     | 111                     | 107             | 99                | 133                                           | 111                           | 125                      | 122                             | 106                | 106                               | 106  | 113            | 111                           |
| July                    | 112        | 106                  | 123         | 114                     | 111                     | 108             | 95                | 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        | 105                  | 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                               | 100  | 112            | 110                           |
| 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                | 165                                           | 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                               | 83   | 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                | 91                                            | 84                            | 111                      | 101                             | 108                | 99                                | 93   | 103            | 105                           |
| July                    | 110        | 101                  | 129         | 89                      | 113                     | 107             | 90                | 91                                            | 84                            | 114                      | 91                              | 106                | 99                                | 94   | 102            | 104                           |
| August                  | 110        | 105                  | 132         | 88                      | 114                     | 111             | 83                | 89                                            | 87                            | 105                      | 103                             | 104                | 102                               | 102  | 104            | 103                           |
| September               | 110        | 104                  | 133         | 88                      | 117                     | 109             | 88                | 102                                           | 81                            | 104                      | 100                             | 107                | 101                               | 95   | 104            | 103                           |
| October                 | 110        | 97                   | 130         | 88                      | 117                     | 110             | 87                | 99                                            | 81                            | 90                       | 99                              | 101                | 101                               | 93   | 102            | 104                           |
| November                | 110        | 109                  | 139         | 84                      | 117                     | 113             | 85                | 82                                            | 82                            | 96                       | 102                             | 102                | 98                                | 103  | 101            | 105                           |
| December                | 110        | 109                  | 139         | 84                      | 117                     | 113             | 85                | 82                                            | 82                            | 96                       | 102                             | 102                | 98                                | 103  | 101            | 105                           |
| 1939—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        | 105                  | 141         | 98                      | 116                     | 111             | 84                | 130                                           | 94                            | 98                       | 101                             | 101                | 100                               | 84   | 106            | ...                           |
| April                   | 112        | 113                  | 142         | 101                     | 116                     | 108             | 84                | 146                                           | 112                           | 117                      | 109                             | 102                | 102                               | 86   | 110            | ...                           |
| May                     | 113        | 107                  | 141         | 104                     | 116                     | 108             | 82                | 152                                           | 113                           | 127                      | 106                             | 108                | 100                               | 82   | 110            | ...                           |
| June                    | 115        | 112                  | 141         | ...                     | 116                     | 111             | 81                | 157                                           | 110                           | 130                      | 106                             | 109                | 101                               | 82   | 111            | ...                           |

\* For method of construction and earlier figures (1924-1936) see Supplement to *The Economist* of July 25, 1936. This Supplement is now out of print, but a record of the complete index was given in *The Economist* of November 5, 1938. † Revised. ‡ Annual indices represent averages of monthly figures.



(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 end d 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 as 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.

## UNITED STATES, FRANCE AND GERMANY

|                                                                        |                  | Monthly Average |        |        |        |        |        | 1938   |        |         |         |         | 1939    |         |         |         |         |        |
|------------------------------------------------------------------------|------------------|-----------------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|---------|---------|--------|
| Unit of Measurement                                                    |                  | 1929            | 1932   | 1935   | 1936   | 1937   | 1938   | Apr.   | May    | June    | Nov.    | Dec.    | Jan.    | Feb.    | Mar.    | Apr.    | May     | June   |
| 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   | 64.7   | 63.9   | 64.7    | 86.6    | 87.4    | 84.0    | 82.4    | 82.4    | 77.3    | 77.3    | ...    |
| 2. Investment goods, F.R.B. (a)                                        | "                | 100             | 27.0   | 42.2   | 61.1   | 87.7   | 53.3   | 43.4   | 41.8   | 41.0    | 77.9    | 75.4    | 72.1    | 72.1    | 64.8    | 63.1    | 59.0    | ...    |
| 3. Consumption goods, F.R.B. (a)                                       | "                | 100             | 75.2   | 87.2   | 94.0   | 94.0   | 85.5   | 77.8   | 79.5   | 81.2    | 94.0    | 97.4    | 94.0    | 94.0    | 94.0    | 89.7    | 91.5    | ...    |
| 4. Coal                                                                | Million m. tons  | 46.0            | 27.2   | 31.6   | 36.5   | 37.0   | 29.2   | 23.2   | 23.2   | 24.3    | 35.6    | 36.9    | 36.7    | 34.5    | 35.3    | 14.5    | 20.8    | ...    |
| 5. Electricity generated                                               | Million kw. hrs. | 8,113           | 6,842  | 8,283  | 9,451  | 10,083 | 9,400  | 8,924  | 8,924  | 9,197   | 10,303  | 10,882  | 10,641  | 9,654   | 10,567  | 9,852   | 10,339  | ...    |
| 6. Steel                                                               | Thous. m. tons   | 4,599           | 1,128  | 2,530  | 3,973  | 4,192  | 2,357  | 1,966  | 1,836  | 1,665   | 3,629   | 3,193   | 3,238   | 3,002   | 3,419   | 3,035   | 2,965   | 3,181  |
| 7. Index of machine tool orders                                        | 1929 = 100       | 100             | 12.6   | 55.5   | 87.7   | 120.0  | 65.9   | 58.0   | 57.9   | 45.1    | 72.0    | 93.7    | 96.8    | 107.0   | 119.0   | 99.9    | 141.1   | ...    |
| 8. Building contracts awarded:                                         |                  |                 |        |        |        |        |        |        |        |         |         |         |         |         |         |         |         |        |
| 9. Residential                                                         | Million \$       | 159.6           | 23.3   | 39.9   | 66.8   | 75.5   | 82.2   | 74.6   | 74.6   | 85.7    | 95.3    | 91.5    | 80.2    | 79.0    | 125.2   | 114.4   | ...     | ...    |
| 10. Other                                                              | "                | 319.6           | 89.3   | 114.1  | 156.1  | 184.4  | 184.2  | 147.4  | 147.4  | 165.3   | 206.4   | 297.9   | 171.3   | 141.2   | 175.4   | 225.6   | ...     | ...    |
| 11. Private cars                                                       | Thousands        | 382             | 88     | 271    | 306    | 326    | 167    | 176    | 155    | 137     | 320     | 326     | 280     | 240     | 300     | 273     | 238     | ...    |
| 12. Commercial vehicles                                                | "                | 64              | 20     | 58     | 65     | 72     | 41     | 43     | 37     | 38      | 52      | 62      | 59      | 58      | 72      | 64      | 80      | ...    |
| 13. Activity in textile industry                                       | 1929 = 100       | 100             | 72.2   | 90.4   | 97.4   | 96.5   | 80.9   | 64.3   | 67.0   | 75.7    | 97.4    | 101.7   | 94.8    | 94.8    | 94.8    | 84.3    | 90.4    | ...    |
| TRADE AND TRANSPORT                                                    |                  |                 |        |        |        |        |        |        |        |         |         |         |         |         |         |         |         |        |
| 14. Index of Rly. car loadings (a)                                     | "                | 100             | 52.8   | 59.4   | 67.9   | 74.7   | 59.2   | 53.8   | 54.7   | 54.7    | 65.1    | 65.1    | 65.1    | 63.2    | 62.3    | 56.6    | 58.5    | ...    |
| 15. Index of Dept. Store sales (a)                                     | "                | 100             | 62.2   | 71.2   | 79.2   | 83.6   | 76.7   | 74.8   | 70.3   | 73.9    | 80.2    | 80.2    | 75.3    | 77.5    | 78.3    | 79.3    | 76.6    | ...    |
| 16. Retained imports                                                   | Million \$       | 362             | 110    | 170    | 202    | 251    | 163    | 155.1  | 147.1  | 147.8   | 171.7   | 165.5   | 169.3   | 132.5   | 181.2   | 185.8   | 194.2   | ...    |
| 17. Domestic exports                                                   | "                | 430             | 131    | 187    | 202    | 275    | 235    | 271.5  | 253.7  | 229.6   | 249.7   | 266.2   | 210.3   | 216.0   | 264.6   | 227.6   | 245.9   | ...    |
| EMPLOYMENT AND WAGES                                                   |                  |                 |        |        |        |        |        |        |        |         |         |         |         |         |         |         |         |        |
| 18. Factory employment, F.R.B. (a)                                     | 1929 = 100       | 100             | 62.6   | 87.2   | 93.4   | 101.0  | 81.5   | 81.6   | 79.9   | 78.7    | 86.0    | 87.6    | 87.4    | 87.0    | 87.0    | 86.8    | 86.3    | ...    |
| 19. Pay rolls, Dept. of Lab. (a)                                       | "                | 100             | 42.6   | 67.9   | 78.4   | 93.5   | 78.5   | 71.3   | 66.8   | 64.9    | 77.1    | 79.3    | 76.5    | 78.4    | 79.6    | 77.8    | 77.4    | ...    |
| 20. Hourly earnings, N.I.C.B. (a)                                      | "                | 100             | 84.6   | 87.8   | 90.2   | 92.0   | 81.2   | 81.2   | 81.2   | 81.2    | 81.2    | 81.2    | 81.2    | 81.2    | 81.2    | 81.2    | 81.2    | ...    |
| 21. Av. hours of work, N.I.C.B. (a)                                    | Number           | 48.3            | 34.8   | 37.2   | 39.7   | 39.3   | 34.5   | 32.9   | 32.7   | 33.1    | 36.9    | 36.6    | 36.6    | 36.8    | 36.9    | 36.9    | 36.9    | ...    |
| 22. Applicants for work                                                | Thousands        | "               | "      | 7,450  | 7,705  | 5,155  | 7,404  | 7,254  | 7,520  | 7,831   | 7,529   | 7,216   | 7,442   | 7,199   | 6,746   | 6,547   | ...     | ...    |
| PRICES                                                                 |                  |                 |        |        |        |        |        |        |        |         |         |         |         |         |         |         |         |        |
| 23. Cost of living, N.I.C.B. (a)                                       | 1929 = 100       | 100             | 77.9   | 82.6   | 84.8   | 83.4   | 86.3   | 86.7   | 86.4   | 86.6    | 85.5    | 85.7    | 85.3    | 85.0    | 84.8    | 84.0    | 84.7    | ...    |
| 24. Wholesale prices, D. of Lab. (a)                                   | "                | 100             | 68.0   | 83.9   | 84.8   | 90.6   | 82.5   | 82.6   | 82.0   | 82.2    | 81.3    | 80.8    | 80.7    | 80.7    | 80.6    | 80.0    | 80.0    | ...    |
| 25. " raw materials                                                    | "                | 100             | 56.5   | 79.1   | 82.0   | 86.9   | 73.8   | 73.1   | 72.6   | 73.2    | 73.4    | 72.7    | 72.7    | 72.7    | 71.9    | 70.3    | 70.7    | ...    |
| 26. " semi-manufactures                                                | "                | 100             | 63.2   | 78.4   | 80.8   | 90.8   | 80.3   | 80.2   | 80.3   | 78.9    | 81.1    | 80.1    | 79.7    | 79.3    | 79.4    | 79.3    | 79.1    | ...    |
| 27. " Finished goods                                                   | "                | 100             | 74.4   | 87.0   | 86.8   | 92.2   | 87.0   | 87.5   | 86.9   | 87.0    | 85.2    | 84.9    | 84.7    | 84.9    | 84.9    | 84.8    | 84.5    | ...    |
| 28. " Farm products                                                    | "                | 100             | 45.9   | 75.1   | 77.2   | 82.5   | 65.3   | 65.2   | 64.3   | 65.5    | 64.6    | 64.5    | 64.1    | 64.1    | 62.7    | 60.7    | 60.7    | ...    |
| 29. 351 Indus. securit's, Stand. Stat.                                 | "                | 100             | 24.4   | 48.0   | 67.3   | 69.0   | 52.6   | 44.1   | 46.1   | 47.3    | 59.7    | 58.4    | 57.7    | 56.1    | 56.4    | 49.7    | 51.6    | 52.1   |
| FINANCE                                                                |                  |                 |        |        |        |        |        |        |        |         |         |         |         |         |         |         |         |        |
| 30. Federal Exp. Total (i) (g)                                         | Million \$       | 320.7           | 439.5  | 602.1  | 722.2  | 703.5  | 635.5  | 6,146  | 6,715  | 7,652   | 3,660   | 4,522   | 5,215   | 5,877   | 6,756   | 7,543   | ...     | ...    |
| 31. Recovery and Relief (g)                                            | "                | "               | "      | "      | "      | 286.7  | 186.5  | 1,718  | 1,924  | 2,238   | 1,205   | 1,512   | 1,769   | 2,023   | 2,320   | 2,586   | ...     | ...    |
| 32. Federal Receipts (i) (g)                                           | "                | 336.1           | 176.8  | 347.7  | 343.0  | 441.2  | 520.2  | 5,092  | 5,467  | 6,241   | 2,123   | 2,827   | 3,135   | 3,552   | 4,287   | 4,557   | ...     | ...    |
| 33. Total Res. Bank credit                                             | "                | 1,459           | 2,077  | 2,475  | 2,481  | 2,554  | 2,600  | 2,594  | 2,582  | 2,596   | 2,584   | 2,601   | 2,607   | 2,598   | 2,587   | 2,595   | 2,573   | ...    |
| 34. Gold stock                                                         | "                | 3,996           | 3,952  | 9,059  | 10,578 | 12,162 | 13,250 | 12,869 | 12,919 | 12,963  | 14,312  | 14,511  | 14,682  | 14,874  | 15,258  | 15,791  | 15,957  | ...    |
| 35. Money in circulation                                               | "                | 4,476           | 5,328  | 5,535  | 6,101  | 6,475  | 6,510  | 6,397  | 6,467  | 6,461   | 6,787   | 6,856   | 6,653   | 6,731   | 6,817   | 6,905   | 6,967   | ...    |
| 36. Member Bank Res. Balances                                          | "                | 2,358           | 2,114  | 5,011  | 5,989  | 6,830  | 7,955  | 7,623  | 7,665  | 8,024   | 8,876   | 8,724   | 9,215   | 8,936   | 9,157   | 9,009   | 10,029  | ...    |
| 37. " Excess Reserves                                                  | "                | 43              | 256    | 2,469  | 2,512  | 1,220  | 2,522  | 2,548  | 2,568  | 2,875   | 3,383   | 3,205   | 3,844   | 3,387   | 3,559   | 4,098   | 4,200   | ...    |
| 38. Member Banks in 101 towns:                                         |                  |                 |        |        |        |        |        |        |        |         |         |         |         |         |         |         |         |        |
| 39. Loans and investments                                              | "                | 22,599          | 19,080 | 19,997 | 22,064 | 22,198 | 21,023 | 20,819 | 20,732 | 20,696  | 21,347  | 21,588  | 21,468  | 21,527  | 21,705  | 21,727  | 21,693  | ...    |
| 40. Deposits: Demand                                                   | "                | "               | "      | "      | "      | 12,729 | 14,619 | 14,588 | 14,589 | 15,036  | 16,030  | 15,986  | 16,048  | 15,965  | 15,991  | 16,660  | 16,965  | ...    |
| 41. " Time                                                             | "                | 6,788           | 5,666  | 4,883  | 4,999  | 5,202  | 5,202  | 5,230  | 5,216  | 5,239   | 5,124   | 5,160   | 5,183   | 5,202   | 5,217   | 5,248   | 5,235   | ...    |
| 42. Bank debits ex. N.Y. City                                          | "                | 27,662          | 12,867 | 15,847 | 18,306 | 19,601 | 17,054 | 16,597 | 16,013 | 17,160  | 17,039  | 21,087  | 17,860  | 15,201  | 18,111  | 18,832  | 17,763  | 18,711 |
| 43. 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     | ...    |
| 44. Yield on Govt. bonds                                               | "                | 3.60            | 3.66   | 2.79   | 2.65   | 2.68   | 2.56   | 2.43   | 2.51   | 2.52    | 2.50    | 2.49    | 2.47    | 2.44    | 2.34    | 2.30    | 2.17    | ...    |
| 45. Capital issues, C.F. Chronicle                                     | Million \$       | 595             | 99     | 118    | 164    | 175    | 194    | 196    | 157    | 349     | 389     | 218     | 220     | 378     | 162     | 143     | 1,021   | 29.4   |
| FRANCE (Population 1936: 41,906,000; Area: 550,966 sq. kms.)           |                  |                 |        |        |        |        |        |        |        |         |         |         |         |         |         |         |         |        |
| PRODUCTION                                                             |                  |                 |        |        |        |        |        |        |        |         |         |         |         |         |         |         |         |        |
| 46. Industrial prod. S.G.F. (b) (f)                                    | 1928 = 100       | 100             | 75.6   | 74.0   | 85     | 88     | 82     | 82     | 82     | 82      | 85      | 86      | 90      | 92      | 95      | 95      | 97      | ...    |
| 47. Coal                                                               | Thous. met. tons | 4,482           | 3,856  | 3,851  | 3,769  | 3,693  | 3,875  | 4,043  | 3,734  | 3,830   | 4,188   | 4,430   | 4,214   | 3,932   | 4,393   | 4,131   | 4,312   | ...    |
| 48. Electricity                                                        | Thous. met. tons | 100             | 88.2   | 101.7  | 104.2  | 114.3  | 121.0  | 121.8  | 120.1  | 125.2   | 121.0   | 127.2   | 134.4   | 137.8   | 142.1   | 138.6   | 135.5   | ...    |
| 49. Steel                                                              | Thous. met. tons | 808             | 470    | 522    | 559    | 660    | 514    | 500    | 501.0  | 480     | 534     | 576     | 595     | 575     | 666     | 625     | 739     | ...    |
| 50. Building activity                                                  | 1929 = 100       | 100             | 81.3   | 55.3   | 52.0   | 48.1   | 45.9   | 44.4   | 45.9   | 45.9    | 46.6    | 45.9    | 48.9    | 50.4    | 54.9    | 57.9    | 58.6    | ...    |
| TRADE AND TRANSPORT                                                    |                  |                 |        |        |        |        |        |        |        |         |         |         |         |         |         |         |         |        |
| 51. Rly. car loadings, daily                                           | Thous. cars      | 65.1            | 47.3   | 40.1   | 40.9   | 41.6   | 40.4   | 42.0   | 41.2   | 40.6    | 42.9    | 40.2    | 40.8    | 41.9    | 42.2    | 40.6    | 40.8    | ...    |
| 52. Imports                                                            | Mill. frs.       | 4,852           | 2,484  | 1,745  | 2.18   | 3,538  | 3,832  | 3,877  | 3,878  | 3,811   | 3,871   | 4,214   | 3,978   | 4,519   | 3,992   | 4,125   | 4,404   | 4,021  |
| 53. Exports                                                            | "                | 4,178           | 1,482  | 1,289  | 1,288  | 1,995  | 2,549  | 2,364  | 2,324  | 2,291   | 3,059   | 3,292   | 2,802   | 3,036   | 2,880   | 3,034   | 3,063   | 3,201  |
| EMPLOYMENT AND WAGES                                                   |                  |                 |        |        |        |        |        |        |        |         |         |         |         |         |         |         |         |        |
| 54. Unemployed in receipt of benefit                                   | Thousands        | 0.9             | 273.4  | 426.9  | 431.9  | 350.3  | 375.7  | 393.1  | 380.8  | 362.9   | 367.1   | 404.7   | 416.0   | 395.3   | 386.2   | 375.5   | 349.1   | ...    |
| 55. Hourly wage rates, Paris region                                    | 1929 = 100       | 100             | 100    | 101    | 116    | 173    | 192    | 193    | 193    | 193     | 193     | 195     | 195     | 199     | 199     | 199     | 199     | ...    |
| PRICES                                                                 |                  |                 |        |        |        |        |        |        |        |         |         |         |         |         |         |         |         |        |
| 56. Wholesale, index of S.G.F. (a)                                     | "                | 100             | 68.2   | 54.0   | 65.5   | 92.7   | 104.1  | 102.6  | 104.3  | 105.3   | 107.5   | 109.1   | 109.9   | 109.3   | 108.9   | 107.7   | 109.1   | 108.2  |
| 57. Cost of living, Paris, " (a)                                       | "                | 100             | 64.6   | 86.9   | 91.1   | 111.3  | 125.5  | 124.5  | 124.5  | 124.5   | 129.9   | 129.9   | 122.3   | 122.3   | 122.3   | 122.3   | 122.3   | 122.3  |
| 58. Industrial securities " (a)                                        | "                | 100             | 47.0   | 36.3   | 33.4   | 43.8   | 41.1   | 43.1   | 43.2   | 42.3    | 42.4    | 48.0    | 41.6    | 44.6    | 43.8    | 44.0    | 46.7    | 44.1   |
| FINANCE                                                                |                  |                 |        |        |        |        |        |        |        |         |         |         |         |         |         |         |         |        |
| 59. Govt. revenue: impôts indir. (g)                                   | Mill. frs.       | 2,958           | 2,415  | 2,158  | 2,223  | 2,545  | 3,128  | 12,509 | 15,249 | 18,103  | 43,240  | 46,581  | 4,097   | 7,275   | 10,583  | 14,824  | 18,046  | ...    |
| 60. Impôts sur les revenus (g)                                         | "                | 891             | 619    | 424    | 475    | 568    | 771    | 1,718  | 2,189  | 2,617   | 9,294   | 10,868  | 872     | 1,141   | 1,478   | 1,899   | 2,299   | ...    |
| 61. Bank of France: Gold                                               | "                | 37,011          | 79,481 | 74,976 | 60,129 | 56,612 | 61,311 | 55,807 | 55,808 | 55,808  | 87,264  | 87,265  | 87,265  | 87,265  | 87,265  | 87,265  | 87,265  | ...    |
| 62. " Notes in circulation                                             | "                | 64,719          | 82,131 | 82,119 | 84,223 | 88,28  | 88,282 | 97,996 | 99,147 | 100,041 | 107,073 | 109,145 | 110,090 | 110,090 | 110,090 | 110,090 | 110,090 | ...    |
| 63. Commercial bank deposits                                           | "                | 33,962          | 36,272 | 28,704 | 26,243 | 28,957 | 30,755 | 29,874 | 33,828 | 31,938  | 30,460  | 33,062  | 32,862  | 33,620  | 34,065  | 35,700  | ...     |        |



| Commodity                                   | Unit of Measurement       | Monthly Average |        |        |        |        | 1938     |        |        |        |         | 1939    |         |        |         |        |        |      |
|---------------------------------------------|---------------------------|-----------------|--------|--------|--------|--------|----------|--------|--------|--------|---------|---------|---------|--------|---------|--------|--------|------|
|                                             |                           | 1929            | 1932   | 1935   | 1936   | 1937   | 1938 (a) | Apr.   | May    | June   | Nov.    | Dec.    | Jan.    | Feb.   | Mar.    | Apr.   | May    | June |
|                                             |                           |                 |        |        |        |        |          |        |        |        |         |         |         |        |         |        |        |      |
| COAL                                        |                           |                 |        |        |        |        |          |        |        |        |         |         |         |        |         |        |        |      |
| 1. Production: Belgium .....                | Th. metric tons           | 2,245           | 1,785  | 2,207  | 2,323  | 2,473  | 2,465    | 2,501  | 2,463  | 2,405  | 2,531   | 2,566   | 2,665   | 2,357  | 2,724   | 2,452  | 2,509  |      |
| 2. " France .....                           | "                         | 4,482           | 3,856  | 3,851  | 3,769  | 3,693  | 3,875    | 4,043  | 3,734  | 3,830  | 4,188   | 4,430   | 4,214   | 3,932  | 4,393   | 4,131  | 4,312  |      |
| 3. " Germany: Coal(b) .....                 | "                         | 13,620          | 8,728  | 11,918 | 13,190 | 15,376 | 15,515   | 14,495 | 15,286 | 14,874 | 15,670  | 15,713  | 16,231  | 14,865 | 16,869  | 14,989 | 15,782 |      |
| 4. " Poland .....                           | "                         | 3,853           | 2,403  | 2,395  | 2,479  | 3,018  | 3,175    | 2,911  | 2,858  | 2,902  | 3,391   | 3,444   | 4,119   | 3,623  | 3,652   | 3,765  | 4,021  |      |
| 5. " U.K. ....                              | "                         | 21,837          | 17,717 | 18,877 | 19,349 | 20,421 | 19,323   | 18,112 | 19,428 | 17,392 | 20,289  | 19,461  | 20,684  | 19,481 | 22,179  | 17,989 | 20,199 |      |
| 6. " U.S.A. ....                            | "                         | 46,026          | 27,183 | 31,538 | 36,761 | 37,176 | 29,282   | 23,150 | 23,202 | 24,311 | 35,577  | 36,923  | 36,731  | 34,492 | 35,261  | 14,491 | 20,821 |      |
| 7. " All Principal countries .....          | "                         | 103,772         | 73,529 | 85,843 | 94,705 | 99,947 | 91,884   | 83,292 | 84,615 | 83,606 | 102,514 | 103,545 | 102,736 | 96,077 | 104,120 | 74,792 | 83,535 |      |
| 8. Price: Av. Br. expt. price .....         | sh. per ton               | 16-08           | 15-25  | 16-29  | 16-98  | 18-57  | 20-89    | 20-78  | 21-10  | 22-02  | 20-81   | 20-58   | 20-83   | 20-44  | 20-18   | 20-09  | 19-89  |      |
| OIL                                         |                           |                 |        |        |        |        |          |        |        |        |         |         |         |        |         |        |        |      |
| 9. Production: Dutch East Indies .....      | Th. metric tons           | 437             | 424    | 507    | 536    | 605    | 617      | 613    | 639    | 614    | 627     | 653     | 648     | 608    | 660     | 654    | ...    |      |
| 10. " Mexico .....                          | "                         | 556             | 408    | 501    | 511    | 578    | 477      | 316    | 369    | 381    | 483     | 430     | ...     | ...    | ...     | ...    | ...    |      |
| 11. " Iran (Ang.-Ir. Oil) .....             | "                         | 462             | 543    | 577    | 628    | 871    | 904      | 1,014  | 937    | 798    | 1,040   | 845     | ...     | ...    | ...     | ...    | ...    |      |
| 12. " Rumania .....                         | "                         | 403             | 612    | 698    | 723    | 596    | 550      | 560    | 571    | 550    | 525     | 542     | 536     | 497    | 538     | 510    | 521    |      |
| 13. " U.S.A. ....                           | "                         | 11,509          | 8,970  | 11,386 | 12,550 | 14,597 | 13,861   | 14,080 | 13,528 | 12,925 | 13,336  | 13,839  | 13,867  | 12,647 | 14,446  | 14,275 | ...    |      |
| 14. " U.S.S.R. ....                         | "                         | 1,206           | 1,791  | 1,989  | 2,193  | 2,307  | 2,357    | 2,448  | 2,411  | 2,543  | 2,368   | 2,339   | 2,332   | 2,400  | 2,469   | 2,480  | ...    |      |
| 15. " All Principal countries .....         | "                         | 17,145          | 15,048 | 18,838 | 20,575 | 23,486 | 22,817   | 22,742 | 22,572 | 21,947 | 22,394  | 22,959  | 22,857  | 21,086 | 23,615  | 23,259 | ...    |      |
| 16. Stocks: U.S.A. end year .....           | million barrels           | 422             | 340    | 315    | 288    | 306    | 273      | 307    | 305    | 296    | 273     | 271     | 272     | 272    | 273     | 277    | 278    |      |
| 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   | 27-1   |      |
| CRUDE STEEL                                 |                           |                 |        |        |        |        |          |        |        |        |         |         |         |        |         |        |        |      |
| 18. Production: Belgium .....               | Th. metric tons           | 342             | 232    | 252    | 285    | 322    | 190      | 174    | 177    | 180    | 222     | 232     | 231     | 203    | 222     | 225    | 270    |      |
| 19. " France .....                          | "                         | 808             | 470    | 523    | 559    | 660    | 514      | 500    | 501    | 480    | 534     | 576     | 593     | 573    | 666     | 624    | 738    |      |
| 20. " Germany (c) .....                     | "                         | 1,354           | 481    | 1,371  | 1,601  | 1,654  | 1,934    | 1,818  | 1,964  | 1,890  | 2,032   | 1,944   | 2,096   | 1,955  | 2,215   | 1,899  | 2,070  |      |
| 21. " Japan, ex. castings .....             | "                         | 191             | 200    | 375    | 419    | ...    | ...      | ...    | ...    | ...    | ...     | ...     | ...     | ...    | ...     | ...    | ...    |      |
| 22. " Luxembourg .....                      | "                         | 225             | 163    | 153    | 165    | 209    | 120      | 109    | 111    | 110    | 142     | 138     | 138     | 136    | 146     | 149    | 181    |      |
| 23. " U.K. ....                             | "                         | 816             | 445    | 833    | 990    | 1,098  | 880      | 954    | 972    | 789    | 874     | 666     | 825     | 987    | 1,190   | 1,075  | 1,238  |      |
| 24. " U.S.A., ex. castings .....            | "                         | 4,599           | 1,128  | 2,830  | 3,963  | 4,192  | 2,357    | 1,956  | 1,836  | 1,665  | 3,629   | 3,194   | 3,328   | 3,002  | 3,419   | 3,033  | 2,965  |      |
| 25. " U.S.S.R. ....                         | "                         | 407             | 490    | 1,034  | 1,362  | 1,485  | 1,596    | 1,575  | 1,545  | ...    | ...     | ...     | ...     | ...    | ...     | ...    | ...    |      |
| 26. " All Principal countries .....         | "                         | 9,492           | 3,890  | 7,820  | 9,585  | 10,453 | 8,256    | 7,823  | 7,873  | 7,406  | 9,666   | 9,006   | 9,300   | 9,100  | 10,305  | 9,731  | 11,994 |      |
| 27. Price: Pig Iron on 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    | 4-95    | 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    | 981    | 1,023  | 1,015  | 1,024   | 1,029   | 1,034   | 986    | 1,073   | 1,018  | 1,035  |      |
| 29. " U.S.S.R. ....                         | "                         | 90              | 163    | 375    | 450    | 417    | 417      | ...    | ...    | ...    | ...     | ...     | ...     | ...    | ...     | ...    | ...    |      |
| 30. " Canada .....                          | "                         | 161             | 254    | 274    | 310    | 341    | 390      | 368    | 381    | 391    | 410     | ...     | ...     | ...    | ...     | ...    | ...    |      |
| 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   | 139-70 | 139-94 | 140-68 | 147-73  | 148-92  | 149-25  | 148-49 | 148-33  | 148-51 | 148-44 |      |
| WHEAT                                       |                           |                 |        |        |        |        |          |        |        |        |         |         |         |        |         |        |        |      |
| World shipments, yr. ended July .....       | Mlns. of bushels          | 77              | 67     | 43     | 42     | 50     | 45       | 44     | 40     | 44     | 48      | 43      | 52      | 48     | 50      | 48     | ...    |      |
| Stks.: World visible supplies (d) .....     | "                         | 370-1           | 408-2  | 339-5  | 275-1  | 229-5  | 267-3    | 245-6  | 194-8  | 179-2  | 446-5   | 490-8   | 472-6   | 418-4  | 386-2   | 365-4  | 326-6  |      |
| Average British import price (e) .....      | sh. per cwt.              | 10-33           | 6-15   | 6-02   | 7-53   | 9-28   | 7-73     | 9-09   | 8-34   | 8-31   | 5-61    | 5-10    | 4-92    | 5-11   | 5-07    | 5-05   | 5-11   |      |
| COTTON                                      |                           |                 |        |        |        |        |          |        |        |        |         |         |         |        |         |        |        |      |
| Mill consumption: U.K. (e) ...              | Thousands of actual bales | 233             | 182    | 209    | 228    | 240    | 199      | 179    | 179    | 179    | 190     | 190     | 190     | ...    | ...     | ...    | ...    |      |
| " Japan (e) ...                             | "                         | 231             | 231    | 311    | 304    | 347    | 247      | 261    | 261    | 261    | 212     | 212     | 212     | ...    | ...     | ...    | ...    |      |
| " U.S.A. (e) ...                            | "                         | 586             | 404    | 443    | 527    | 598    | 514      | 445    | 445    | 445    | 564     | 564     | 564     | ...    | ...     | ...    | ...    |      |
| " World (e) ...                             | "                         | 2,157           | 1,860  | 2,033  | 2,116  | 2,383  | 2,213    | 2,006  | 2,006  | 2,003  | 2,284   | 2,284   | 2,284   | ...    | ...     | ...    | ...    |      |
| Stks.: World Visible Supplies (d) .....     | Thousand bales            | 2,736           | 7,682  | 9,883  | 4,297  | 3,875  | 7,069    | 7,910  | 7,467  | 7,177  | 9,543   | 9,350   | 8,218   | 8,218  | 7,552   | 6,977  | 7,510  |      |
| Price: Mid. American .....                  | d. per lb.                | 10-33           | 5-25   | 6-70   | 6-69   | 6-37   | 4-97     | 4-87   | 4-65   | 5-01   | 5-13    | 5-15    | 5-19    | 5-13   | 5-21    | 4-96   | 5-41   |      |
| SUGAR                                       |                           |                 |        |        |        |        |          |        |        |        |         |         |         |        |         |        |        |      |
| Stks.: World visible supplies (f) .....     | Thous. tons               | 4,047           | 7,018  | 4,166  | 2,983  | 2,816  | 3,601    | 6,521  | 5,955  | 5,255  | 5,951   | 6,064   | 5,819   | 6,131  | 6,547   | 6,116  | 5,384  |      |
| Av. Brit. import price, unrefined .....     | sh. per cwt.              | 9-68            | 7-70   | 6-38   | 6-71   | 8-62   | 7-92     | 7-54   | 6-57   | 6-87   | 8-79    | 8-65    | 8-24    | 8-37   | 8-22    | 8-30   | 9-22   |      |

GROUP II (b).—BI-MONTHLY TABLE

| COPPER                                        |                   | UNITED KINGDOM (%) - BY MONTHLY TABLE                                                                                                                                                                                                                           |        |        |        |        |        |        |        |        |                                                                                                |                                                                                   |                                                                      |                                                         |                                            |                                |        |       |
|-----------------------------------------------|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|----------------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------|--------------------------------|--------|-------|
| Production: Belgium Congo (Smelter) Canada    | Th. metric tons   | 11-3                                                                                                                                                                                                                                                            | 4-5    | 12-1   | 8-1    | 12-0   | 12-0   | 21-7   | 22-0   | 22-0   | 21-5                                                                                           | 22-5                                                                              | 21-9                                                                 | 18-7                                                    | 23-6                                       | 22-6                           | ...    | ...   |
| " Chile                                       | "                 | 25-3                                                                                                                                                                                                                                                            | 8-0    | 14-7   | 15-7   | 17-2   | 22-5   | 21-7   | 22-0   | 22-0   | 21-5 <td>22-5<td>21-9<td>18-7<td>23-6<td>22-6<td>...</td><td>...</td></td></td></td></td></td> | 22-5 <td>21-9<td>18-7<td>23-6<td>22-6<td>...</td><td>...</td></td></td></td></td> | 21-9 <td>18-7<td>23-6<td>22-6<td>...</td><td>...</td></td></td></td> | 18-7 <td>23-6<td>22-6<td>...</td><td>...</td></td></td> | 23-6 <td>22-6<td>...</td><td>...</td></td> | 22-6 <td>...</td> <td>...</td> | ...    | ...   |
| " N. Rhodesia                                 | "                 | 0-5                                                                                                                                                                                                                                                             | 5-8    | 12-2   | 12-1   | 17-6   | 18-0   | 16-8   | 17-5   | 18-5   | 22-9                                                                                           | 24-1                                                                              | 16-9                                                                 | 17-2                                                    | 15-4                                       | 17-2                           | ...    | ...   |
| " U.S.A.                                      | "                 | 83-2                                                                                                                                                                                                                                                            | 23-2   | 38-3   | 55-4   | 74-2   | 48-6   | 46-2   | 44-5   | 34-7   | 66-2                                                                                           | 65-1                                                                              | 62-6                                                                 | 54-9                                                    | 56-1                                       | 56-1                           | 53-8   | 53-8  |
| " World                                       | "                 | 157-9                                                                                                                                                                                                                                                           | 77-6   | 115-6  | 128-5  | 176-2  | 146-6  | 140-9  | 141-7  | 130-5  | 180-1                                                                                          | 176-3                                                                             | 159-6                                                                | 146-7                                                   | 149-1                                      | 145-4                          | 149-7  | 146-8 |
| Consumption: World                            | "                 | 146-8                                                                                                                                                                                                                                                           | 75-5   | 121-2  | 135-5  | 162-3  | 147-1  | 146-3  | 123-9  | 131-9  | 161-4                                                                                          | 142-5                                                                             | 136-6                                                                | 135-7                                                   | 143-9                                      | 139-4                          | 156-3  | 163-7 |
| Stocks: U.K. (d)                              | "                 | 6-6                                                                                                                                                                                                                                                             | 37-9   | 38-7   | 47-0   | 32-4   | 32-4   | 33-6   | 33-7   | 36-1   | 28-7                                                                                           | 30-1                                                                              | 32-7                                                                 | 31-8                                                    | 35-9                                       | 33-6                           | 31-8   | 30-5  |
| (Refined) Stocks: World (h)                   | "                 | 423-0                                                                                                                                                                                                                                                           | 724-5  | 440-3  | 320-4  | 428-0  | 453-8  | 491-3  | 502-9  | 500-3  | 384-2                                                                                          | 414-7                                                                             | 435-5                                                                | 447-4                                                   | 462-8                                      | 474-2                          | 472-6  | 466-0 |
| Price: Std. cash, London                      | £ per ton         | 75-48                                                                                                                                                                                                                                                           | 31-71  | 31-91  | 38-48  | 54-53  | 44-8   | 39-35  | 36-71  | 35-28  | 45-28                                                                                          | 43-47                                                                             | 43-16                                                                | 42-23                                                   | 42-98                                      | 42-07                          | 41-70  | 42-02 |
| LEAD                                          |                   |                                                                                                                                                                                                                                                                 |        |        |        |        |        |        |        |        |                                                                                                |                                                                                   |                                                                      |                                                         |                                            |                                |        |       |
| Production: Australia (Smelter) Canada        | Th. metric tons   | 15-0                                                                                                                                                                                                                                                            | 15-8   | 18-2   | 16-6   | 19-5   | 18-9   | 17-9   | 17-9   | 18-8   | 19-4                                                                                           | 21-4                                                                              | 22-2                                                                 | 17-9                                                    | 20-5                                       | 18-7                           | ...    | ...   |
| " Germany                                     | "                 | 11-5                                                                                                                                                                                                                                                            | 9-6    | 12-4   | 13-7   | 15-7   | 15-4   | 15-6   | 16-1   | 15-2   | 14-2                                                                                           | 14-4                                                                              | 14-3                                                                 | 13-0                                                    | 14-2                                       | 13-7 <td>...</td> <td>...</td> | ...    | ...   |
| " Mexico                                      | "                 | 19-2                                                                                                                                                                                                                                                            | 10-9   | 15-1   | 17-5   | 18-7   | 17-3   | 14-6   | 22-3   | 21-8   | 13-4                                                                                           | 6-4                                                                               | 6-1                                                                  | 4-7                                                     | 7-2                                        | 20-3                           | ...    | ...   |
| " Spain                                       | "                 | 11-1                                                                                                                                                                                                                                                            | 8-8    | 5-9    | 3-9    | 2-5    | ...    | ...    | ...    | ...    | ...                                                                                            | ...                                                                               | ...                                                                  | ...                                                     | ...                                        | ...                            | ...    | ...   |
| " U.S.A.                                      | "                 | 54-1                                                                                                                                                                                                                                                            | 21-1   | 24-8   | 30-8   | 36-0   | 31-4   | 34-5   | 29-0   | 30-8   | 32-6                                                                                           | 28-1                                                                              | 34-7                                                                 | 33-0                                                    | 34-3                                       | 33-3                           | ...    | ...   |
| " World                                       | "                 | 145-0                                                                                                                                                                                                                                                           | 95-9   | 114-2  | 122-3  | 140-0  | 134-8  | 132-3  | 138-5  | 135-9  | 133-5                                                                                          | 128-3                                                                             | 132-0                                                                | 132-3                                                   | 142-3                                      | 151-7                          | ...    | ...   |
| Stocks: U.K. (h)                              | "                 | 2-0                                                                                                                                                                                                                                                             | 20-6   | 7-1    | 6-2    | 7-0    | 11-2   | 12-1   | 11-2   | 9-4    | 9-6                                                                                            | 11-2                                                                              | 12-5                                                                 | 14-0                                                    | 13-4                                       | 13-5                           | 12-9   | 12-1  |
| " U.S.A. (h)                                  | "                 | 49-7                                                                                                                                                                                                                                                            | 159-4  | 201-6  | 155-9  | 117-0  | 121-1  | 142-1  | 148-5  | 148-1  | 104-0                                                                                          | 105-1                                                                             | 106-3                                                                | 110-8                                                   | 110-6                                      | 112-0                          | ...    | ...   |
| Price: "Soft Foreign," London                 | £ per ton         | 23-25                                                                                                                                                                                                                                                           | 11-00  | 14-25  | 17-60  | 23-33  | 15-26  | 15-56  | 14-38  | 13-86  | 16-15                                                                                          | 14-96                                                                             | 14-52                                                                | 14-27                                                   | 16-75                                      | 16-31                          | 14-48  | 14-57 |
| SPELTER                                       |                   |                                                                                                                                                                                                                                                                 |        |        |        |        |        |        |        |        |                                                                                                |                                                                                   |                                                                      |                                                         |                                            |                                |        |       |
| Production: Holland (Smelter) Belgium         | Th. metric tons   | 2-1                                                                                                                                                                                                                                                             | 1-3    | 1-1    | 1-3    | 2-5    | 18-6   | 21-4   | 20-7   | 19-1   | 18-3                                                                                           | 19-2                                                                              | 19-1                                                                 | 17-3                                                    | 18-8                                       | 17-9                           | ...    | ...   |
| " Canada                                      | "                 | 16-5                                                                                                                                                                                                                                                            | 8-0    | 15-3   | 16-8   | 18-8   | ...    | ...    | ...    | ...    | ...                                                                                            | ...                                                                               | ...                                                                  | ...                                                     | ...                                        | ...                            | ...    | ...   |
| " Mexico                                      | "                 | 6-5                                                                                                                                                                                                                                                             | 6-5    | 11-3   | 11-4   | 12-0   | ...    | ...    | ...    | ...    | ...                                                                                            | ...                                                                               | ...                                                                  | ...                                                     | ...                                        | ...                            | ...    | ...   |
| " Germany                                     | "                 | 1-3                                                                                                                                                                                                                                                             | 2-5    | 2-7    | 2-7    | 3-5    | 14-3   | 16-0   | 16-2   | 15-1   | 16-5                                                                                           | 16-9                                                                              | 17-4                                                                 | 14-8                                                    | 15-7                                       | 16-9                           | ...    | ...   |
| " Poland                                      | "                 | 8-5                                                                                                                                                                                                                                                             | 3-5    | 10-4   | 11-5   | 13-6   | 16-2   | 15-5   | 16-3   | 16-1   | 17-0                                                                                           | 17-8                                                                              | 17-3                                                                 | 15-9                                                    | 18-8                                       | 16-3                           | ...    | ...   |
| " Australia                                   | "                 | 14-1                                                                                                                                                                                                                                                            | 7-0    | 7-1    | 7-9    | 9-2    | 9-9    | 8-7    | 8-8    | 8-4    | 9-2                                                                                            | 10-1                                                                              | 9-7                                                                  | 9-3                                                     | 9-9                                        | 9-4                            | ...    | ...   |
| " U.K.                                        | "                 | 4-4                                                                                                                                                                                                                                                             | 4-5    | 5-7    | 6-0    | 5-9    | 10-6   | 11-0   | 11-6   | 10-7   | 9-5                                                                                            | 9-5                                                                               | 9-9                                                                  | 8-9                                                     | 9-9                                        | 9-5                            | ...    | ...   |
| " U.S.A.                                      | "                 | 47-3                                                                                                                                                                                                                                                            | 15-7   | 31-8   | 37-4   | 41-4   | 34-5   | 34-5   | 34-0   | 27-9   | 36-6                                                                                           | 40-7                                                                              | 40-0                                                                 | 35-8                                                    | 40-9                                       | 39-0                           | ...    | ...   |
| " World                                       | "                 | 121-5                                                                                                                                                                                                                                                           | 65-3   | 111-2  | 123-1  | 136-3  | 131-4  | 132-4  | 132-8  | 122-6  | 132-3                                                                                          | 139-3                                                                             | 139-9                                                                | 127-2                                                   | 140-9                                      | 137-7                          | ...    | ...   |
| Stocks: U.K. (h)                              | "                 | 4-5                                                                                                                                                                                                                                                             | 13-2   | 8-2    | 17-2   | 20-2   | 25-8   | 21-5   | 22-1   | 23-2   | 24-5                                                                                           | 25-8                                                                              | 25-5                                                                 | 26-2                                                    | 24-7                                       | 24-2                           | 23-2   | 21-9  |
| " U.S.A. (h)                                  | "                 | 70-1                                                                                                                                                                                                                                                            | 113-2  | 76-1   | 40-8   | 58-8   | 116-3  | 122-6  | 134-4  | 138-9  | 109-6                                                                                          | 115-1                                                                             | 116-3                                                                | 116-3                                                   | 116-1                                      | 118-3                          | 120-6  | ...   |
| Price: G.O.B., London                         | £ per ton         | 24-88                                                                                                                                                                                                                                                           | 13-58  | 14-08  | 14-90  | 22-25  | 13-98  | 13-56  | 12-80  | 12-73  | 14-34                                                                                          | 13-91                                                                             | 13-67                                                                | 13-52                                                   | 13-73                                      | 13-13                          | 13-72  | 14-03 |
| TIN                                           |                   |                                                                                                                                                                                                                                                                 |        |        |        |        |        |        |        |        |                                                                                                |                                                                                   |                                                                      |                                                         |                                            |                                |        |       |
| Production: Bolivia (exports) Dutch E. Indies | Tons              | 3,862                                                                                                                                                                                                                                                           | 1,715  | 2,264  | 2,006  | 2,085  | 2,114  | 2,456  | 2,188  | 1,829  | 1,839                                                                                          | 1,948                                                                             | 2,088                                                                | 2,407                                                   | 1,296                                      | 1,227                          | 1,304  | ...   |
| " China                                       | "                 | 2,993 <th>1,307</th> <th>2,060</th> <th>2,640</th> <th>3,315</th> <th>1,750</th> <th>2,236</th> <th>1,627</th> <th>1,899</th> <th>1,455</th> <th>1,229</th> <th>2,198</th> <th>1,417</th> <th>759</th> <th>1,258</th> <th>2,051</th> <td>...</td>               | 1,307  | 2,060  | 2,640  | 3,315  | 1,750  | 2,236  | 1,627  | 1,899  | 1,455                                                                                          | 1,229                                                                             | 2,198                                                                | 1,417                                                   | 759                                        | 1,258                          | 2,051  | ...   |
| " Belgium                                     | "                 | 565                                                                                                                                                                                                                                                             | 617    | 783    | 888    | 871    | 897    | 694    | 834    | 1,137  | 1,583                                                                                          | 1,166                                                                             | 945                                                                  | 888                                                     | 945                                        | 888                            | 945    | ...   |
| " British Malaya                              | "                 | 81 <th>570</th> <th>626</th> <th>776</th> <th>610</th> <th>604</th> <th>927</th> <th>570</th> <th>983</th> <th>554</th> <th>426</th> <th>456</th> <th>456</th> <th>456</th> <th>456</th> <th>456</th> <td>...</td>                                              | 570    | 626    | 776    | 610    | 604    | 927    | 570    | 983    | 554                                                                                            | 426                                                                               | 456                                                                  | 456                                                     | 456                                        | 456                            | 456    | ...   |
| " Nigeria                                     | "                 | 5,781 <th>2,479</th> <th>3,830</th> <th>5,567</th> <th>6,462</th> <th>3,604</th> <th>4,741</th> <th>3,781</th> <th>2,781</th> <th>2,450</th> <th>2,127</th> <th>1,920</th> <th>1,920</th> <th>1,803</th> <th>4,691</th> <th>1,499</th> <td>...</td>             | 2,479  | 3,830  | 5,567  | 6,462  | 3,604  | 4,741  | 3,781  | 2,781  | 2,450                                                                                          | 2,127                                                                             | 1,920                                                                | 1,920                                                   | 1,803                                      | 4,691                          | 1,499  | ...   |
| " Siam                                        | "                 | 828 <th>772</th> <th>815</th> <th>1,056</th> <th>1,365</th> <th>1,125</th> <th>1,216</th> <th>1,135</th> <th>1,247</th> <th>441</th> <th>232</th> <th>571</th> <th>571</th> <th>247</th> <th>396</th> <th>535</th> <td>...</td>                                 | 772    | 815    | 1,056  | 1,365  | 1,125  | 1,216  | 1,135  | 1,247  | 441                                                                                            | 232                                                                               | 571                                                                  | 571                                                     | 247                                        | 396                            | 535    | ...   |
| " World                                       | "                 | 15,582 <th>8,267</th> <th>12,258</th> <th>15,060</th> <th>17,242</th> <th>13,963</th> <td>14,500</td> <td>12,600</td> <td>12,100</td> <td>10,700</td> <td>9,300</td> <td>15,900</td> <td>10,100</td> <td>7,500</td> <td>11,200</td> <td>9,300</td> <td>...</td> | 8,267  | 12,258 | 15,060 | 17,242 | 13,963 | 14,500 | 12,600 | 12,100 | 10,700                                                                                         | 9,300                                                                             | 15,900                                                               | 10,100                                                  | 7,500                                      | 11,200                         | 9,300  | ...   |
| " Quota of restrg. countries                  | "                 | ...                                                                                                                                                                                                                                                             | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...                                                                                            | ...                                                                               | ...                                                                  | ...                                                     | ...                                        | ...                            | ...    | ...   |
| Consumption: U.K.                             | % of std. quanty. | 2,518                                                                                                                                                                                                                                                           | 1,542  | 1,786  | 1,825  | 1,07-5 | 53-8   | 55-0   | 55-0   | 55-0   | 45-0                                                                                           | 45-0                                                                              | 45-0                                                                 | 45-0                                                    | 45-0                                       | 40-0                           | 40-0   | 40-0  |
| " U.S.A.                                      | tons              | 7,293                                                                                                                                                                                                                                                           | 2,938  | 5,191  | 6,304  | 1,524  | 1,524  | 2,437  | 1,336  | 1,043  | 1,504                                                                                          | 1,238                                                                             | 1,596                                                                | 1,109                                                   | 2,255                                      | 1,440                          | 1,993  | ...   |
| " World                                       | "                 | 14,834                                                                                                                                                                                                                                                          | 8,758  | 12,422 | 13,392 | 16,442 | 12,625 | 12,600 | 16,500 | 11,200 | 11,000                                                                                         | 11,300                                                                            | 11,300                                                               | 11,000                                                  | 13,500                                     | 14,300                         | 14,300 | ...   |
| Stocks: World Vis. supply (h)                 | "                 | 32,449                                                                                                                                                                                                                                                          | 55,903 | 13,841 | 22,695 | 25,711 | 29,494 | 28,902 | 26,308 | 27,512 | 29,532                                                                                         | 29,494                                                                            | 32,948                                                               | 33,563                                                  | 32,729                                     | 32,729                         | 29,919 | ...   |
| " Ratio to annual cons.                       | %                 | 17-7                                                                                                                                                                                                                                                            | 53-2   | 9-3    | 14-1   | 13-0   | 18-0   | 18-0   | 17-8   | 20-0   | 20-0                                                                                           | 20-0                                                                              | 20-0                                                                 | 22-0                                                    | 22-0                                       | 22-0                           | 20-0   | ...   |
| Price: Std. cash, London                      | £ per ton         | 203-9                                                                                                                                                                                                                                                           | 136-0  | 225-7  | 204-6  | 242-3  | 189-6  | 168-8  | 162-8  | 177-6  | 214-0                                                                                          | 214-6                                                                             | 215-6                                                                | 214-0                                                   | 215-5                                      | 218-5                          | 225-7  | ...   |

## British Industrial Developments

The following reports on British industry cover, in most cases, the period to the middle of August. In the remainder they relate to the month of July.

### COAL

The output of coal showed a seasonal decline between June and July, but the quantity raised last month was well above the level of the corresponding month last year. Actually, production fell from 19.3 million tons in June to 18.0 million in July; compared with a year ago, however, output last month showed an increase of 1,140,000 tons. The improvement in demand has not been confined to the domestic trade, for exports have shown a sharp increase. Cargo shipments rose from 3,056,000 tons in July, 1938, to 3,736,000 tons in the past month, while shipments for the use of steamers advanced from 835,000 tons to 872,000 during this period. In fact, the increase in exports compared with a year ago has been more marked than the expansion in domestic consumption. The explanation of this vigorous recovery is to be found in the heavy decline of exports by Germany; they fell from 16.8 million metric tons in the first half of 1938 to 12.7 million tons in the corresponding period this year.

### IRON AND STEEL

Holidays and the need for plant renewals and repairs has naturally caused a temporary reduction in the activity of the iron and steel industry in recent weeks, but owing to the pressure for the delivery of materials production is being maintained at as high a level as possible. The output of pig iron (a continuous process) rose further between June and July, from 715,700 tons to 743,600 tons, and the number of furnaces in blast was increased from 114 at the end of June to 115 at the end of the past month; despite the increase, however, production last month remained below the highest levels reached in 1937. The output of crude steel, on the other hand, showed a decline in the past month. But this was due entirely to the holidays in Scotland, and on a daily basis production in England and Wales actually showed a further increase. The volume of exports of iron and steel materials rose from 135,100 tons in July, 1938, to 177,200 tons last month, against 232,200 tons in July, 1937. The expansion in imports, however, was much more marked; they were 202,300 tons in July, 1937, 65,000 tons in 1938 and 220,600 tons in the past month. There was also an appreciable increase in the intake of iron ore and scrap; thus, imports of ore rose from 329,800 tons in July, 1938 to 551,900 tons in the past month, while those of scrap and ships intended for breaking up advanced from 51,000 tons to 103,600 tons and from 6,000 gross tons to 8,200 gross tons respectively. While the output of crude steel in the current month must be expected to show a reduction, operations are likely to be speeded up rapidly in September.

### GENERAL ENGINEERING

The expansion in the engineering industry continued in the past month and is reflected in a further decline in the proportion of insured persons unemployed in the industry as a whole, from 5.4 per cent. on June 12th to 4.8 per cent. on July 10th. The growth of activity is due largely to the further increase in armament work; civil demand has shown a (partly seasonal) decline. The increase in the demands made on the engineering industry by rearmament is reflected in the foreign trade returns. Thus, imports of machinery last month amounted to 10,349 tons compared with 10,730 tons in the corresponding month last year; but while the volume of imports showed little change their value rose from £1,822,000 to £2,290,000 during this period. The volume of exports, on the other hand, fell sharply, from 38,286 tons in July, 1938, to 34,191 tons last month, but the decline in their value, from £4,874,000 to £4,434,000, was less marked. An analysis of the unemployment position by sections and districts shows considerable divergences; in some sections and districts virtually all the available labour has now been absorbed.

### ELECTRICAL EQUIPMENT

The electrical equipment industry, in particular, is now operating at a very high level. For example the proportion of insured persons unemployed in electrical engineering was only 3.0 per cent. on July 10th compared with 3.6 per cent. a month earlier; the corresponding figures for electric cable, apparatus, and lamp manufacture are 4.6 per cent. and 5.4 per cent. The expansion in electrical engineering is due largely to increased domestic orders, for exports of machinery actually declined from 1,914 tons (valued at £398,000) in July, 1938, to 1,387 tons (valued at £270,000) in the past month. Shipments of electrical goods and apparatus also fell during this period from £1,082,000 to £1,035,000.

### AUTOMOBILES

Private car sales during the month of June were 17 per cent. higher than in June last year, and the production of private cars and taxis increased by 6,300 units. Production of commercial vehicles also increased by 700 compared with June, 1938; owing to the low level of output in the early part of the season, the total output of commercial vehicles in the nine months ending in June was considerably smaller than in the same period of the previous season, while the output of private cars was much greater. During the

seven months ended July, 2,500 more private cars were exported than in the same seven months last year, thereby reaching a record total of 49,234 units. Exports of commercial vehicles, however, show the slight decrease of 200 units.

### BUILDING

Constructional activity has been maintained at a very high level; the percentage of insured persons unemployed fell between July, 1938, and the past month from 13.6 to 11.3 in the case of building and from 35 to 31.4 in the case of public works contracting. Between June and July the figure for building remained unchanged but that for public works contracting showed a slight increase. But, while the unemployment figures suggest that activity is now actually higher than a year ago, the course of the returns relating to building plans passed by local authorities has been sharply downwards. Last month, for example, the value of building plans passed was 30.9 per cent. lower than a year ago. The apparent contradiction between the unemployment returns and the figures for building plans passed is due to the fact that the value of building permits excludes direct Government contracts, which must have shown a substantial increase in recent months. The decline in dwelling house construction has thus been practically offset by an increase in other forms of building.

### CHEMICALS

During the past month the home chemical market has been fairly active for the time of year, particularly so the industrial chemicals section. The demand for all-wood distillation products has increased, and there has been a fall in stocks, although prices have, as yet, shown no increase. The pharmaceutical and fine chemicals section of the market has been rather quiet during the month, and business in coal tar products has continued to be difficult. There was a further improvement in overseas trade in chemicals, drugs, dyes and colours during July, exports increasing in value by £306,053 and imports by £452,670 as compared with July, 1938.

### POTTERY

After a period of hesitation at the end of June, business again improved in July, particularly at Bristol and Derby. There was also a slight improvement in North Staffordshire, where a considerable amount of short time is still being worked. The percentage unemployed among insured workers fell from 17.1 on June 12th to 16.3 on July 10th, due to a fall in the number of both "temporarily" and "wholly" unemployed. Imports of pottery products remain at a considerably lower level than a year ago, while the volume of exports is slowly rising. In the seven months ending in July exports of sanitaryware totalled 298,488 cwt., valued at £406,427, compared with 255,629 cwt., valued at £370,133, in the corresponding period of 1938; exports of earthenware have improved from the low levels ruling in the early months of the year, but the total for the first seven months is still below that of a year ago.

### FOOTWEAR

Buying on civilian account has been restricted by the holidays, and in spite of good clearances in the first week of August a resumption of orders is not expected until the end of the month. Factories working on Government contracts reduced their holidays to the minimum and are again working at full pressure. Leather prices remain firm with an upward tendency, and manufacturers are finding it slightly easier to secure an advance in prices for forward buying of their products. Imports both of leather and of rubber footwear continue at a much higher level than in 1938 or 1937; the wet weather of the last few weeks has particularly stimulated the sale of rubber boots and overshoes, the bulk of which are imported.

### COTTON

An active demand has again been experienced in coarse American yarns, and spinners are very busy, with users pressing for deliveries. Spinning production rose in July to 75 per cent. of capacity, compared with 67 per cent. in June. Fine American numbers and Egyptian qualities have been rather slow. The price control scheme for Egyptian yarns has been renewed for twelve months, but the agreement will not apply to carded descriptions. The first Government estimate of the American cotton crop for the new season was 11,412,000 bales, but since then the prospects for the yield have improved, and there is a possibility that the forecast at the beginning of September will approach 12 million bales. There has been a tendency for more machinery to be worked, due largely to the increased number of contracts given out by the Government. According to an official announcement, 25 million yards of cloth have been purchased by the Government for delivery up to November 30th. Further contracts are pending, carrying delivery up to the end of January, and the total Government contracts will then amount to over 30 million yards. The export in cloth is disappointing. The bazaars in India are over-supplied, and very few fresh orders have been secured for that important market. A fair amount of buying has taken place in fancies for Rangoon, Java and Singapore. A steady demand has been experienced in printing and finishing styles for South America. Heavy goods have moved off fairly well for the Dominions, especially South Africa. Exports of cloth during July were 128,976,000 square yards, against 112,548,000 square yards in

June and 113,260,000 square yards in July, 1938. Yarn shipments during July were 9,267,000 lb., against 9,096,300 lb. in June and 9,321,400 lb. in July, 1938. New orders from the home trade are rather unsatisfactory, but good clearances are being made against existing contracts.

### JUTE

The certainty of a good crop of jute, combined with the probability of a restricted Indian demand, led to a sharp fall in prices for new crop early in August, though there has been a certain revival on rumours that the Bengal Government may intervene to maintain prices. Only a moderate business is done in Dundee in jute yarns, except those wanted by manufacturers of sandbags and tarpaulin, who are still extremely busy.

### LINEN

Forward reports of the new flax crop indicate that yields will probably be less than last year, while the quality is only moderate. The policy of the Soviet Flax monopoly is still unknown. Prices remain very firm, and civilian business in yarn and cloth, as is usual at this time of year, is restricted to immediate requirements. The export trade is well maintained on the whole, and Government contracts, particularly for linen thread, help to maintain employment.

### RAYON

There has been little change in the rayon position during the past month and in the continued state of international uneasiness any marked improvement is unlikely. Nevertheless, in the cloth section there has been a slightly more favourable tendency, and the belated summer weather should prove a welcome fillip. There is still a fair volume of trade in the yarn section against existing contracts. Exports of rayon piece-goods continue at a higher level than a year ago, owing to the sustained demand from the Dominions.

### WOOL

The holidays have restricted the flow of new orders on home account and most mills closed down for one week or more early in August. Those working on Government account reduced their

holidays to the minimum and a shortage of skilled workers is reported from several districts. Although little new business has been placed by the home trade, the firmness of wool prices has induced some buyers to contract forward for bulk lines at existing prices. Activity in all sections of the industry is expected to increase further in September; the percentage unemployed among insured workers declined from 9.1 on June 12th to 6.7 on July 10th, which compares with 22.1 per cent. in July, 1938.

### AGRICULTURE AND FISHERIES

The cold wet weather of recent weeks seriously delayed the hay harvest, which is poor both in quantity and quality. Much was not cut until the second week in August, when the weather improved. The yield of corn crops, according to estimates made by the Ministry of Agriculture, is expected to be considerably lower than last year, but about equal to the average of the last ten years; the eastern districts of England and Scotland although lacking in sun had less rain in July than western areas. Root crops have generally grown well, but weeding and lifting of potatoes have been hindered by wet weather; sunshine is generally needed, particularly for the sugar beet. Turnips in Scotland are reported to have suffered both from the drought in June and the rain in July. There are large crops of plums and apples, but prices have already fallen to very low levels, particularly for plums. The latest returns of sea fisheries show that in the seven months ending in July, the herring catch amounted to only 109,474 cwt., less than half of the weight landed in the corresponding period of 1938; the catch of other fish has been about normal.

### SHIPPING

The international tension is not favourable to an increase in world trade and tramp shipping freights remain at a low level. The *Economist* index of freights, for instance, reached in July the lowest level of the year. Some business has been done in scrap iron and steel from North America to the Continent and there is a steady movement on a small scale of wheat from the Plate. During last week, a number of contracts (believed to be on Government account) were secured for wheat from North America to be loaded early in September, but business elsewhere is likely to remain dull, until the political situation is clearer.

### UNITED KINGDOM—THE ECONOMIST INDICES OF BUSINESS ACTIVITY\*

Corrected for normal seasonal variations. 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             |                               |
| 929                     | ↑          | 98                   | 103         | 68                      | 127                      | 76              | 95                | 60                                            | 97                            | 111                      | 98                              | 137                | 108                               | 91   | 109            | 98                            |
| 930                     | 94         | 98                   | 98          | 68                      | 115                      | 80              | 96                | 65                                            | 84                            | 82                       | 108                             | 107                | 89                                | 112  | 93             | ...                           |
| 931                     | 91         | 92                   | 69          | 98                      | 83                       | 85              | 62                | 73                                            | 86                            | 82                       | 80                              | 97                 | 86                                | 96   | 87             | ...                           |
| 932                     | 90         | 90                   | 71          | 86                      | 86                       | 94              | 57                | 59                                            | 84                            | 82                       | 82                              | 94                 | 86                                | 86   | 84             | ...                           |
| 933                     | 93         | 90                   | 78          | 89                      | 89                       | 96              | 73                | 70                                            | 101                           | 92                       | 85                              | 96                 | 91                                | 88   | 89             | ...                           |
| 934                     | 97         | 97                   | 88          | 100                     | 95                       | 97              | 88                | 93                                            | 98                            | 92                       | 92                              | 98                 | 95                                | 96   | 96             | ...                           |
| 935                     | 100        | 100                  | 100         | 100                     | 100                      | 100             | 100               | 100                                           | 100                           | 100                      | 100                             | 100                | 100                               | 100  | 100            | ...                           |
| 936                     | 105        | 104                  | 112         | 106                     | 105                      | 104             | 107               | 125                                           | 108                           | 110                      | 101                             | 102                | 104                               | 103  | 106            | ...                           |
| 937                     | 111        | 108                  | 126         | 113                     | 111                      | 108             | 98                | 142                                           | 116                           | 121                      | 112                             | 109                | 105                               | 101  | 112            | ...                           |
| 938                     | 110        | 103                  | 131         | 95                      | 114                      | 110             | 90                | 112                                           | 80                            | 107                      | 88                              | 105                | 100                               | 95   | 104            | ...                           |
| 938—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                      | 106             | 108               | 132                                           | 107                           | 123                      | 105                             | 100                | 106                               | 113  | 108            | 107                           |
| October                 | 107        | 104                  | 113         | 107                     | 107                      | 104             | 107               | 127                                           | 102                           | 117                      | 107                             | 103                | 106                               | 114  | 108            | 108                           |
| November                | 107        | 104                  | 117         | 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                             | 106                | 107                               | 122  | 109            | 109                           |
| 937—January             | 108        | 97                   | 116         | 110                     | 109                      | 107             | 102               | 124                                           | 111                           | 103                      | 104                             | 101                | 106                               | 105  | 107            | 109                           |
| February                | 108        | 108                  | 116         | 107                     | 109                      | 110             | 102               | 118                                           | 110                           | 102                      | 111                             | 107                | 108                               | 115  | 109            | 110                           |
| March                   | 108        | 110                  | 125         | 106                     | 110                      | 107             | 99                | 118                                           | 123                           | 119                      | 120                             | 114                | 108                               | 107  | 111            | 110                           |
| April                   | 110        | 112                  | 122         | 115                     | 110                      | 110             | 102               | 117                                           | 116                           | 103                      | 108                             | 102                | 103                               | 109  | 110            | 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                | 139                                           | 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             | 85                | 157                                           | 106                           | 135                      | 119                             | 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                                           | 108                           | 145                      | 104                             | 109                | 104                               | 100  | 112            | 110                           |
| December                | 109        | 105                  | 131         | 114                     | 113                      | 111             | 96                | 179                                           | 97                            | 110                      | 106                             | 108                | 101                               | 99   | 111            | 109                           |
| 938—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                | 148                                           | 102                           | 109                      | 99                              | 102                | 99                                | 88   | 107            | 107                           |
| April                   | 109        | 99                   | 123         | 101                     | 113                      | 107             | 80                | 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             | 85                | 89                                            | 87                            | 105                      | 103                             | 104                | 102                               | 102  | 104            | 103                           |
| September               | 110        | 105                  | 132         | 88                      | 114                      | 109             | 88                | 102                                           | 81                            | 106                      | 100                             | 107                | 101                               | 95   | 104            | 103                           |
| October                 | 110        | 104                  | 133         | 88                      | 117                      | 110             | 87                | 99                                            | 81                            | 90                       | 99                              | 101                | 101                               | 98   | 102            | 104                           |
| November                | 110        | 97                   | 130         | 88                      | 117                      | 113             | 85                | 82                                            | 82                            | 86                       | 96                              | 102                | 98                                | 103  | 101            | 105                           |
| December                | 110        | 100                  | 139         | 84                      | 117                      | 113             | 85                | 82                                            | 82                            | 86                       | 96                              | 102                | 98                                | 103  | 101            | 105                           |
| 938—January             | 110        | 105                  | 141         | 94                      | 116                      | 112             | 82                | 100                                           | 83                            | 98                       | 102                             | 105                | 104                               | 92   | 104            | 105                           |
| February                | 111        | 103                  | 137         | 95                      | 116                      | 111             | 83                | 117                                           | 88                            | 95                       | 108                             | 103                | 102                               | 87   | 105            | ...                           |
| March                   | 111        | 105                  | 141         | 98                      | 116                      | 111             | 84                | 130                                           | 94                            | 98                       | 101                             | 101                | 100                               | 84   | 108            | ...                           |
| April                   | 112        | 113                  | 142         | 101                     | 116                      | 108             | 84                | 146                                           | 112                           | 115                      | 107                             | 108                | 100                               | 82   | 110            | ...                           |
| May                     | 113        | 108                  | 141         | 104                     | 116                      | 108             | 82                | 152                                           | 113                           | 124                      | 107                             | 109                | 101                               | 82   | 112            | ...                           |
| June                    | 115        | 112                  | 141         | 110                     | 116                      | 108             | 81                | 157                                           | 110                           | 127                      | 107                             | 108                | 100                               | 82   | 110            | ...                           |
| July                    | 116        | 107                  | 144         | ...                     | 116                      | 108             | 79                | 160                                           | 110                           | 130                      | 101                             | 112                | 101                               | 82   | 111            | ...                           |

\* For method of construction and earlier figures (1924-1936) 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. † Revised. ‡ Provisional. § Annual indices represent averages of monthly figures.



## Business Developments Overseas

## BRITISH EMPIRE

**AUSTRALIA.**—Negotiations between the Commonwealth and State Governments over a larger subsidy to wheat farmers are held up owing to the refusal of the Victorian Government to co-operate. There has been a seasonal decline in retail and wholesale trade, according to a cable from the National Bank of Australasia, but defence contracts and the prospects of further expenditure on defence have helped to give confidence. The effect on the Australian exports of the low prices for wheat is partly offset by the firm market for wool and by larger exports of butter and gold.

**CANADA.**—The excessive heat of the past few weeks has brought some deterioration in the condition of the wheat crop, but estimates still indicate an out-turn of 400 million bushels. The prospects of this record crop, which is now being harvested, has encouraged business in Western Canada, where a number of elevators have reopened. Exports are also on a large scale; the United Kingdom continues to take good quantities of timber, minerals and pulp. Business as a whole continues to increase slowly; the value of contracts awarded to the construction industry and of building permits were both larger in June than in May or than in June, 1938.

**INDIA.**—The famine conditions in Central and Western India have been somewhat relieved by heavy rains in Berar and the Central Provinces, but scarcity both of human food and of cattle fodder persists in the western states. The fall in the prices for raw jute has impeded trade in jute manufactures, and, in spite of the restricted production by the Calcutta mills, the offtake from the mills is very slow. Imports of cotton yarn and piece goods continued to increase in May, and the local mills are finding it extremely difficult to meet Japanese competition in the cheaper classes; up-country sales are at a very low level in most districts owing to the prospects of a poor harvest of many of the principal crops. It is reported that the Millowners' Associations in Bombay and Ahmedabad are discussing a scheme for restricting production in the Province.

**SOUTH AFRICA.**—Heavy rains in most provinces in July have improved wheat prospects and the supply of fodder for cattle, but the threshing of maize and delivery to elevators has been hampered. The export of maize continues steadily, but prices on international markets are very low. Trade in hides and skins has improved, owing to strong buying from overseas, and there has been a noticeable rise in prices. Retail trade has been satisfactory on the whole.

## EUROPE

**FRANCE.**—The rate of expansion in industrial activity has been sharply accelerated since the spring. Thus, the official index of industrial production (1928=100) rose from 92 last February to 98 in May and 100 in June, against 83 in June, 1938. The figure for June, moreover, was the highest since March, 1931, and only 10 per cent. below the record of 112 reached in 1930. The expansion in activity, while due in a large measure to increased defence expenditure, has been fairly widespread. It has been very marked in the mining, iron and steel and engineering industries, but the textile trades have also experienced a vigorous recovery. Even building activity, though still at a comparatively low level, has shown some improvement. Such evidence as is available for July suggests that the improvement has continued. The number of unemployed in receipt of benefit, for example, fell from 337,000 on July 8th to 317,000 on August 5th. The trend of prices of both domestic and imported materials has tended to decline in recent weeks.

**GERMANY.**—According to the official statistics the volume of industrial activity has been maintained at a high level. The index of industrial production calculated by the German Institute for Economic Research (1928=100) stood at 136.9 in June against 139.9 in May and 130.2 in January. But while the index of the production of capital goods rose from 134.4 in January to 146.8 in June, the figure for consumption goods fell from 120 to 113.3. The Institute's weekly index suggests that there was little change in the general level of activity in July. As a result of the feverish war preparations the economic balance has been seriously distorted. This is reflected in the difficulty in maintaining the flow of raw materials from overseas and in the shortage of coal and other materials produced at home. While the official indices of the prices of commodities and industrial securities have shown little change in recent weeks, there was a further marked increase in the volume of money in circulation, from Rm. 10,742 millions in the first week of July to Rm. 11,229 millions in the first week of August.

**NORWAY.**—As in England, the herring catch has been exceptionally poor, both in quantity and quality; this is the more unfortunate as the export trade in cured and canned fish has improved considerably in recent months. Exports of canned fish in the first five months of 1939 increased by 30 per cent. in quantity and by 35 per cent. in value, compared with the same period of last year. The very wet weather in July has seriously affected the hay harvest in many districts. The low level of tramp shipping freights and the lack of prospects of any immediate improvement led to a sharp increase in the number of vessels laid up from 49

at the end of June to 83 at the end of July, of which 44 were oil tankers.

**SWEDEN.**—The international tension has helped to increase the foreign demand for many Swedish products, notably for steel and timber. Combined with the boom in domestic building, the revival of international demand has led to full working in many Swedish ironworks. The decision of the European Timber Exporters Convention to raise the export quotas of its members will mean for Sweden an increase from 656,000 to 721,000 standards in her permissible exports for 1939; at the present level of demand in European importing countries and with the low level of stocks, the extra allotments should be easily cleared. Wholesale prices have begun to rise owing to increased prices for textiles, building materials and British coal, and employment is maintained at a satisfactory level in most industries.

**HOLLAND.**—The recovery in business activity in Holland continues to make headway, aided by Government expenditure on defence. Unemployment, while still large, is less than a year ago; the value of contracts secured by the building industry in June totalled 15.1 million guilders, against 14.3 million guilders in May. Exports show a considerable increase in value compared with last year, owing partly to the improved trade in textiles and partly to larger exports of bacon and eggs to England and of horticultural products to Germany; the export of the latter is likely to be restricted again by the exchange difficulties with Germany. Increased employment and the continuing low level of the cost of living has led to an increase in the turnover of retail sales and in the yield of the turnover tax. The suspension of payments by Mendelssohn and Company at the end of last week led to an influx of funds from other centres by banks and other firms wishing to increase their liquidity, and as a result there was a temporary fall in both the dollar and pound exchange. The suspension has led to no panic either on the Bourse or in the exchange markets and a number of Dutch banks are assisting in the orderly liquidation of the affairs of the Mendelssohn Company.

## UNITED STATES OF AMERICA

The recovery movement which began in May has gathered momentum. Thus, the Federal Reserve Board's index of industrial production, adjusted for seasonal variations, rose from 92 in May (1923-25=100) to 98 in June and 102 in July; the figure for July, 1938, was 83. It appears that the advance in the index is due partly to the contra-seasonal expansion in steel production, but this in itself is a reflection of the improvement in general business conditions. Construction activity has tended to expand and the average daily value of building contracts awarded during the first three weeks of July was slightly higher than in the corresponding period of June. The latest reports from the lighter industries are also encouraging. There has been an improvement in the cotton industry and the wool textile and rayon industries have also made headway. Retail trade is appreciably better than a year ago. In the absence of a European war most observers in the United States expect a further expansion of general business during the next few months.

## LATIN AMERICA

**ARGENTINA.**—The Government has stated that the low price of grain will not induce it to raise exchange rates, and that it is in a position to finance the guaranteed wheat prices to farmers this season, by the use of the financial reserves accumulated in times of prosperity. The local Buenos Aires grain market has recovered slightly on reports of adverse weather in Canada. With continued restriction of imports in the first half of this year, combined with a large volume of exports, Argentina had in the first six months of 1939 a favourable merchandise trade balance of over £11 millions sterling against an import surplus of £2 millions sterling in the same period of 1938, in spite of the fall in wheat prices. Britain's share of Argentina's import trade in the first half of this year was 21.7 per cent. against 18.8 per cent. in 1938, while the United States supplied 15.2 per cent. of Argentina's imports, against 19.2 per cent. There is a marked return of competition with British textiles from both Italy and Japan.

**BRAZIL.**—The free exchange rate is steady, although export bills are scarce. With the beginning of the period of high cotton exports, the trade balance at the end of May was favourable to the extent of £588,000 (gold), against an adverse balance of £2,376,000 (gold) twelve months previously.

## THE FAR EAST

**JAPAN.**—Negotiations have been opened with the Indian Government for the renewal of the Indo-Japanese trade agreement, which expires in March next. The Japanese cotton trade is pressing for an increase in the ratio between the quantity of Indian cotton purchased by Japan and the quantity of cloth which Japan can export to India, and for an alteration in the Indian import quotas of cloth, to favour Japanese printed cloths rather than plain. Wholesale prices continue to rise, in spite of the efforts of the Government, and are reflected in an increase in the cost of living. The note circulation of the Bank of Japan on July 22nd amounted to 2,212 million yen, against 1,881 million yen a year ago.

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   | June   | July   | Nov.   | Dec.   | Jan.   | Feb.   | Mar.   | Apr.   | May    | June   | July   |
| <b>PRODUCTION</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                      |                 |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 1. Industr. Prod. B. of Trade (a) (d)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 1930 = 100           | 108.5           | 90.5   | 113.4  | 124.4  | 132.8  | 124.3  | 121.7  | 116.8  | 119.9  | 126.0  | 131.0  | 131.0  | 131.0  | 131.0  | 131.0  | 133.4  | 133.4  |
| 2. Coal, G.B. ....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Mill. tons           | 21.4            | 17.4   | 18.6   | 19.0   | 20.1   | 19.0   | 17.1   | 16.8   | 19.9   | 19.2   | 20.4   | 19.2   | 21.8   | 20.6   | 20.6   | 19.3   | 18.0   |
| 3. Electricity, public supply, G.B. ....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Mill. kw-hrs.        | 832             | 298    | 535    | 641    | 708    | 864    | 542    | 508    | 462    | 446    | 501    | 516    | 604    | 609    | 692    | 716    | 744    |
| 4. Pig iron ....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Thous. tons          | 803             | 439    | 822    | 975    | 1,082  | 866    | 776    | 683    | 860    | 656    | 812    | 971    | 1,171  | 1,058  | 1,218  | 1,176  | 1,153  |
| 5. Steel ingots and castings ....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Thous. £'s           | 3,688           | 3,907  | 6,536  | 6,255  | 5,637  | 4,976  | 5,779  | 5,556  | 4,004  | 3,913  | 3,295  | 5,453  | 5,219  | 4,698  | 4,076  | 4,186  | 3,361  |
| 6. Buildg. plans passed (f) Dwellings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | "                    | 2,403           | 1,614  | 2,990  | 3,497  | 3,579  | 3,185  | 3,081  | 4,060  | 3,082  | 3,953  | 2,810  | 3,137  | 4,271  | 2,961  | 3,574  | 3,609  | 3,251  |
| 7. 146 towns, G.B. .... Other ....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | "                    | "               | "      | "      | "      | "      | "      | "      | "      | "      | "      | "      | "      | "      | "      | "      | "      | "      |
| 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             | 16     | 42     | 71     | 76     | 86     | 96     | 103    | 81     | 81     | 53     | 53     | 53     | 46     | 46     | 46     | 46     |
| 10. " launched (f) ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | "                    | 1,560           | 225    | 743    | 964    | 1,125  | 780    | 1,037  | 780    | 1,037  | 780    | 1,037  | 780    | 1,037  | 780    | 1,037  | 780    | 791    |
| 11. " on hand, end yr. ....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Number               | 15,196          | 14,270 | 25,962 | 29,487 | 32,469 | 28,533 | 28,267 | 25,426 | 28,266 | 31,108 | 32,286 | 29,724 | 46,824 | 33,693 | 37,295 | 34,586 | ...    |
| 12. Automobiles: priv. cars (b) ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | "                    | 4,705           | 5,123  | 7,681  | 8,967  | 9,843  | 8,764  | 8,913  | 8,906  | 8,270  | 7,650  | 9,691  | 7,974  | 9,194  | 7,811  | 10,790 | 8,983  | ...    |
| 13. " Com. vehicles (b) ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | "                    | 5.27            | 4.47   | 4.72   | 5.17   | 5.43   | 4.18   | 3.73   | 3.57   | 4.21   | 4.25   | 4.4    | 4.4    | 4.76   | 5.64   | 5.50   | 5.0    | 4.65   |
| 14. Cotton delivered to mills, G.B. ....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Mill. lbs. daily av. | 4,742           | 6,043  | 10,314 | 12,110 | 12,901 | 11,694 | 11,110 | 11,640 | 12,410 | 10,388 | 12,532 | 10,230 | 12,243 | 12,433 | 15,972 | 13,679 | ...    |
| 15. Rayon: Output ....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Thous. lbs.          | 4,710           | 5,955  | 9,987  | 11,785 | 13,082 | 11,146 | 9,361  | 10,821 | 12,532 | 10,230 | 12,532 | 10,230 | 12,243 | 12,433 | 15,972 | 13,679 | ...    |
| 16. " Quantity excised ....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | "                    | 1,620           | 1,102  | 1,355  | 1,395  | 1,488  | 1,522  | 1,598  | 1,701  | 1,534  | 1,624  | 1,217  | 1,195  | 1,660  | 1,343  | 1,687  | 1,763  | ...    |
| 17. Beer production ....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Thous. st. barrels   | 914             | 721    | 720    | 760    | 785    | 757    | 679    | 741    | 1,033  | 1,033  | 1,033  | 1,033  | 1,033  | 1,033  | 1,033  | 1,033  | ...    |
| 18. Distilling: Drink (f) ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Thou. proof galls.   | 1,205           | 1,834  | 3,172  | 3,595  | 4,369  | 4,363  | 4,264  | 4,351  | 4,445  | 4,445  | 4,380  | 4,380  | 4,380  | 5,005  | 5,005  | 5,005  | ...    |
| 19. " Industrial alcohol (f) ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | "                    | 151.6           | 141.5  | 136.1  | 137.4  | 144.5  | 154.4  | 152.4  | 152.4  | 153.1  | 154.4  | 155.3  | 155.9  | 158.7  | 159.5  | 160.3  | 160.7  | ...    |
| 20. " Stocks, end year ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Mill. proof galls.   | "               | "      | "      | "      | "      | "      | "      | "      | "      | "      | "      | "      | "      | "      | "      | "      | "      |
| <b>TRADE AND TRANSPORT</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                      |                 |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Domestic Trade                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                      |                 |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 21. Rly. traf.: Merch. & livstck. G.B. ....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Thous. tons          | 9,780           | 6,605  | 7,661  | 8,188  | 8,690  | 7,362  | 6,992  | 6,173  | 7,324  | 6,795  | 6,418  | 7,302  | 7,720  | ...    | ...    | ...    | ...    |
| 22. " Coal and coke, G.B. ....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Thousands            | 15,933          | 12,861 | 13,447 | 13,539 | 14,384 | 88,340 | 12,086 | 10,694 | 13,731 | 14,370 | 14,362 | 14,858 | 14,428 | ...    | ...    | ...    | ...    |
| 23. Automobiles: priv. cars, in use, G.B. ....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | "                    | 893.8           | 1018.4 | 1347.5 | 1498.8 | 1648.2 | 1799.6 | 1827.6 | 1921.5 | 1819.4 | 1845.4 | 1781.6 | 1742.0 | 1770.0 | 1967.8 | 1970.7 | 1982.5 | 2042.0 |
| 24. " Com. vehicles in use, G.B. ....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | "                    | 314.7           | 356.2  | 413.2  | 437.0  | 459.8  | 474.2  | 481.3  | 473.3  | 489.9  | 489.8  | 473.4  | 474.8  | 478.7  | 481.0  | 480.9  | 482.8  | 484.3  |
| 25. Postal traffic receipts, daily ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Thous. £'s           | 133             | 133    | 140    | 147    | 154    | 155    | 144.9  | 146.0  | 159.3  | 209.9  | 153.5  | 148.9  | 151.8  | 150.0  | 146.8  | 149.7  | 149.1  |
| 26. Retail trade, Gt. Brit.: Food ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Avg. daily sales     | ...             | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    |
| 27. " Other merchandise ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | "                    | ...             | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    |
| 28. " Total ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | "                    | ...             | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    |
| 29. Advtg. expenditure on brand. gds. ....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | "                    | ...             | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    |
| Foreign Trade                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                      |                 |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 30. Retained imports, value: Food ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Thous. £'s           | 42,444          | 29,810 | 28,616 | 30,921 | 34,093 | 34,923 | 37,567 | 35,440 | 37,960 | 34,481 | 34,099 | 29,298 | 34,629 | 29,234 | 32,460 | 35,187 | 31,917 |
| 31. " Raw materials ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | "                    | 23,774          | 11,740 | 15,237 | 17,934 | 23,203 | 18,112 | 17,004 | 17,284 | 16,278 | 17,422 | 18,986 | 14,166 | 18,832 | 17,119 | 20,012 | 19,911 | 19,489 |
| 32. " Manufactures ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | "                    | 25,467          | 12,168 | 14,302 | 16,452 | 20,878 | 17,958 | 16,663 | 16,106 | 18,205 | 16,390 | 17,241 | 16,756 | 20,882 | 18,633 | 20,473 | 22,266 | 22,636 |
| 33. " Total ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | "                    | 92,589          | 54,221 | 58,473 | 65,710 | 79,492 | 71,569 | 71,515 | 69,384 | 72,914 | 68,943 | 70,794 | 60,744 | 73,053 | 65,505 | 73,529 | 77,867 | 74,555 |
| 34. Volumes: Food (a) (d) ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Avg. of 1935         | 98.9            | 102.6  | 100    | 102.8  | 103.1  | 106.3  | 100    | 104.9  | 100.7  | 102.7  | 100.7  | 100.7  | 103.9  | 103.9  | 103.9  | 103.9  | 103.9  |
| 35. " Manufactures (a) (d) ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | "                    | 101.5           | 84.6   | 100    | 111.1  | 120.9  | 106.9  | 104.9  | 104.9  | 115.2  | 115.2  | 115.2  | 115.2  | 117.8  | 117.8  | 117.8  | 117.8  | 117.8  |
| 36. " Total (a) (d) ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | "                    | 108.9           | 92.2   | 100    | 107.2  | 113.8  | 108.7  | 104.4  | 104.4  | 112.4  | 112.4  | 112.4  | 112.4  | 113.8  | 113.8  | 113.8  | 113.8  | 113.8  |
| 37. Domestic exports, value: Food ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Thous. £'s           | 4,555           | 2,625  | 2,636  | 2,966  | 3,232  | 2,993  | 2,659  | 2,904  | 3,811  | 3,025  | 3,123  | 2,490  | 3,135  | 2,433  | 3,191  | 3,381  | 2,998  |
| 38. " Raw materials ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | "                    | 6,575           | 3,634  | 4,400  | 4,278  | 5,388  | 4,744  | 4,456  | 4,689  | 5,434  | 4,642  | 4,654  | 4,268  | 4,839  | 4,152  | 5,363  | 5,182  | 5,261  |
| 39. " Manufactures ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | "                    | 47,899          | 23,031 | 27,411 | 28,410 | 33,737 | 30,448 | 28,772 | 28,963 | 32,471 | 29,360 | 30,448 | 30,434 | 32,664 | 27,430 | 32,743 | 30,466 | 30,997 |
| 40. " Total ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | "                    | 60,779          | 30,419 | 35,493 | 36,727 | 43,466 | 39,240 | 36,894 | 37,470 | 42,923 | 39,099 | 39,480 | 38,052 | 41,635 | 35,149 | 42,273 | 39,895 | 40,355 |
| 41. Volumes: Food (a) (d) ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Avg. of 1935         | 126.7           | 90.9   | 100    | 110.6  | 117.2  | 111.1  | 99.6   | 99.6   | 108.9  | 108.9  | 108.9  | 108.9  | 108.9  | 108.9  | 108.9  | 108.9  | 108.9  |
| 42. " Manufactures (a) (d) ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | "                    | 130.4           | 82.0   | 100    | 102.4  | 101.2  | 89.9   | 86.7   | 86.7   | 102.3  | 102.3  | 102.3  | 102.3  | 102.3  | 102.3  | 102.3  | 102.3  | 102.3  |
| 43. " Total (a) (d) ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | "                    | 142.1           | 83.0   | 100    | 102.1  | 112.2  | 100.0  | 98.0   | 98.0   | 105.0  | 105.0  | 105.0  | 105.0  | 105.0  | 105.0  | 105.0  | 105.0  | 105.0  |
| 44. Shipping: Tonnage entered ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Thous. net tons      | 5,225           | 4,947  | 5,302  | 5,616  | 5,868  | 5,698  | 6,127  | 6,059  | 5,366  | 5,495  | 5,047  | 4,543  | 5,291  | 5,225  | 6,147  | 6,387  | 6,568  |
| 45. " Tonnage cleared ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | "                    | 4,620           | 4,777  | 4,735  | 5,116  | 4,907  | 5,189  | 5,238  | 4,891  | 4,698  | 4,646  | 4,137  | 4,686  | 4,774  | 5,408  | 5,711  | 5,539  | 5,539  |
| 46. " Tonnage laid-up (h) ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | "                    | 365             | 1,921  | 436    | 212    | 95     | 432    | 332    | 332    | 452    | 452    | 452    | 452    | 452    | 452    | 452    | 452    | 452    |
| 47. Freight rates, Economist Index                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 1929 = 100           | 100             | 77.9   | 76.8   | 87.3   | 132.5  | 100.8  | 99.3   | 98.4   | 97.2   | 95.8   | 95.8   | 96.1   | 94.0   | 94.8   | 98.8   | 95.0   | 93.9   |
| <b>EMPLOYMENT AND UNEMPLOYMENT</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                      |                 |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 50. Insured pers. employed (n) G.B. ....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Thousands            | 10,220          | 9,348  | 10,377 | 10,912 | 11,496 | 11,406 | 11,368 | 11,413 | 11,428 | 11,452 | 11,284 | 11,419 | 11,586 | 11,683 | 11,838 | 11,969 | 12,064 |
| 51. Registered unemployed ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | "                    | 1,212           | 2,756  | 1,958  | 1,684  | 1,413  | 1,791  | 1,803  | 1,773  | 1,828  | 1,831  | 2,039  | 1,897  | 1,727  | 1,644  | 1,492  | 1,350  | 1,255  |
| 52. Per cent. unemployed ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | "                    | 10.3            | 21.9   | 15.5   | 13.0   | 10.6   | 12.8   | 12.8   | 12.8   | 12.7   | 12.7   | 14.0   | 13.1   | 12.0   | 11.3   | 10.3   | 9.5    | 8.8    |
| 53. Regist'd at Exchanges, all ages, ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Thousands            | 1,276           | 2,813  | 2,106  | 1,822  | 1,586  | 1,881  | 1,894  | 1,875  | 1,911  | 1,919  | 2,133  | 1,986  | 1,814  | 1,726  | 1,565  | 1,417  | 1,320  |
| 54. " London ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | "                    | 118             | 306    | 203    | 179    | 171    | 226    | 213    | 209    | 247    | 245    | 279    | 262    | 236    | 226    | 207    | 186    | 17     |
| 55. " S.E. England ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | "                    | 69              | 157    | 114    | 94     | 83     | 84     | 77     | 72     | 93     | 91     | 108    | 96     | 84     | 78     | 68     | 54     | 4      |
| 56. " S.W. ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | "                    | 165             | 371    | 217    | 178    | 144    | 210    | 228    | 237    | 205    | 199    | 222    | 199    | 178    | 176    | 155    | 146    | 14     |
| 57. " Midlands ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | "                    | 280             | 802    | 452    | 304    | 165    | 208    | 217    | 217    | 199    | 200    | 231    | 204    | 183    | 181    | 169    | 150    | 13     |
| 58. " N.E. England ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | "                    | 285             | 562    | 439    | 374    | 304    | 398    | 436    | 384    | 386    | 377    | 409    | 383    | 359    | 342    | 317    | 301    | 27     |
| 59. " N.W. ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | "                    | 156             | 378    | 247    | 156    | 138    | 156    | 164    | 168    | 169    | 188    | 177    | 167    | 157    | 144    | 131    | 121    | 12     |
| 60. " Northern (c) ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | "                    | 116             | 228    | 206    | 198    | 151    | 164    | 170    | 161    | 167    | 170    | 174    | 175    | 156    | 142    | 124    | 115    | 10     |
| 61. " Scotland ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | "                    | 36              | 68     | 70     | 67     | 71     | 91     | 92     | 102    | 83     | 87     | 95     | 90     | 87     | 82     | 73     | 68     | 7      |
| 62. " Wales ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | "                    | 678             | 541    | 160    | 154    | 285    | 110    | 175    | 80     | 90     | 29     | 61     | 116    | 90     | 143    | 128    | 130    | 13     |
| 63. " N. Ireland ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | "                    | 100             | 96     | 96     | 99     | 103    | 107    | 107    | 107    | 107    | 107    | 107    | 107    | 107    | 107    | 107    | 107    | 107    |
| 64. Industr. disputes, No. days lost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 1929 = 100           | 100             | 80.5   | 81.0   | 82.5   | 90.5   | 90.0   | 92.0   | 96.0   | 86.0   | 86.0   | 89.0   | 88.0   | 90.0   | 94.0   | 91.0   | 88.0   | ...    |
| 65. Wage rates, Min. of Labour (d)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | "                    | 100             | 80.5   | 81.0   | 82.5   | 90.5   | 90.0   | 92.0   | 96.0   | 86.0   | 86.0   | 89.0   | 88.0   | 90.0   | 94.0   | 91.0   | 88.0   | ...    |
| <b>PRICES</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                      |                 |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 66. Agricultural Produce (Min. of Agriculture) (r) ...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 1927-29 = 100        | 100             | 70.4   | 72.2   | 79.4   | 83.5   | 82.4   | 82.0   | 85.6   | 69.0   | 71.8   | 71.3   | 70.6   | 72.2   | 73.4   | 72.9   | 71.2   | 69.0   |
| 67. " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " " |                      |                 |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |

## UNITED STATES, FRANCE AND GERMANY

|                                                                        | Unit of Measurement | Monthly Average |        |        |        |        |         | 1938   |         |         |         | 1939    |         |         |         |         |         |        |
|------------------------------------------------------------------------|---------------------|-----------------|--------|--------|--------|--------|---------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|
|                                                                        |                     | 1929            | 1932   | 1935   | 1936   | 1937   | 1938    | May    | June    | July    | Dec.    | Jan.    | Feb.    | Mar.    | Apr.    | May     | June    | July   |
| 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    | 63.9   | 64.7    | 69.7    | 87.4    | 84.0    | 82.4    | 82.4    | 77.3    | 77.3    | 81.5    | ...    |
| 2. Investment goods, F.R.B. (a)                                        | "                   | 100             | 27.0   | 62.2   | 81.1   | 87.7   | 53.3    | 41.8   | 41.0    | 47.5    | 75.4    | 72.1    | 68.0    | 65.6    | 62.3    | 58.2    | 68.4    | ...    |
| 3. Consumption goods, F.R.B. (a)                                       | "                   | 100             | 75.2   | 87.2   | 94.0   | 94.0   | 85.3    | 79.5   | 81.2    | 87.2    | 97.4    | 94.0    | 92.3    | 94.0    | 89.7    | 92.3    | 89.2    | ...    |
| 4. Coal                                                                | Thous. met. tons    | 46.0            | 27.2   | 31.6   | 36.5   | 37.0   | 29.2    | 23.2   | 24.3    | 23.5    | 36.9    | 36.7    | 34.5    | 35.3    | 14.5    | 20.8    | 29.1    | 29.4   |
| 5. Electricity generated                                               | Million kw. hrs.    | 8,113           | 6,842  | 8,283  | 9,461  | 10,083 | 9,400   | 8,924  | 9,197   | 9,596   | 10,882  | 10,641  | 9,654   | 10,567  | 9,952   | 10,339  | ...     | ...    |
| 6. Steel                                                               | Thous. met. tons    | 4,599           | 1,128  | 2,830  | 3,973  | 4,192  | 2,357   | 1,836  | 1,665   | 2,006   | 3,193   | 3,238   | 3,002   | 3,419   | 3,035   | 2,965   | 3,181   | 3,342  |
| 7. Index of machine tool orders                                        | 1929 = 100          | 100             | 12.6   | 55.5   | 87.7   | 120.0  | 65.9    | 57.9   | 45.1    | 57.5    | 93.7    | 96.8    | 107.0   | 119.0   | 99.9    | 141.1   | 135.8   | ...    |
| 8. Building contracts awarded:                                         |                     |                 |        |        |        |        |         |        |         |         |         |         |         |         |         |         |         |        |
| Residential                                                            | Million \$          | 159.6           | 23.3   | 39.9   | 66.8   | 75.5   | 82.2    | 74.6   | 85.7    | 88.0    | 91.5    | 80.2    | 79.0    | 125.2   | 114.4   | 133.8   | ...     | ...    |
| Other                                                                  | "                   | 319.6           | 89.3   | 114.1  | 156.1  | 184.4  | 184.2   | 147.4  | 165.3   | 151.8   | 297.9   | 171.3   | 141.2   | 175.4   | 225.6   | 174.7   | ...     | ...    |
| 9. Private cars                                                        | Thousands           | 382             | 88     | 271    | 306    | 326    | 167     | 155    | 137     | 107.9   | 326     | 230     | 240     | 300     | 273     | 238     | ...     | ...    |
| 10. Commercial vehicles                                                | "                   | 64              | 20     | 56     | 65     | 72     | 41      | 37     | 38      | 34      | 62      | 59      | 58      | 72      | 64      | 60      | ...     | ...    |
| 11. Activity in textile industry                                       | 1929 = 100          | 100             | 72.2   | 90.4   | 97.4   | 96.5   | 80.9    | 67.0   | 75.7    | 84.3    | 101.7   | 94.8    | 94.8    | 94.8    | 84.3    | 90.4    | 95.7    | ...    |
| TRADE AND TRANSPORT                                                    |                     |                 |        |        |        |        |         |        |         |         |         |         |         |         |         |         |         |        |
| 13. Index of Rly. car loadings (a)                                     | "                   | 100             | 52.8   | 59.4   | 67.9   | 74.7   | 59.2    | 54.7   | 54.7    | 57.5    | 65.1    | 65.1    | 63.2    | 62.3    | 56.6    | 58.5    | 63.2    | ...    |
| 14. Index of Dept. Store sales (a)                                     | "                   | 100             | 62.2   | 71.2   | 79.2   | 83.6   | 78.7    | 70.3   | 73.9    | 74.8    | 80.2    | 79.3    | 77.5    | 78.3    | 79.3    | 76.6    | 78.4    | ...    |
| 15. Retained imports                                                   | Million \$          | 362             | 110    | 170    | 202    | 251    | 163     | 147.1  | 147.8   | 147.8   | 165.5   | 152.5   | 191.2   | 185.8   | 194.2   | 178.4   | ...     | ...    |
| 16. Domestic exports                                                   | "                   | 430             | 131    | 187    | 202    | 275    | 255     | 253.7  | 229.6   | 224.9   | 266.2   | 210.3   | 216.0   | 264.6   | 227.6   | 245.9   | 236.1   | ...    |
| EMPLOYMENT AND WAGES                                                   |                     |                 |        |        |        |        |         |        |         |         |         |         |         |         |         |         |         |        |
| 17. Factory employment, F.R.B. (a)                                     | 1929 = 100          | 100             | 62.6   | 87.2   | 93.4   | 101.0  | 81.5    | 79.9   | 78.7    | 79.1    | 87.6    | 87.4    | 87.2    | 87.0    | 86.8    | 86.3    | 87.4    | ...    |
| 18. Pay rolls, Dept. of Lab.                                           | "                   | 100             | 42.6   | 67.9   | 78.4   | 93.5   | 78.5    | 66.8   | 64.9    | 64.7    | 79.3    | 76.5    | 78.4    | 79.6    | 77.8    | 77.4    | 79.1    | ...    |
| 19. Hourly earnings, N.I.C.B.                                          | "                   | 100             | 84     | 102    | 105    | 126    | 123     | 122.6  | 123.0   | 123.0   | 123.1   | 123.1   | 123.1   | 123.1   | 123.2   | 123.6   | ...     | ...    |
| 20. Av. hours of work, N.I.C.B.                                        | Number              | 48.3            | 34.8   | 37.2   | 39.7   | 39.3   | 34.5    | 32.7   | 33.1    | 33.8    | 36.6    | 36.6    | 36.8    | 36.9    | 36.9    | 36.8    | ...     | ...    |
| 21. Applicants for work                                                | Thousands           | ...             | ...    | 7,450  | 7,705  | 5,155  | 7,404   | 7,520  | 7,831   | 7,969   | 7,216   | 7,442   | 7,199   | 6,746   | 6,547   | ...     | ...     | ...    |
| PRICES                                                                 |                     |                 |        |        |        |        |         |        |         |         |         |         |         |         |         |         |         |        |
| 22. Cost of living, N.I.C.B.                                           | 1929 = 100          | 100             | 77.9   | 82.6   | 84.8   | 88.4   | 86.3    | 86.4   | 86.6    | 86.4    | 85.7    | 85.3    | 85.0    | 84.8    | 84.9    | 84.7    | 84.6    | ...    |
| 23. Wholesale prices, D. of Lab.                                       | "                   | 100             | 68.0   | 83.9   | 84.8   | 90.6   | 82.5    | 82.0   | 82.2    | 82.7    | 80.8    | 80.7    | 80.7    | 80.5    | 80.0    | 80.0    | 79.3    | ...    |
| 24. " raw materials                                                    | "                   | 100             | 56.5   | 79.1   | 82.0   | 86.9   | 78.8    | 72.6   | 73.2    | 74.2    | 72.7    | 72.7    | 72.7    | 71.9    | 70.7    | 70.7    | 69.5    | ...    |
| 25. " semi-manufactures                                                | "                   | 100             | 63.2   | 78.4   | 80.8   | 90.8   | 80.3    | 80.3   | 78.9    | 79.1    | 80.1    | 79.9    | 79.9    | 79.4    | 79.3    | 79.1    | 79.0    | ...    |
| 26. " Finished goods                                                   | "                   | 100             | 74.4   | 87.0   | 86.8   | 92.2   | 87.0    | 86.9   | 87.0    | 87.3    | 84.9    | 84.7    | 84.9    | 84.9    | 84.8    | 84.5    | 84.2    | ...    |
| 27. " Farm products                                                    | "                   | 100             | 45.9   | 75.1   | 77.2   | 82.5   | 65.3    | 64.3   | 65.5    | 68.9    | 64.5    | 64.1    | 64.1    | 62.7    | 60.7    | 60.7    | 59.5    | ...    |
| 28. 351 Indus. securit's, Stand. Stat.                                 | "                   | 100             | 24.4   | 48.0   | 67.3   | 69.0   | 52.6    | 46.1   | 47.3    | 56.0    | 58.4    | 57.7    | 56.1    | 56.4    | 49.7    | 51.6    | 52.6    | 53.6   |
| FINANCE                                                                |                     |                 |        |        |        |        |         |        |         |         |         |         |         |         |         |         |         |        |
| 29. Federal Exp. Total (i) (g)                                         | Million \$          | 320.7           | 439.5  | 602.1  | 722.2  | 703.5  | 635.5   | 6,715  | 7,652   | 7,63    | 4,522   | 5,215   | 5,877   | 6,756   | 7,543   | 8,288   | ...     | ...    |
| 30. Recovery and Relief (i) (g)                                        | "                   | ...             | ...    | ...    | ...    | ...    | ...     | 1,924  | 2,238   | 216     | 1,512   | 1,769   | 2,023   | 2,320   | 2,586   | 2,848   | ...     | ...    |
| 31. Federal Receipts (i) (g)                                           | "                   | 336.1           | 176.8  | 347.7  | 443.0  | 441.2  | 520.2   | 5,467  | 6,241   | 311     | 2,827   | 3,135   | 3,552   | 4,239   | 4,557   | 4,954   | ...     | ...    |
| 32. Total Res. Bank credit                                             | "                   | 1,458           | 2,077  | 2,475  | 2,481  | 2,554  | 2,600   | 2,582  | 2,596   | 2,589   | 2,601   | 2,607   | 2,598   | 2,587   | 2,595   | 2,573   | 2,579   | ...    |
| 33. Gold stock                                                         | "                   | 3,996           | 3,952  | 9,059  | 10,578 | 13,510 | 12,919  | 12,963 | 13,017  | 14,511  | 14,511  | 14,682  | 14,874  | 15,258  | 15,791  | 15,957  | 16,110  | ...    |
| 34. Money in circulation                                               | "                   | 4,476           | 5,328  | 5,585  | 6,101  | 6,475  | 6,510   | 6,467  | 6,461   | 6,482   | 6,856   | 6,653   | 6,731   | 6,817   | 6,905   | 6,967   | 7,047   | ...    |
| 35. Member Bank Res. Balances                                          | "                   | 2,358           | 2,114  | 5,001  | 5,959  | 6,830  | 7,935   | 7,665  | 8,024   | 8,164   | 8,724   | 9,215   | 8,936   | 9,157   | 9,900   | 10,029  | 10,018  | ...    |
| 36. " Excess Reserves                                                  | "                   | 43              | 256    | 2,469  | 2,512  | 1,220  | 2,522   | 2,568  | 2,875   | 3,002   | 3,205   | 3,644   | 3,387   | 3,559   | 4,098   | 4,220   | 4,140   | ...    |
| 37. Member Banks in 101 towns:                                         |                     |                 |        |        |        |        |         |        |         |         |         |         |         |         |         |         |         |        |
| Loans and investments                                                  | "                   | 22,599          | 19,080 | 19,997 | 22,064 | 22,198 | 21,023  | 20,732 | 20,696  | 20,530  | 21,586  | 21,468  | 21,527  | 21,705  | 21,727  | 21,693  | 21,887  | ...    |
| Deposits: Demand                                                       | "                   | ...             | ...    | ...    | ...    | ...    | ...     | 14,589 | 15,036  | 14,951  | 15,986  | 16,048  | 15,965  | 15,991  | 16,668  | 16,965  | 17,220  | 17,462 |
| " Time                                                                 | "                   | 6,788           | 5,666  | 4,883  | 4,999  | 5,202  | 5,202   | 5,216  | 5,239   | 5,193   | 5,160   | 5,183   | 5,202   | 5,217   | 5,248   | 5,285   | 5,327   | 5,243  |
| 40. Bank debits ex. N.Y. City                                          | "                   | 27,662          | 12,667 | 15,847 | 18,306 | 19,601 | 17,054  | 16,013 | 17,160  | 16,677  | 21,087  | 17,860  | 15,201  | 18,211  | 16,832  | 17,763  | 18,676  | ...    |
| 41. Call money                                                         | "                   | 7.61            | 2.05   | 0.36   | 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     | 1.0    |
| 42. Yield on Govt. bonds                                               | %                   | 3.60            | 3.66   | 2.79   | 2.65   | 2.68   | 2.56    | 2.51   | 2.52    | 2.52    | 2.49    | 2.47    | 2.44    | 2.34    | 2.30    | 2.17    | 2.13    | ...    |
| 43. Capital issues, C.F. Chronicle                                     | Million \$          | 595             | 99     | 118    | 164    | 175    | 194     | 157    | 349     | 391     | 218     | 220     | 378     | 162     | 143     | 1,021   | 293     | 318    |
| FRANCE (Population 1936: 41,906,000; Area: 550,986 sq. kms.)           |                     |                 |        |        |        |        |         |        |         |         |         |         |         |         |         |         |         |        |
| PRODUCTION                                                             |                     |                 |        |        |        |        |         |        |         |         |         |         |         |         |         |         |         |        |
| 44. Industrial prod., S.G.F. (b) (f)                                   | 1928 = 100          | 100             | 53.8   | 75.6   | 88.1   | 92.2   | 72.3    | 63.9   | 64.7    | 69.7    | 87.4    | 84.0    | 82.4    | 82.4    | 77.3    | 77.3    | 81.5    | ...    |
| 45. Coal                                                               | Thous. met. tons    | 4,482           | 3,856  | 3,851  | 3,769  | 3,693  | 3,875   | 3,734  | 3,830   | 3,730   | 4,130   | 4,214   | 3,932   | 4,993   | 4,131   | 4,312   | 4,531   | ...    |
| 46. Electricity                                                        | Thous. met. tons    | 100             | 88.2   | 101.7  | 104.2  | 114.3  | 121.0   | 120.1  | 125.2   | 121.9   | 127.2   | 134.4   | 137.8   | 142.1   | 138.6   | 140.4   | ...     | ...    |
| 47. Steel                                                              | Thous. met. tons    | 808             | 470    | 522    | 559    | 600    | 514     | 501.0  | 480     | 436     | 576     | 595     | 575     | 668     | 625     | 739     | 769     | ...    |
| 48. Building activity                                                  | 1929 = 100          | 100             | 81.3   | 55.3   | 52.0   | 48.1   | 45.9    | 45.9   | 45.9    | 46.6    | 45.9    | 48.9    | 50.4    | 54.9    | 57.9    | 58.6    | 60.9    | ...    |
| TRADE AND TRANSPORT                                                    |                     |                 |        |        |        |        |         |        |         |         |         |         |         |         |         |         |         |        |
| 49. Rly. car loadings, daily                                           | Thous. cars         | 65.1            | 47.3   | 40.1   | 40.9   | 41.6   | 40.4    | 41.2   | 40.6    | 38.5    | 40.2    | 40.8    | 41.9    | 42.2    | 40.6    | 40.4    | 43.0    | 40.2   |
| 50. Imports                                                            | Mill. frs.          | 4,852           | 2,484  | 1,745  | 2,118  | 3,333  | 3,832   | 3,878  | 3,811   | 3,501   | 4,214   | 3,978   | 4,519   | 3,992   | 4,125   | 4,080   | 4,073   | 3,927  |
| 51. Exports                                                            | "                   | 4,178           | 1,642  | 1,289  | 1,288  | 1,995  | 2,549   | 2,324  | 2,291   | 2,286   | 3,292   | 2,802   | 3,036   | 2,880   | 3,034   | 3,063   | 3,070   | 2,884  |
| EMPLOYMENT AND WAGES                                                   |                     |                 |        |        |        |        |         |        |         |         |         |         |         |         |         |         |         |        |
| 52. Unemployed in receipt of benefit                                   | Thousands           | 0.9             | 273.4  | 426.9  | 431.9  | 350.3  | 375.7   | 380.8  | 362.9   | 344.5   | 404.7   | 416.0   | 414.8   | 395.3   | 386.2   | 375.5   | 349.0   | 320.4  |
| 53. Hourly wage rates, Paris region                                    | 1929 = 100          | 100             | 100    | 101    | 116    | 173    | 192     | ...    | 193     | ...     | 195     | ...     | ...     | 199     | ...     | ...     | ...     | ...    |
| PRICES                                                                 |                     |                 |        |        |        |        |         |        |         |         |         |         |         |         |         |         |         |        |
| 54. Wholesale, index of S.G.F.                                         | "                   | 100             | 68.2   | 54.0   | 65.5   | 92.7   | 104.1   | 104.3  | 105.3   | 104.0   | 109.1   | 109.9   | 109.3   | 108.9   | 107.7   | 109.1   | 108.9   | 108.1  |
| 55. Cost of living, Paris                                              | "                   | 100             | 94.6   | 86.9   | 91.1   | 111.3  | 125.5   | ...    | 124.5   | ...     | 129.9   | ...     | ...     | 122.3   | ...     | ...     | 122.6   | ...    |
| 56. Industrial securities                                              | "                   | 100             | 47.0   | 36.3   | 33.4   | 43.8   | 41.1    | 43.2   | 42.3    | 40.9    | 48.0    | 41.6    | 44.6    | 43.8    | 44.0    | 47.6    | 44.5    | 45.8   |
| FINANCE                                                                |                     |                 |        |        |        |        |         |        |         |         |         |         |         |         |         |         |         |        |
| 57. Govt. revenue: impôts indir. (g)                                   | Mill. frs.          | 2,958           | 2,415  | 2,158  | 2,223  | 2,545  | 3,128   | 15,249 | 18,103  | 22,258  | 46,581  | 4,097   | 7,275   | 10,583  | 14,824  | 18,046  | 21,672  | ...    |
| 58. Impôts sur les revenus (i) (g)                                     | "                   | 891             | 619    | 424    | 475    | 568    | 771     | 2,189  | 2,617   | 3,433   | 10,868  | 572     | 1,141   | 1,478   | 1,699   | 2,299   | 3,036   | ...    |
| 59. Bank of France: Gold                                               | "                   | 37,011          | 79,481 | 74,976 | 60,129 | 56,612 | 61,311  | 55,808 | 55,808  | 55,808  | 87,265  | 87,265  | 87,266  | 87,266  | 87,266  | 92,266  | 92,266  | 92,266 |
| 60. " Notes in circulation                                             | "                   | 64,719          | 82,131 | 82,119 | 84,223 | 88,288 | 101,704 | 99,147 | 100,401 | 100,900 | 109,145 | 110,991 | 111,264 | 114,525 | 125,533 | 121,515 | 123,880 | ...    |
| 61. Commercial bank deposits                                           | "                   | 33,362          | 36,272 | 28,704 | 26,243 | 28,957 | 30,755  | 33,828 | 31,938  | 32,701  | 33,062  | 32,862  | 33,620  | 34,063  | 35,700  | 37,444  | ...     | ...    |
| 62. Bank clearings, Paris                                              | "                   | 42,705          | 27,700 | 28,275 | 24,244 | 28,508 | 32,549  | 45,519 | 34,498  |         |         |         |         |         |         |         |         |        |



# RAW MATERIALS AND CRUDE FOODSTUFFS

## GROUP I.—MONTHLY TABLE

| Commodity                                   | Unit of Measurement | Monthly Average |        |        |        |        | 1938     |        |        |        | 1939    |         |        |         |        |        |        |        |
|---------------------------------------------|---------------------|-----------------|--------|--------|--------|--------|----------|--------|--------|--------|---------|---------|--------|---------|--------|--------|--------|--------|
|                                             |                     | 1929            | 1932   | 1935   | 1936   | 1937   | 1938 (a) | May    | June   | July   | Dec.    | Jan.    | Feb.   | Mar.    | Apr.   | May    | June   | July   |
| COAL                                        |                     |                 |        |        |        |        |          |        |        |        |         |         |        |         |        |        |        |        |
| 1. Production: Belgium .....                | Th. metric tons     | 2,245           | 1,785  | 2,207  | 2,323  | 2,473  | 2,465    | 2,463  | 2,405  | 2,233  | 2,566   | 2,665   | 2,357  | 2,724   | 2,452  | 2,569  | 2,662  | ...    |
| 2. " France .....                           | "                   | 4,482           | 3,856  | 3,851  | 3,769  | 3,693  | 3,875    | 3,734  | 3,830  | 3,730  | 4,430   | 4,214   | 3,932  | 4,393   | 4,131  | 4,312  | 4,531  | ...    |
| 3. " Germany: Coal(b) .....                 | "                   | 13,620          | 8,728  | 11,918 | 13,199 | 15,376 | 15,515   | 15,286 | 14,874 | 15,763 | 15,713  | 16,231  | 14,865 | 16,989  | 14,089 | 15,782 | 16,229 | ...    |
| 4. " Poland .....                           | "                   | 3,853           | 2,493  | 2,395  | 2,479  | 3,018  | 3,175    | 2,858  | 2,902  | 3,151  | 3,441   | 4,119   | 3,623  | 3,652   | 3,765  | 4,021  | 4,008  | ...    |
| 5. " U.K. ....                              | "                   | 21,837          | 17,717 | 18,877 | 19,349 | 20,421 | 19,323   | 19,428 | 17,392 | 17,096 | 19,461  | 20,684  | 19,481 | 22,179  | 17,989 | 20,199 | 19,602 | ...    |
| 6. " U.S.A. ....                            | "                   | 46,026          | 27,183 | 31,576 | 36,761 | 37,176 | 29,282   | 23,202 | 24,311 | 23,531 | 36,282  | 36,731  | 34,492 | 35,261  | 14,491 | 20,821 | 29,063 | 29,396 |
| 7. " All Principal countries .....          | "                   | 103,772         | 73,529 | 85,843 | 94,705 | 99,947 | 91,884   | 84,615 | 83,606 | 83,227 | 103,545 | 102,731 | 96,064 | 104,131 | 74,792 | 85,722 | 94,481 | ...    |
| 8. Price: Av. Br. expt. price .....         | sh. per ton         | 16-08           | 16-25  | 16-29  | 16-38  | 18-57  | 20-89    | 21-10  | 22-02  | 21-22  | 20-58   | 20-83   | 20-44  | 20-18   | 20-09  | 19-89  | 20-07  | 20-09  |
| OIL                                         |                     |                 |        |        |        |        |          |        |        |        |         |         |        |         |        |        |        |        |
| 9. Production: Dutch East Indies .....      | Th. metric tons     | 437             | 424    | 507    | 536    | 605    | 617      | 639    | 614    | 606    | 653     | 648     | 608    | 660     | 654    | 689    | ...    | ...    |
| 10. " Mexico .....                          | "                   | 556             | 408    | 501    | 511    | 578    | 477      | 365    | 377    | 421    | 477     | 413     | 408    | 456     | ...    | ...    | ...    | ...    |
| 11. " Iran (Ang.-Ir. Oil) .....             | "                   | 482             | 543    | 577    | 628    | 871    | 904      | 937    | 798    | 767    | 877     | 850     | 661    | 928     | ...    | ...    | ...    | ...    |
| 12. " Roumania .....                        | "                   | 403             | 612    | 698    | 723    | 596    | 550      | 571    | 550    | 564    | 542     | 538     | 497    | 538     | 510    | 521    | ...    | ...    |
| 13. " U.S.A. ....                           | "                   | 11,509          | 8,970  | 11,386 | 12,550 | 14,597 | 13,861   | 13,528 | 12,925 | 13,922 | 13,839  | 13,867  | 12,647 | 14,446  | 14,275 | 14,956 | 14,153 | ...    |
| 14. " U.S.S.R. ....                         | "                   | 1,206           | 1,791  | 1,989  | 2,193  | 2,307  | 2,357    | 2,411  | 2,543  | 2,497  | 2,339   | 2,332   | 2,400  | 2,469   | 2,480  | 2,538  | ...    | ...    |
| 15. " All Principal countries .....         | "                   | 17,145          | 15,048 | 18,388 | 20,575 | 23,486 | 22,817   | 22,572 | 21,947 | 22,974 | 22,959  | 22,841  | 20,975 | 23,615  | 23,575 | 24,268 | ...    | ...    |
| 16. Stocks: U.S.A. end year .....           | million barrels     | 422             | 340    | 315    | 288    | 306    | 273      | 305    | 296    | 289    | 271     | 272     | 272    | 273     | 277    | 278    | 275    | 269    |
| 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   | 96-0   |
| CRUDE STEEL                                 |                     |                 |        |        |        |        |          |        |        |        |         |         |        |         |        |        |        |        |
| 18. Production: Belgium .....               | Th. metric tons     | 342             | 232    | 252    | 265    | 322    | 190      | 162    | 180    | 185    | 219     | 210     | 199    | 225     | 219    | 281    | 305    | ...    |
| 19. " France .....                          | "                   | 808             | 470    | 523    | 558    | 660    | 514      | 501    | 480    | 436    | 576     | 593     | 573    | 666     | 625    | 742    | 789    | ...    |
| 20. " Germany (c) .....                     | "                   | 1,354           | 481    | 1,371  | 1,601  | 1,654  | 1,934    | 1,964  | 1,890  | 1,981  | 1,944   | 2,096   | 1,955  | 2,215   | 1,899  | 2,070  | 2,105  | ...    |
| 21. " Japan, ex. castings .....             | "                   | 191             | 200    | 375    | 415    | ...    | ...      | ...    | ...    | ...    | ...     | ...     | ...    | ...     | ...    | ...    | ...    | ...    |
| 22. " Luxembourg .....                      | "                   | 225             | 163    | 153    | 165    | 209    | 120      | 111    | 110    | 110    | 138     | 138     | 136    | 146     | 149    | 181    | 188    | ...    |
| 23. " U.K. ....                             | "                   | 816             | 445    | 833    | 990    | 1,098  | 880      | 972    | 789    | 694    | 666     | 825     | 987    | 1,190   | 1,075  | 1,238  | 1,194  | 1,172  |
| 24. " U.S.A., ex. castings .....            | "                   | 4,599           | 1,128  | 2,830  | 3,963  | 4,192  | 2,357    | 1,836  | 1,665  | 2,006  | 3,194   | 3,238   | 3,002  | 3,419   | 3,035  | 2,965  | 3,181  | 3,942  |
| 25. " U.S.S.R. ....                         | "                   | 407             | 490    | 1,034  | 1,362  | 1,485  | ...      | 1,575  | 1,545  | 1,552  | ...     | ...     | ...    | ...     | ...    | ...    | ...    | ...    |
| 26. " All Principal countries .....         | "                   | 9,492           | 3,890  | 7,620  | 9,595  | 10,453 | 8,256    | 7,873  | 7,406  | 7,703  | 9,006   | 9,300   | 9,100  | 10,100  | 9,155  | 9,752  | 9,984  | ...    |
| 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    | 4-95    | 4-95   | 4-95    | 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    | 1,023  | 1,015  | 1,035  | 1,029   | 1,034   | 986    | 1,073   | 1,018  | 1,085  | 1,035  | 1,081  |
| 29. " U.S.S.R. ....                         | "                   | 90              | 163    | 375    | 450    | 417    | 417      | ...    | ...    | ...    | ...     | ...     | ...    | ...     | ...    | ...    | ...    | ...    |
| 30. " Canada .....                          | "                   | 161             | 254    | 274    | 310    | 341    | 390      | 381    | 391    | 421    | 434     | 411     | 391    | 414     | 407    | 432    | ...    | ...    |
| 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  | 140-2  | 140-7  | 142-54   | 139-94 | 140-68 | 141-18 | 148-92  | 149-25  | 148-49 | 148-33  | 148-51 | 148-45 | 148-44 | 148-51 |
| WHEAT                                       |                     |                 |        |        |        |        |          |        |        |        |         |         |        |         |        |        |        |        |
| 34. World shipments, yr. ended July .....   | Mins. of bushels    | 77              | 67     | 43     | 42     | 50     | 45       | 40     | 44     | 46     | 43      | 52      | 48     | 50      | 48     | ...    | ...    | ...    |
| 35. Stks.: World visible supplies (d) ..... | "                   | 370-1           | 408-2  | 339-5  | 275-1  | 229-5  | 262-4    | 194-8  | 179-2  | 262-4  | 490-8   | 472-6   | 418-4  | 386-2   | 365-4  | 326-6  | ...    | ...    |
| 36. Average British import price .....      | sh. per cwt.        | 10-33           | 6-15   | 6-02   | 7-53   | 9-28   | 7-73     | 8-34   | 8-31   | 7-76   | 5-10    | 4-92    | 5-11   | 5-07    | 5-05   | 5-11   | 5-23   | 5-71   |
| COTTON                                      |                     |                 |        |        |        |        |          |        |        |        |         |         |        |         |        |        |        |        |
| 37. Mill consumption: U.K. (e) .....        | Thousands of actual | 233             | 182    | 209    | 228    | 240    | 189      | 179    | 179    | 179    | 190     | 190     | ...    | ...     | ...    | ...    | ...    | ...    |
| 38. " Japan (e) .....                       | bales               | 231             | 231    | 311    | 304    | 347    | 247      | 261    | 261    | 261    | 212     | 212     | ...    | ...     | ...    | ...    | ...    | ...    |
| 39. " U.S.A. (e) .....                      | "                   | 586             | 404    | 443    | 527    | 598    | 514      | 445    | 445    | 445    | 564     | 564     | ...    | ...     | ...    | ...    | ...    | ...    |
| 40. " World (e) .....                       | "                   | 2,157           | 1,860  | 2,035  | 2,116  | 2,383  | 2,213    | 2,006  | 2,006  | 2,066  | 2,284   | 2,284   | ...    | ...     | ...    | ...    | ...    | ...    |
| 41. Stks.: World Visible Supplies (d) ..... | Thousand bales      | 2,736           | 7,682  | 3,983  | 4,297  | 3,875  | 7,069    | 7,467  | 7,177  | 7,069  | 9,350   | 8,754   | 8,218  | 7,552   | 6,977  | 7,510  | 6,157  | 6,046  |
| 42. Price: Mid. American .....              | d. per lb.          | 10-33           | 5-25   | 6-70   | 6-69   | 6-37   | 4-97     | 4-65   | 5-01   | 5-01   | 5-15    | 5-19    | 5-13   | 5-21    | 4-96   | 5-41   | 5-66   | 5-44   |
| SUGAR                                       |                     |                 |        |        |        |        |          |        |        |        |         |         |        |         |        |        |        |        |
| 43. Stks.: World visible supplies (f) ..... | Thous. tons         | 4,047           | 7,018  | 4,166  | 2,983  | 2,816  | 3,601    | 5,955  | 5,255  | 4,711  | 6,064   | 5,819   | 6,131  | 6,547   | 6,116  | 5,384  | 4,803  | ...    |
| 44. Av. Brit. import price, unrefined ..... | sh. per cwt.        | 9-68            | 7-70   | 6-38   | 6-71   | 8-62   | 7-92     | 6-57   | 6-87   | 6-20   | 8-63    | 9-24    | 8-37   | 8-22    | 8-30   | 9-22   | 9-15   | 9-30   |

## GROUP II (a).—BI-MONTHLY TABLE

| RUBBER                  |                                                   | Thous. tons        | 6-69  | 4-10  | 4-52  | 4-14  | 5-86  | 4-12  | 2-83  | 3-69  | 3-86  | 3-07  | 7-24  | 5-50  | 3-72  | 2-22  | 2-81  | 3-64  |
|-------------------------|---------------------------------------------------|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 1.                      | Exports: Ceylon                                   |                    | 21-22 | 17-58 | 23-54 | 25-81 | 35-97 | 24-84 | 22-04 | 24-43 | 35-14 | 10-63 | 38-67 | 25-00 | 27-93 | 28-31 | 24-43 | 27-96 |
| 2.                      | " " D. E. Indies                                  |                    | 38-05 | 33-80 | 34-71 | 29-48 | 39-16 | 31-00 | 28-01 | 28-05 | 25-06 | 25-35 | 24-39 | 29-28 | 29-30 | 29-79 | 29-60 | 22-05 |
| 3.                      | " " British Malaya                                |                    | 72-20 | 59-05 | 72-68 | 71-36 | 94-59 | 74-11 | 65-15 | 71-20 | 80-21 | 57-87 | 87-43 | 77-59 | 76-31 | 73-76 | 70-49 | 65-15 |
| 4.                      | " " World                                         |                    |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| 5.                      | " " Quota of restricting countries                | % of est. cap'city |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| 6.                      | Consumption: U.K.                                 | Thous. tons        | 6-02  | 6-50  | 8-29  | 6-59  | 9-55  | 8-91  | 9-47  | 9-34  | 8-02  | 9-08  | 9-00  | 9-33  | 11-02 | 8-69  | 10-19 | 9-88  |
| 7.                      | " " U.S.A.                                        |                    | 38-95 | 28-08 | 41-04 | 47-79 | 45-35 | 31-25 | 28-95 | 32-54 | 34-22 | 45-32 | 46-23 | 42-37 | 50-17 | 44-17 | 44-38 | 47-26 |
| 8.                      | " " All imp. count.                               |                    | 67-12 | 57-70 | 78-58 | 85-07 | 90-06 | 75-74 | 76-19 | 71-62 | 73-35 | 90-05 | 88-35 | 82-86 | 94-10 | 85-70 | 88-45 | 88-02 |
| 9.                      | " " Recd. in U.S.A.                               |                    | 18-08 | 6-46  | 9-42  | 10-84 | 13-25 | 9-70  | 8-47  | 8-75  | 8-75  | 12-97 | 13-00 | 12-63 | 15-32 | 13-39 | 13-52 | 14-87 |
| 10.                     | " " U.K. end year and mth.                        |                    | 73-2  | 92-7  | 164-3 | 78-5  | 52-29 | 86-85 | 87-22 | 92-31 | 95-25 | 86-85 | 80-64 | 75-52 | 72-24 | 68-93 | 66-02 | 63-88 |
| 11.                     | Stocks: U.S.A.                                    |                    | 118-6 | 379-0 | 303-0 | 218-8 | 189-7 | 245-4 | 309-9 | 294-8 | 282-8 | 231-5 | 223-9 | 217-6 | 205-9 | 190-9 | 193-6 | 181-8 |
| 12.                     | " " World                                         |                    | 328-7 | 589-2 | 595-3 | 433-9 | 413-9 | 441-2 | 545-8 | 524-7 | 529-5 | 426-8 | 442-1 | 429-5 | 404-9 | 383-5 | 378-4 | 355-1 |
| 13.                     | Price: London, st. sm. sheet                      | pence per lb.      | 10-25 | 2-34  | 6-00  | 7-75  | 9-50  | 7-22  | 5-66  | 6-01  | 7-50  | 8-06  | 7-97  | 7-97  | 8-16  | 7-97  | 8-01  | 8-02  |
| RAYON                   |                                                   |                    |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| (i) Continuous Filament |                                                   |                    |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| 14.                     | Production: France (h)                            | Mill. lb.          | 3-1   | 4-3   | 4-4   | 3-5   | 6-1   | 6-2   | 6-1   | 6-1   | 6-3   | 6-3   | ...   | ...   | ...   | ...   | ...   | ...   |
| 15.                     | " " Germany (h)                                   |                    | 4-9   | 4-6   | 7-7   | 8-3   | 11-9  | 11-7  | 11-0  | 11-0  | 12-3  | 12-2  | ...   | ...   | ...   | ...   | ...   | ...   |
| 16.                     | " " Italy                                         |                    | 5-9   | 5-9   | 7-1   | 7-1   | 8-7   | 8-5   | 9-7   | 9-1   | 8-0   | 8-2   | 9-3   | 8-7   | 9-8   | 9-2   | 10-1  | ...   |
| 17.                     | " " Japan                                         |                    | 2-1   | 6-3   | 18-3  | 22-9  | 27-9  | 17-4  | 21-6  | 14-7  | 14-3  | 13-4  | 15-8  | 16-7  | 19-2  | 19-1  | ...   | ...   |
| 18.                     | " " U.K.                                          |                    | 4-4   | 5-7   | 9-3   | 9-7   | 10-0  | 8-9   | 10-2  | 8-6   | 8-7   | 7-5   | 8-4   | 8-3   | 10-4  | 8-7   | 10-0  | 9-6   |
| 19.                     | " " U.S.A.                                        |                    | 10-1  | 11-2  | 21-5  | 23-2  | 26-0  | 21-5  | 17-9  | 17-9  | 23-1  | 24-8  | 27-2  | 27-2  | 27-2  | 24-5  | 24-5  | ...   |
| 20.                     | " " World (h)                                     |                    | 36-0  | 44-0  | 76-8  | 83-4  | 100-8 | 83-1  | 86-5  | 77-4  | 83-7  | 82-4  | 52-0  | 52-0  | 53-5  | 53-5  | 53-5  | 53-5  |
| 21.                     | Price: Viscose, std. grade, per lb.               | pence              | ...   | 77-0  | 55-5  | 55-5  | 55-1  | 54-5  | 55-0  | 55-0  | 55-0  | 55-0  | 52-0  | 52-0  | 53-5  | 53-5  | 53-5  | 53-5  |
| (ii) Staple Fibre       |                                                   |                    |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| 22.                     | Production: U.K.                                  | Mill. lb.          | ...   | 0-1   | 0-7   | 1-0   | 0-9   | 1-1   | 1-1   | 1-1   | 1-1   | 1-1   | ...   | ...   | ...   | ...   | ...   | ...   |
| 23.                     | " " Germany (h)                                   |                    | 0-3   | 0-6   | 2-7   | 7-9   | 18-3  | 27-5  | 25-4  | 25-4  | 28-6  | 30-8  | ...   | ...   | ...   | ...   | ...   | ...   |
| 24.                     | " " Italy                                         |                    | 0-1   | 0-8   | 5-5   | 9-2   | 12-8  | 14-8  | 17-5  | 16-7  | 14-8  | 18-6  | 13-7  | 12-9  | 15-2  | 15-3  | 17-3  | ...   |
| 25.                     | " " Japan                                         |                    | ...   | 0-1   | 1-1   | 3-8   | 14-3  | 31-2  | 39-2  | 27-4  | 23-4  | 27-5  | 24-0  | 23-0  | 20-5  | 23-4  | ...   | ...   |
| 26.                     | " " U.K.                                          |                    | 0-2   | 0-2   | 0-8   | 2-4   | 2-9   | 2-8   | 3-1   | 2-5   | 2-9   | 2-8   | 3-4   | 4-2   | 5-1   | 4-8   | 5-7   | 5-4   |
| 27.                     | " " U.S.A. (h)                                    |                    | 0-0   | 0-1   | 0-5   | 1-0   | 1-7   | 2-5   | 2-2   | 2-2   | 2-6   | 2-9   | 3-7   | 3-7   | 3-7   | 3-8   | 3-8   | 3-8   |
| 28.                     | " " World (h)                                     |                    | 0-7   | 1-8   | 11-4  | 25-4  | 51-6  | 81-2  | 89-3  | 76-3  | 74-4  | 79-8  | ...   | ...   | ...   | ...   | ...   | ...   |
| 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  |
| WOOL                    |                                                   |                    |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| 30.                     | Stocks: Australia, S. Africa, N. Zealand, June 30 | Million lbs.       | 35    | 147   | 94    | 47    | 29    | 105   | ...   | 105   | ...   | ...   | ...   | ...   | ...   | ...   | 55    | ...   |
| 31.                     | Price: Weekly Wool Chart 1929 = 100               |                    | 100   | 48-6  | 62-1  | 78-4  | 104-4 | 69-0  | 69-8  | 68-1  | 67-2  | 68-1  | 64-6  | 64-6  | 64-6  | 64-6  | 65-5  | 68-1  |
| PIG IRON                |                                                   |                    |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| 32.                     | Production: France                                | Th. metric tons    | 864   | 491   | 482   | 529   | 660   | 504   | 483   | 463   | 433   | 560   | 571   | 539   | 615   | 602   | 699   | 719   |
| 33.                     | " " Germany (c)                                   |                    | 1,103 | 928   | 1,070 | 1,154 | 1,373 | 1,535 | 1,595 | 1,553 | 1,623 | 1,596 | 1,633 | 1,529 | 1,730 | 1,608 | 1,677 | 1,651 |
| 34.                     | " " U.K.                                          |                    | 643   | 303   | 544   | 651   | 719   | 573   | 644   | 550   | 518   | 435   | 509   | 524   | 613   | 619   | 703   | 757   |
| 35.                     | " " U.S.A.                                        |                    | 3,580 | 735   | 1,779 | 2,593 | 3,100 | 1,609 | 1,275 | 1,079 | 1,221 | 2,468 | 2,210 | 2,093 | 2,446 | 2,089 | 1,745 | 2,153 |
| 36.                     | " " U.S.S.R.                                      |                    | 362   | 513   | 1,042 | 1,193 | 1,210 | ...   | 1,296 | 1,272 | 1,296 | ...   | ...   | ...   | ...   | ...   | ...   | ...   |
| 37.                     | " " All principal countries                       |                    | 8,013 | 3,178 | 5,898 | 7,340 | 8,116 | 6,297 | 6,106 | 5,681 | 5,864 | 7,031 | 6,950 | 6,600 | 7,610 | 7,085 | 7,151 | 7,545 |
| TEA                     |                                                   |                    |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| 38.                     | Exports: Ceylon                                   | Million lbs.       | 21-0  | 21-1  | 17-7  | 18-2  | 17-9  | 19-6  | 27-6  | 24-1  | 19-7  | 17-7  | 16-4  | 16-4  | 19-1  | 18-7  | 25-1  | 72-9  |
| 39.                     | " " Dutch East Indies                             |                    | 13-3  | 14-5  | 12-1  | 12-8  | 12-2  | 13-2  | 14-7  | 12-7  | 12-5  | 13-5  | 12-7  | 13-4  | 13-9  | 15-2  | 14-2  | ...   |
| 40.                     | " " British India                                 |                    | 30-0  | 30-8  | 27-4  | 26-2  | 27-6  | 28-3  | 11-1  | 23-3  | 37-6  | 38-5  | 18-4  | 13-0  | 7-4   | 5-6   | 12-7  | 25-1  |
| 41.                     | " " World                                         |                    | 80-6  | 77-7  | 70-1  | 70-3  | 73-5  | 77-0  | 62-5  | 75-6  | 88-7  | 85-3  | 60-6  | 52-5  | 51-8  | 46-2  | ...   | ...   |
| 42.                     | " " Quota of Restricting countries (i)            | % of std. quantity | ...   | ...   | 82-5  | 82-5  | 87-5  | 92-5  | 92-5  | 92-5  | 92-5  | 92-5  | 92-5  | 92-5  | 92-5  | 90-0  | 90-0  | 90-0  |
| 43.                     | Consumption: U.K.                                 | Mill. lbs.         | 35-4  | 37-9  | 36-9  | 36-8  | 35-1  | 35-9  | 28-6  | 31-4  | 33-1  | 34-5  | 37-9  | 40-6  | 48-7  | 35-4  | 28-9  | 34-5  |
| 44.                     | " " World                                         |                    | 76-1  | 74-2  | 72-8  | 71-3  | 73-4  | 72-5  | 38-9  | 38-6  | 39-7  | 70-4  | 52-5  | 53-5  | 61-8  | 47-2  | ...   | ...   |
| 45.                     | Stocks: U.K. and Holland, Dec.                    |                    | 281-9 | 815-8 | 270-3 | 242-5 | 218-2 | 248-0 | 166-3 | 169-3 | 174-2 | 248-0 | 257-5 | 239-2 | 236-6 | 187-0 | 172-8 | 166-4 |
| 46.                     | Price: Av. London auctions                        | pence per lb.      | 16-25 | 9-45  | 12-90 | 13-07 | 15-18 | 14-38 | 14-50 | 13-75 | 13-60 | 13-82 | 13-56 | 13-58 | 13-53 | 14-13 | 14-10 | 13-96 |

## British Industrial Developments

The following reports on British industry cover, in most cases, the period to the middle of September. In the remainder they relate to the month of August.

### COAL

The output of coal in August continued above last year's corresponding level. Thus, the quantity raised during the four weeks ended August 26th was 15.6 million tons, an increase of 2.7 per cent. over the figure for the corresponding period in 1938. Exports rose from 2,863,000 tons in August, 1938, to 3,005,000 tons in the past month, and bunker shipments increased from 855,000 tons to 894,000 tons. The publication of production statistics was discontinued at the outbreak of war. Reports from the various coal districts indicated that the outbreak of war caused some confusion, but by the end of this month the industry had done much to adapt itself to the new conditions. There has been a spurt in the demand for household coal as householders were anxious to lay in as much fuel as possible before rationing comes into operation; industry's coal requirements have remained substantial. There has, of course, been some dislocation of exports, but even this section of the market showed some improvement towards the end of the month. So far there has been little change in f.o.b. prices.

### IRON AND STEEL

Like the coal industry, the iron and steel industry came under Government control at the outbreak of war. Control is exercised through the British Iron and Steel Federation and Sir Andrew Duncan was appointed Controller. As the British Iron and Steel Federation has long been in close co-operation with the iron and steel companies, the transition from peace to war-time conditions was effected smoothly. Licences are now necessary for the purchase of iron and steel except in the case of Government Departments, civil defence work, railways, shipbuilding, and coalmining. As far as possible supplies are made available for the completion of old contracts. Prices, moreover, are to remain unchanged until the end of October. The latest reports suggest that the industry has been increasing its output as rapidly as possible. Moreover, as a result of the recent increase in imports, substantial stocks of raw materials and semi-manufactured products have been accumulated. Imports of iron ore rose from 344,000 tons in August, 1938, to 680,000 tons in the past month. During the same period the intake of scrap increased from 14,000 tons to 114,000 tons and that of iron and steel products from 51,000 tons to 237,000 tons. Exports of iron and steel products, on the other hand, remained virtually unchanged from August last year, at 136,000 tons. As in the case of coal, the publication of output statistics has been suspended.

### GENERAL ENGINEERING

Activity in the engineering industry continued to expand in the past month. Contrary to the normal seasonal increase, unemployment actually showed a decline of 0.2 per cent. in August. In engineering as a whole only 4.6 per cent. of the number of insured persons was unemployed last month. The percentage was 4.5 in general engineering, 2.9 in electrical engineering, 6.0 in marine engineering, and 8.4 in constructional engineering. In a number of sections of the industry unemployment has been eliminated altogether, and the Amalgamated Engineering Union has therefore given its consent to dilution in order not to hamper production. Imports were again heavy in August, when they amounted to 10,973 tons (valued at £2,279,000), against 8,976 tons (valued at £1,655,000) in August, 1938. The increase has been very marked in the case of machine tools and marine internal combustion engines. Imports of machine tools rose from 1,260 tons (valued at £285,000) in August, 1938, to 2,161 tons (valued at £528,000) last month. The increase was due mainly to heavy arrivals from the United States; imports from Germany also remained substantial, but smaller than a year ago. Exports of machinery, on the other hand, showed a decline from 33,869 tons (valued at £4,442,000) to 30,303 tons (valued at £3,963,000). The decline was fairly general, comprising chiefly boilers, lifting machinery, electrical machinery, oil engines and textile machinery. Exports of machine tools, exceptionally, showed an increase from 1,963 tons to 3,256 tons. The bulk of the increase was due to heavier shipments of presses, punching and shearing machines and lathes.

### ELECTRICAL EQUIPMENT

Electrical equipment is one of the busiest sections of engineering. Thus the proportion of insured persons unemployed fell during the twelve months ending August from 5.3 per cent. to 2.9 per cent. in electrical engineering and from 7.1 per cent. to 4.0 per cent. in the electric cable, apparatus and lamp section. Exports of electric equipment last month were somewhat smaller than a year ago. Shipments of electric machinery fell from 1,934 tons (valued at £339,000) in August, 1938, to 1,362 tons (valued at £266,000) in the past month. During the same period the value of shipments of electric goods and apparatus fell from £1,050,000 to £935,000.

### AUTOMOBILES

The introduction of petrol rationing on a draconian scale has seriously affected the motor trade. Thousands of cars will probably

be laid up either for good or for the winter months and the sale of new private cars has abruptly stopped. The latest registration figures, which refer to July, show that the increase since last year in private cars was maintained in that month, when registrations of new private cars totalled 23,962 against 20,810 in July, 1938. Reports indicate that there was also a fair volume of sales in the early part of August. A considerable proportion of the plant and labour resources of the motor industry will no doubt be absorbed fairly soon in the manufacture of aeroplanes and army vehicles, but the restrictions on the private motorist have hit hundreds of garages and service depots, whose trade has largely vanished and whose stocks of second-hand cars has been rendered almost valueless.

### BUILDING

The constructional industry remained active in the past month. Thus the proportion of insured persons unemployed fell between August, 1938, and August, 1939, from 12.8 per cent. to 10.4 per cent. in building and from 34.3 per cent. to 30.0 per cent. in public works contracting. But, as the monthly survey of the Building Industries National Council points out, this activity conceals a considerable change in the nature of the work. Dwelling-house building by private enterprise was declining, especially in the south of England, but the slack was taken up by the urgent short-term programme of military construction, by work in connection with civil defence, and to some extent by the indirect stimulus to non-residential, and especially factory, building by the high rate of Government expenditure. So far as building materials are concerned, there has been a brisk demand for the heavier structural materials and comparative slackness in the case of materials for the construction of dwelling houses. The publication of the value of building plans passed by 146 local authorities has been discontinued.

### CHEMICALS

During August trade in most sections of the chemical market was on quite a good scale. In the industrial chemicals section interest was fairly general, acetic acid, acetone and formaldehyde being particularly good items. There was an increasing demand for insecticides during the month, and business in wood distillation products was on quite a good scale. A very fair inquiry was received for pharmaceutical and other fine chemicals, and a slight improvement was shown in the coal tar products market. The outbreak of war brought a considerable activity in chemical markets and a large increase in the number of orders received. Prices were higher generally, but certain products are now unobtainable on the open market.

### POTTERY

Unemployment showed a sharp increase in August, due partly to extended holidays. The proportion of insured persons unemployed in the pottery and earthenware trades rose from 16.3 per cent. in July to 31.1 per cent. in August. Some improvement occurred later in the month, but new orders have been delayed. Exports in August maintained the level of those in July.

### FOOTWEAR

The outbreak of war found most firms working full time on Government and civilian orders. There has been a steady flow of new orders from the home trade, while the export of footwear has been temporarily suspended pending the setting up of the licensing system by the Leather Department of the Ministry of Supply. Supplies of leather suitable for Government contracts are in demand and the question of prices is complicated by the incidence of war risks insurance costs and the rising trend of hide prices.

### COTTON

At the outbreak of war there was a sharp advance in the price of American cotton in Liverpool of about 2d. per lb., but there has since been a reaction and prices are now about 1½d. per lb. higher than at the end of August. Spinners were handicapped by the relatively small stocks of cotton held in this country, but imports have now increased. A Cotton Control Board has now been appointed by the Government, which will arrange for priority to be given to supplies necessary for Government contracts; it is also hoped to expand the export trade in manufactured goods, in part compensation for the cessation of German purchases of yarns. The institution of the Control Board has not prevented an extensive rise in prices in the industry. Since the end of August prices for yarn and cloth have advanced by about 40 per cent.; there has been a 12½ per cent. rise in calico printing charges, dyeing lists are up by 20 per cent. and there has also been a rise in the prices of packing materials. In the first week of war orders were at a standstill, but recently an increased business has been done in piece goods for foreign outlets, particularly for South America, Java, West Africa, Scandinavia, Switzerland and the Dominions. Extensive purchases have also been made by the home trade, and the Government have given out further big contracts.

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### JUTE

Stocks of cloth and bags have been cleared at Dundee, but so far there has been little new business. Dealings in raw jute are prohibited, except for deliveries for Government contracts, but at the prices fixed there are no sellers. Freight rates have risen sharply, and sailings from India are uncertain. The Indian Government has placed large orders in Calcutta which caused considerable fluctuations in raw jute prices; the Mills Association has agreed to an extension of working hours from 40 to 45 per week and to the unsealing of all stopped looms.

### LINEN

On the outbreak of hostilities the trade was taken over by the Flax Control Board, which placed an embargo on all transactions in raw material and yarns except for direct Government requirements. Later, deliveries against private contracts made prior to September 2nd were continued for the time being. Trading in cloth has so far remained unrestricted. Prices of flax and yarns have now been fixed by the Board, but supplies of the raw material are short as there is little to be expected from the Baltic. Prices at Courtrai have risen sharply, and the Belgian linen trade is alarmed at the export of flax and flax seed, which, may, they feel, leave inadequate supplies for their looms.

### RAYON

Trade in rayon yarns and in the raw materials for rayon is now under the control of the Silk and Rayon Department of the Ministry of Supply. The institution of control occasioned only temporary difficulties and orders for both home and export delivery have been placed in the last few days. Courtaulds have raised the price of standard qualities of fibro (except strong fibro) from 10d. to 10½d. per lb.; the price of 32's staple fibre is now 18½d. per lb., against 17½d. per lb. at the outbreak of war.

### WOOL

Until the Wool Control is more firmly established private trade for civilian and export account is at a standstill. The maximum prices fixed by the Wool Control represent those ruling before the

outbreak of war, and there are no sellers of tops at these prices, nor have the majority of top makers any need of further orders for the moment. It is possible to obtain permits for the delivery of merino and fine cross-bred wools and tops, but the trade in 50's and below is being closely controlled. When conditions are more settled a considerable volume of civilian business is expected, as the usual spring orders have been delayed for some weeks. Negotiations are proceeding with the Australian Government over the coming wool clip, which has been reserved for the British market. In anticipation of war orders and of improved domestic business United States merchants have bought largely in South American markets at considerably advanced prices.

### AGRICULTURE

The war organisation of agriculture is slowly taking shape. The county committees have begun their work and are now engaged in the ploughing-up campaign. Supplies of seed, fertilisers and tractors are required, and, in addition, it is probable that temporary loans will be needed to enable farmers, who are generally short of available capital, to meet the heavy cost of converting grass to arable land. The fixed maximum prices for fat stock have worked well as a temporary measure, though where fat stock were bid up to the maximum local rationing had to be introduced among the purchasers. The main task of agriculture is that of feeding as many as possible of the existing number of livestock off the products of the farm for as much of the year as possible, and hence the area under short leys and grain and the use of ensilage and dried grass must be expanded.

### SHIPPING

Freight markets have necessarily been subject to extreme fluctuations in the past month. A considerable part of the British mercantile fleet is now working under the control of various area committees representative of the British Government. The Tramp Shipping Administrative Committee has ceased to function, and freights already agreed upon are considerably higher than the minima in force at the outbreak of war. Neutral shipping has to consider the higher cost of fuel, the delays in sailing and in loading, war bonuses to crews as well as war risks insurance, but so far these varying conditions have not been reduced to a uniform basis for freights.

## UNITED KINGDOM—THE ECONOMIST INDICES OF BUSINESS ACTIVITY\*

Corrected for normal seasonal variations. 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 Motor 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                    | 98½        | 103                  | 68          | 127                     | 76                      | 95              | 80                | 97                                            | 111                           | 98½                      | 137½                            | 108½               | 91                                | 109  | 98½            | ...                           |
| 1930                    | 94½        | 98½                  | 68½         | 115½                    | 80½                     | 96½             | 65½               | 84½                                           | 82                            | 88                       | 108                             | 107                | 89                                | 112  | 93             | ...                           |
| 1931                    | 91         | 92                   | 69          | 98½                     | 83½                     | 95½             | 62                | 79                                            | 86                            | 82½                      | 80½                             | 97½                | 86½                               | 96   | 87½            | ...                           |
| 1932                    | 90         | 90                   | 71½         | 88                      | 86                      | 94½             | 57                | 59½                                           | 94                            | 84                       | 82                              | 94½                | 86½                               | 88½  | 84             | ...                           |
| 1933                    | 93½        | 90                   | 79          | 89½                     | 89½                     | 96½             | 73½               | 70                                            | 101                           | 92½                      | 85                              | 96                 | 91                                | 88   | 89             | ...                           |
| 1934                    | 97½        | 97½                  | 88½         | 100                     | 95                      | 97½             | 88                | 93½                                           | 98½                           | 100                      | 92½                             | 98                 | 95½                               | 96   | 96             | ...                           |
| 1935                    | 100        | 100                  | 100         | 100                     | 100                     | 100             | 100               | 100                                           | 100                           | 100                      | 100                             | 100                | 100                               | 100  | 100            | ...                           |
| 1936                    | 105        | 104½                 | 112½        | 106½                    | 105½                    | 104½            | 107               | 125                                           | 109½                          | 110½                     | 101½                            | 101½               | 102                               | 104  | 103½           | ...                           |
| 1937                    | 111        | 109½                 | 126½        | 113                     | 111                     | 106½            | 98½               | 142                                           | 116                           | 121                      | 112                             | 109                | 105                               | 101½ | 112            | ...                           |
| 1938                    | 110        | 103½                 | 131½        | 95½                     | 114½                    | 110             | 90                | 112                                           | 99                            | 107                      | 98                              | 105                | 100                               | 95   | 104½           | ...                           |
| 1936—August .....       | 107        | 104                  | 111½        | 109½                    | 106                     | 103½            | 109½              | 139                                           | 120                           | 117½                     | 101                             | 107½               | 105½                              | 103  | 108½           | 106½                          |
| September .....         | 107        | 102½                 | 112         | 106½                    | 109½                    | 108½            | 108½              | 132                                           | 107                           | 123½                     | 105                             | 100½               | 106                               | 113½ | 108½           | 107½                          |
| October .....           | 107        | 104                  | 113½        | 107                     | 107½                    | 104½            | 107               | 127½                                          | 102½                          | 117                      | 107½                            | 103                | 106                               | 114  | 108            | 108                           |
| November .....          | 107½       | 104                  | 113½        | 106                     | 108                     | 107             | 105               | 125                                           | 100½                          | 119½                     | 100                             | 106½               | 109½                              | 111  | 108            | 108½                          |
| December .....          | 107        | 107½                 | 117½        | 113                     | 108½                    | 108             | 103½              | 134½                                          | 109                           | 108½                     | 108½                            | 109½               | 107                               | 122  | 109½           | 108½                          |
| 1937—January .....      | 109        | 97½                  | 116         | 110½                    | 109                     | 107½            | 102               | 124                                           | 111½                          | 103½                     | 104½                            | 101                | 108½                              | 105  | 107½           | 109½                          |
| February .....          | 109½       | 108½                 | 116         | 107                     | 109½                    | 110             | 102½              | 118                                           | 110                           | 102½                     | 102½                            | 107                | 108                               | 115  | 109½           | 110                           |
| March .....             | 109        | 110                  | 125         | 106                     | 110                     | 107½            | 99½               | 118½                                          | 122                           | 119                      | 120                             | 114                | 108½                              | 107½ | 111            | 110½                          |
| April .....             | 110        | 112                  | 122         | 115                     | 110½                    | 110             | 102½              | 117                                           | 116½                          | 103½                     | 108½                            | 102½               | 102½                              | 103½ | 109½           | 110½                          |
| May .....               | 110        | 115½                 | 123½        | 113                     | 111                     | 106½            | 100½              | 100½                                          | 117                           | 116½                     | 103½                            | 108½               | 102½                              | 103½ | 109½           | 110½                          |
| June .....              | 111½       | 115                  | 122½        | 113½                    | 111                     | 106½            | 107               | 99                                            | 130½                          | 143                      | 116                             | 117½               | 114                               | 107  | 99½            | 112½                          |
| July .....              | 112        | 106½                 | 123         | 114½                    | 111                     | 108½            | 95½               | 160                                           | 115½                          | 130½                     | 111                             | 125                | 122½                              | 108½ | 106            | 113                           |
| August .....            | 112½       | 107                  | 125½        | 117                     | 111½                    | 108½            | 95½               | 157½                                          | 106                           | 133                      | 113½                            | 109                | 102½                              | 100½ | 111½           | 111½                          |
| September .....         | 112½       | 110½                 | 124½        | 112                     | 112½                    | 108             | 96                | 158½                                          | 107½                          | 146½                     | 112½                            | 110½               | 104½                              | 99½  | 113            | 111½                          |
| October .....           | 112        | 105½                 | 128½        | 110½                    | 113                     | 108½            | 95                | 167                                           | 106½                          | 145                      | 104                             | 109½               | 104½                              | 100  | 112½           | 110½                          |
| November .....          | 111½       | 107½                 | 128½        | 110½                    | 113                     | 108½            | 95                | 167                                           | 106½                          | 145                      | 104                             | 109½               | 104½                              | 100  | 112½           | 110½                          |
| December .....          | 108½       | 105½                 | 131½        | 114                     | 113                     | 111½            | 96½               | 173½                                          | 97                            | 110½                     | 108½                            | 108                | 101½                              | 99   | 111            | 108½                          |
| 1938—January .....      | 110½       | 108                  | 128         | 116                     | 114                     | 110             | 96½               | 189½                                          | 107                           | 110½                     | 104½                            | 105½               | 105½                              | 99½  | 111½           | 109                           |
| February .....          | 110        | 108½                 | 128         | 112                     | 114                     | 110             | 93½               | 155                                           | 101½                          | 117½                     | 101                             | 106½               | 103                               | 93   | 110            | 108½                          |
| March .....             | 109½       | 102½                 | 120         | 109½                    | 114½                    | 110             | 92½               | 143                                           | 102                           | 109                      | 99                              | 102                | 99½                               | 88   | 107            | 107½                          |
| April .....             | 109½       | 99                   | 123         | 101½                    | 113½                    | 108             | 90                | 123                                           | 82½                           | 114                      | 100                             | 105                | 100                               | 88½  | 104½           | 106½                          |
| May .....               | 109½       | 104½                 | 131         | 99                      | 113½                    | 107½            | 90½               | 104½                                          | 81                            | 103                      | 93                              | 103                | 99                                | 89½  | 102            | 106                           |
| June .....              | 109        | 105                  | 125½        | 98                      | 113½                    | 106             | 90                | 84½                                           | 81                            | 111                      | 101½                            | 108                | 99                                | 94   | 102            | 104½                          |
| July .....              | 110        | 101½                 | 130½        | 89                      | 114                     | 108½            | 90½               | 95                                            | 84½                           | 114                      | 91½                             | 105                | 98½                               | 98   | 102            | 103½                          |
| August .....            | 110        | 98                   | 132½        | 88½                     | 114                     | 111½            | 88                | 89½                                           | 87½                           | 105                      | 103½                            | 104                | 102                               | 102½ | 104            | 103½                          |
| September .....         | 110        | 105                  | 132½        | 88½                     | 114                     | 111½            | 88                | 89½                                           | 87½                           | 105                      | 103½                            | 104                | 102                               | 102½ | 104            | 103½                          |
| October .....           | 110        | 104                  | 133         | 88½                     | 117                     | 109             | 88                | 102                                           | 81                            | 108½                     | 100½                            | 107                | 101½                              | 95   | 104            | 103½                          |
| November .....          | 110        | 104                  | 133         | 88½                     | 117                     | 109             | 88                | 102                                           | 81                            | 108½                     | 100½                            | 107                | 101½                              | 95   | 104            | 103½                          |
| December .....          | 110        | 97½                  | 130         | 88                      | 117                     | 110             | 87                | 99                                            | 82                            | 88½                      | 96½                             | 102½               | 98½                               | 103  | 101            | 105                           |
| 1939—January .....      | 110        | 105                  | 141½        | 94½                     | 116                     | 112             | 82½               | 100½                                          | 83½                           | 98                       | 102                             | 105                | 104                               | 92   | 104½           | 105½                          |
| February .....          | 111        | 103½                 | 137         | 95½                     | 116                     | 111½            | 83                | 117½                                          | 88½                           | 95½                      | 108                             | 103                | 102½                              | 87   | 105            | ...                           |
| March .....             | 111½       | 105                  | 141½        | 98                      | 116                     | 111½            | 84                | 130                                           | 94                            | 98                       | 101                             | 101                | 100                               | 84   | 106            | ...                           |
| April .....             | 112½       | 112½                 | 142½        | 101                     | 116                     | 108             | 84½               | 146                                           | 112½                          | 115½                     | 101½                            | 101                | 102                               | 86½  | 110½           | ...                           |
| May .....               | 113½       | 109½                 | 141½        | 104                     | 116½                    | 108             | 82                | 152                                           | 113½                          | 124½                     | 107½                            | 109                | 100                               | 82½  | 110½           | ...                           |
| June .....              | 115        | 112½                 | 141½        | 104                     | 116½                    | 108             | 79                | 160                                           | 110                           | 127½                     | 107½                            | 109                | 101                               | 82   | 112½           | ...                           |
| July .....              | 116½       | 107½                 | 144         | ...                     | 116½                    | 108             | ...               | ...                                           | 109                           | 126½                     | 96½                             | 107½               | ...                               | ...  | ...            | ...                           |
| August .....            | 116½       | ...                  | ...         | ...                     | 116½                    | 110             | ...               | ...                                           | ...                           | ...                      | ...                             | ...                | ...                               | ...  | ...            | ...                           |

\* For method of construction and earlier figures (1924-1934) see Supplement to *The Economist* of July 25, 1939. 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.   
 p Provisional.   
 r Revised.



## Business Developments Overseas

## BRITISH EMPIRE

**AUSTRALIA.**—Negotiations are taking place between the Australian and British Governments over the purchase price of the Australian wool clip, which has been reserved for overseas trade. The Federal Government has set up official controls for overseas trade and foreign exchange dealings. Industrial output is well maintained, and according to a cable from the National Bank of Australasia, and a rapid expansion is expected in the production of armaments and other defence requirements.

**INDIA.**—Since the outbreak of the war Indian Jute Mills Association has decided to allow sealed looms to be worked and has increased working hours from 40 to 45 per week. This step is the result of the sudden increase in demand for all jute manufactures, to which the Indian Government has contributed. There have been wide fluctuations in the price of raw jute. Compared with last year, the value of Indian imports and exports showed a considerable increase in August.

## EUROPE

**FRANCE.**—Under the stimulus of increased defence expenditure and a better export demand for a number of products, industrial activity in France was making headway in the early part of the summer. While there are no production figures for August, the unemployment returns showed a steady decline from 320,000 on July 29th to 302,000 on August 26th. The trend of wholesale prices was downwards during the past month; the official figure (July, 1914 = 100) declined from 677 on July 29th to 665 on August 26th. In view of the rapid deterioration in international relations, the value of Stock Exchange securities tended to decline; the official index of share values (1913 = 100) fell from 234 on July 29th to 217 on September 2nd.

**GERMANY.**—Official figures covering the whole of August are not available. The latest official figures relating to the first week of August show a slight decline in business activity. The index of business activity, calculated by the German Institute for Economic Research (1936=100) stood at 123.8 for the week ended August 5th, against 124.2 for the last week of July and 117.0 for the first week of August in 1938. The average daily output of coal in the Ruhr area increased from 421,600 tons in the last week of July to 430,400 tons during the first week of August, against a daily output amounting to 409,100 tons during July-August, 1938. The official index of wholesale prices (1913=100) increased from 107.2 at the end of July, 1939, to 107.4 on August 5, 1939. Total banknotes in circulation increased from Rm. 8,907 millions at the end of July, 1939, to Rm. 10,907 millions at the end of August. At the end of August, 1938, banknotes in circulation amounted to Rm. 6,689 millions. The rapid progress of mobilisation as well as the introduction of a totalitarian system of rationing, covering foodstuffs, civil industrial goods and labour, during August must have accentuated the usual seasonal decline of industrial activity. Figures available show, however, that the output of the key industries, especially of coal, iron and steel, has slightly increased.

**NORWAY.**—There was the usual seasonal recession in industry and trade in July and August, due to the annual holidays. Trade at the end of August was almost at a standstill until the State control had been firmly established. A general export embargo was declared on August 26th, and exemptions therefrom are administered by the Board of Trade. Various foodstuffs have been rationed, and petrol has also been rationed. State departments have been set up to deal with foods, fuel and industrial raw materials, shipping and foreign trade. The fall in the pound-dollar exchange rate after August 25th was followed by wide fluctuations in the Oslo exchange market, and the Norwegian Bank announced on August 29th that in future the kronor would not be based on sterling. At the outbreak of war there was a marked increase in the number of ships laid up, but the withdrawal of British ships from the Baltic has led to a considerable demand for neutral tonnage. There has also been a sharp rise in coal freights from the British North Sea ports, which is a further inducement to Norwegian shippers.

**SWEDEN.**—On August 26th the Government took steps to control the export and import of certain commodities. Exports of foods and feeding stuffs, metals, chemicals, rubber, glass, machinery and electrical apparatus, means of transport and instruments were prohibited except under licence, and imports of certain foods were also subjected to licence, in order to regulate the available supplies. The suspension of sea transport led to a complete stoppage of overseas trade for the time being, but business is now on a more normal scale. Freights have risen sharply since the outbreak of war, but prices of coal were little changed up to the middle of the month.

**HOLLAND.**—During the past year the Dutch Government laid the foundations of a war-time economy by a number of Acts entitling the State to control industry and trade in the event of war. Much of this legislation has now been invoked. The State has taken

over the sales and import trade in grain and certain other goods and measures have been introduced against unjustified price increases. Exports of textiles, metals, leather, rubber, oils and petrol, clothing and foods have been prohibited, except under licence.

**SWITZERLAND.**—At the present moment attention is fixed on the measures adopted by the Government for the safety and welfare of the country, which include the general mobilisation of troops and auxiliary civil services. The National Bank has again put into circulation a certain number of Fr. 5 notes, to meet increased demands of means of payment. Contrary to the general opinion, these notes had never been definitely called in, but were withdrawn from current circulation in 1923. The position of the National Bank is reassuring. Judging by the latest report the bank possesses about three thousand millions of Swiss francs, in gold and covered foreign bills, that is to say, an amount fifteen times greater than the gold reserve held in 1914. This reserve is sufficient to assure Swiss importation for two years, on the condition that prices do not rise too sharply. The Federal Council has introduced a form of war risk insurance for imports and exports. To prevent a rise in the cost of living, the Federal Department of Public Economy has forbidden increases in prices of goods, rents and farm rents, as well as in the tariffs of public enterprises, notably gas and electricity. In addition, the Government will take all necessary measures to prevent speculation and hoarding and to assure the necessary supply of food for the population. Switzerland has already concluded arrangements, in principle, with all her neighbours, who have declared themselves ready to maintain her supplies of food to the best of their ability. The cultivation of cereals, sugar-beet, and other products will be increased. To assure the necessary manual labour for agriculture, industry and the public services, all persons of both sexes, who are unemployed can be mobilised for industrial work.

## UNITED STATES OF AMERICA

Owing partly to the imminence of war, the industrial revival which began in May slowed down somewhat in August. The Federal Reserve Board's seasonally adjusted index of industrial production (1923-25 = 100) after rising from 92 in May to 101 in July rose to 102 in August. The outbreak of war, however, was the signal for a veritable flood of new orders, due partly to the somewhat premature expectation of heavy orders from Europe and countries hitherto supplied by Germany, France and England. Moreover, there was a jump in the prices of primary products early in September. For example, Moody's index of the prices of staple commodities (December 31, 1931 = 100) rose by no less than 20 per cent. between August 31st and September 6th. Since then, however, the advance has been more gradual. Practically every branch of activity has benefited from the sudden increase in new orders. The output of crude steel is now at the rate of about 80 per cent. of the industry's capacity, and is higher than at any time since mid-September, 1937. The output of electric power, at 2,444 million kw., reached a new record in the third week of September. The railways have placed large orders for renewals, and motor-car production showed a strong seasonal increase. Provisional unofficial estimates expect that the Federal Reserve Board's index of industrial production in September will be about 110, which is the highest level reached since September, 1937.

## LATIN AMERICA

**ARGENTINA.**—Large quantities of wheat and meat have been purchased by Britain, so that the guaranteed minimum prices to farmers for wheat and linseed have been abolished. The import exchange rates have been unified into one rate of 17 pesos per £, which step is likely to lead to increased competition for British goods from the United States, with which country Argentina is now about to sign a trade agreement. The Argentine Government has taken measures to preserve economic stability in view of the European crisis, including the virtual establishment of minimum Stock Exchange prices, so that markets are stable. The outbreak of war in Europe renders it impossible to give any indications of prospects for the import trade in Argentina, and there is naturally much uncertainty. Whilst hitherto there has been keen competition among the countries supplying the Argentine market, there is now a possibility that the demand for imported merchandise may exceed supply, and it is believed that the Argentine Government will shortly remove or drastically reduce the existing restrictions on imports.

**COLOMBIA.**—The market in coffee was very erratic at the outbreak of the European war, since German purchases have been suspended. The rising trend of prices on the New York market has helped to restore confidence. Dealings in Aski marks have been suspended.

**BRAZIL.**—The outbreak of war led to a suspension of business in the export and import trades. Export of coffee and cotton has been held up, except for goods already ordered. Quotations of foreign exchange have been largely nominal and no business is being done in German currency.

## UNITED KINGDOM

(Population, mid 1938, 47,485,000; Area, 95,030 sq. miles; 244,000 sq. kms.)

| United Kingdom figures;<br>otherwise Great Britain (G.B.) | Unit of<br>Measurement         | Monthly Average |         |         |         |         |         | 1938    |         |         | 1939    |         |         |         |         |         |         |        |  |  |
|-----------------------------------------------------------|--------------------------------|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|--|--|
|                                                           |                                | 1929            | 1932    | 1935    | 1936    | 1937    | 1938    | July    | Aug.    | Dec.    | Jan.    | Feb.    | Mar.    | Apr.    | May     | June    | July    | Aug.   |  |  |
| <b>PRODUCTION</b>                                         |                                |                 |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |        |  |  |
| 1. Industr. Prod. B. of Trade (a) (d)                     | 1930 = 100                     | 108.5           | 90.5    | 113.4   | 124.4   | 132.8   | 124.3   |         |         | 126.0   |         |         | 131.0   | 17.7    | 19.9    | 133.4   | 13.0    |        |  |  |
| 2. Coal, G.B. ....                                        | Mill. tons                     | 21.4            | 17.4    | 18.6    | 19.0    | 20.1    | 19.0    | 16.8    | 17.0    | 19.2    | 20.4    | 19.2    | 21.8    | 17.7    | 19.9    | 19.3    | 19.18   |        |  |  |
| 3. Electricity, public supply, G.B. ....                  | Mill. kw.-hrs.                 | 858             | 1,020   | 1,454   | 1,635   | 1,908   | 2,021   | 1,656   | 1,679   | 2,675   | 2,704   | 2,334   | 2,508   | 2,046   | 2,068   | 1,912   | 1,918   |        |  |  |
| 4. Pig iron, G.B. ....                                    | Thous. tons                    | 632             | 298     | 535     | 641     | 708     | 561     | 508     | 443     | 446     | 501     | 516     | 604     | 609     | 692     | 716     | 744     |        |  |  |
| 5. Steel ingots and castings .....                        | "                              | 803             | 439     | 822     | 975     | 1,082   | 866     | 883     | 659     | 659     | 812     | 971     | 1,171   | 1,171   | 1,058   | 1,218   | 1,153   |        |  |  |
| 6. Buildg. plans passed (f) Dwellings ..                  | Thous. £'s                     | 3,688           | 3,907   | 6,356   | 6,253   | 5,937   | 4,976   | 5,555   | 4,071   | 3,913   | 3,295   | 5,453   | 5,219   | 4,698   | 4,076   | 4,186   | 3,499   |        |  |  |
| 7. 146 towns, G.B. .... Other ....                        | "                              | 2,403           | 1,614   | 2,990   | 3,497   | 3,579   | 3,185   | 4,060   | 2,375   | 3,959   | 2,810   | 3,137   | 4,271   | 2,961   | 3,574   | 3,609   | 3,348   |        |  |  |
| 8. Electrical loans sanctioned (p) ....                   | Thous. gross tons              | 2,236           | 1,606   | 1,800   | 1,326   | 1,699   | 1,517   |         |         |         | 1,958   | 2,530   | 1,913   | 1,759   | 1,922   | 2,359   | 2,077   |        |  |  |
| 9. Shipbuilding: commenced (f) .....                      | "                              | 137             | 6       | 57      | 91      | 88      | 42      | 29      | 29      | 29      | 24      | 24      | 134     | 134     | 134     | 134     | 134     |        |  |  |
| 10. " on hand, end yr. ....                               | "                              | 127             | 16      | 42      | 71      | 76      | 88      | 103     | 103     | 81      | 53      | 53      | 46      | 46      | 46      | 46      | 46      |        |  |  |
| 11. " launched (f) .....                                  | "                              | 1,560           | 225     | 743     | 964     | 1,125   | 780     |         |         | 780     |         |         | 597     |         |         | 791     |         |        |  |  |
| 12. Automobiles: priv. cars in use, G.B. ....             | Number                         | 15,196          | 14,270  | 25,962  | 29,487  | 32,469  | 28,533  | 25,428  | 18,748  | 31,108  | 32,286  | 29,724  | 46,824  | 33,693  | 37,295  | 34,586  |         |        |  |  |
| 13. " Com. vehicles (b) .....                             | "                              | 4,705           | 5,123   | 7,681   | 8,967   | 9,843   | 8,764   | 8,906   | 7,071   | 7,650   | 9,691   | 7,484   | 9,194   | 7,811   | 10,790  | 9,983   |         |        |  |  |
| 14. Cotton delivered to mills, G.B. ....                  | Mill. lbs. daily av.           | 5.27            | 4.47    | 4.72    | 5.17    | 5.43    | 4.18    | 3.57    | 3.70    | 4.24    | 4.4     | 4.4     | 4.76    | 5.64    | 5.80    | 4.65    |         |        |  |  |
| 15. Rayon: Output .....                                   | Thous. lbs.                    | 4,742           | 6,043   | 10,314  | 12,110  | 12,901  | 11,694  | 11,640  | 9,310   | 10,386  | 11,815  | 12,480  | 15,500  | 13,440  | 15,720  | 14,920  | 16,380  |        |  |  |
| 16. " Quantity excised .....                              | "                              | 4,710           | 5,953   | 9,987   | 11,735  | 13,082  | 11,146  | 10,821  | 9,068   | 10,230  | 12,243  | 12,433  | 15,972  | 13,679  | 15,767  | 14,993  |         |        |  |  |
| 17. Beer production .....                                 | Thous. st. barrels             | 1,620           | 1,101   | 1,353   | 1,395   | 1,488   | 1,522   | 1,701   | 1,721   | 1,624   | 1,217   | 1,195   | 1,680   | 1,343   | 1,687   | 1,763   | 1,780   |        |  |  |
| 18. Distilling: Drink (f) .....                           | Thou. proof galls.             | 914             | 721     | 720     | 760     | 785     | 757     | 741     | 741     | 1,033   | 611     | 611     | 611     | 664     | 664     | 664     | 664     |        |  |  |
| 19. " Industrial alcohol (f) .....                        | "                              | 1,205           | 1,834   | 3,172   | 3,595   | 4,369   | 4,363   | 4,351   | 4,351   | 4,445   | 4,380   | 4,380   | 4,380   | 5,005   | 5,005   | 5,005   | 5,005   |        |  |  |
| 20. " Stocks, end year .....                              | Mill. proof galls.             | 151.6           | 141.5   | 136.1   | 137.4   | 144.5   | 154.4   | 152.4   | 152.2   | 154.4   | 155.3   | 155.9   | 158.7   | 159.5   | 160.3   | 160.7   | 160.2   |        |  |  |
| <b>TRADE AND TRANSPORT</b>                                |                                |                 |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |        |  |  |
| <b>Domestic Trade</b>                                     |                                |                 |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |        |  |  |
| 21. Rly. traf.: Merch. & lvs. G.B. ....                   | Thous. tons                    | 9,780           | 6,605   | 7,661   | 8,188   | 8,699   | 7,362   | 6,173   | 6,636   | 6,795   | 6,418   | 7,302   | 7,720   |         |         |         |         |        |  |  |
| 22. " Coal and coke, G.B. ....                            | "                              | 15,933          | 12,861  | 13,447  | 13,539  | 14,384  | 88,340  | 10,694  | 11,986  | 14,370  | 14,362  | 14,858  | 14,428  |         |         |         |         |        |  |  |
| 23. Automob.: priv. cars in use, G.B. ....                | Thousands                      | 893.8           | 1,018.4 | 1,347.5 | 1,498.8 | 1,648.2 | 1,736.6 | 1,921.5 | 1,916.2 | 1,845.4 | 1,731.6 | 1,742.0 | 1,770.0 | 1,967.8 | 1,970.7 | 1,982.5 | 2,042.0 | 2035.1 |  |  |
| 24. " Comcl. vehicles in use, G.B. ....                   | "                              | 314.7           | 356.2   | 413.2   | 437.0   | 459.8   | 474.2   | 473.3   | 471.2   | 489.5   | 473.4   | 474.8   | 478.7   | 481.0   | 480.9   | 482.8   | 484.3   | 484.3  |  |  |
| 25. Postal traffic receipts, daily ....                   | Thous. £'s                     | 133             | 133     | 140     | 147     | 154     | 155     | 146.0   | 141.5   | 209.8   | 153.5   | 149.9   | 151.8   | 150.0   | 146.8   | 149.7   | 149.1   | 143.4  |  |  |
| 26. Retail trade, Gt. Brit.: Food .....                   | Avg. daily sales in 1937 = 100 | ...             | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...    |  |  |
| 27. " Other merchandise .....                             | "                              | ...             | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...    |  |  |
| 28. " Total .....                                         | "                              | ...             | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...    |  |  |
| 29. Advtg. expnd. on brand. gds. ....                     | "                              | ...             | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...    |  |  |
| <b>Foreign Trade</b>                                      |                                |                 |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |        |  |  |
| 30. Retained imports, value: Food .....                   | Thous. £'s                     | 42,444          | 29,810  | 28,616  | 30,921  | 34,099  | 34,923  | 35,440  | 34,150  | 34,481  | 34,099  | 29,298  | 34,629  | 29,234  | 32,460  | 35,187  | 31,917  | 33,779 |  |  |
| 31. " Raw materials .....                                 | "                              | 23,774          | 11,740  | 15,237  | 17,934  | 23,203  | 18,112  | 17,284  | 17,234  | 17,422  | 18,836  | 14,166  | 16,832  | 17,119  | 20,012  | 19,911  | 19,499  | 19,499 |  |  |
| 32. " Manufactures .....                                  | "                              | 25,467          | 12,108  | 14,392  | 16,452  | 20,878  | 17,958  | 16,106  | 17,054  | 16,390  | 30,448  | 30,344  | 32,664  | 27,430  | 32,743  | 30,466  | 30,997  | 28,544 |  |  |
| 33. " Total .....                                         | "                              | 92,589          | 54,221  | 58,473  | 65,210  | 79,492  | 71,569  | 69,834  | 69,087  | 69,343  | 70,794  | 60,744  | 73,053  | 65,505  | 73,529  | 77,667  | 74,555  | 76,609 |  |  |
| 34. Volume: Food (a) (d) .....                            | Avg. of 1935 = 100             | 98.9            | 102.6   | 100     | 102.8   | 103.1   | 106.9   | 111.1   | 111.1   | 111.7   | 102.3   | 104.3   | 102.5   | 102.5   | 102.5   | 102.5   | 102.5   | 102.5  |  |  |
| 35. " Raw materials (a) (d) .....                         | "                              | 101.6           | 84.6    | 100     | 102.8   | 103.1   | 106.9   | 111.1   | 111.1   | 111.7   | 102.3   | 104.3   | 102.5   | 102.5   | 102.5   | 102.5   | 102.5   | 102.5  |  |  |
| 36. " Manufactures (a) (d) .....                          | "                              | 133.6           | 79.6    | 100     | 111.6   | 127.0   | 115.5   | 115.5   | 115.5   | 115.5   | 115.5   | 115.5   | 115.5   | 115.5   | 115.5   | 115.5   | 115.5   | 115.5  |  |  |
| 37. " Total (a) (d) .....                                 | "                              | 108.9           | 82.2    | 100     | 107.2   | 113.8   | 108.7   | 108.7   | 108.7   | 108.7   | 108.7   | 108.7   | 108.7   | 108.7   | 108.7   | 108.7   | 108.7   | 108.7  |  |  |
| 38. Domestic exports, value: Food .....                   | Thous. £'s                     | 4,555           | 2,625   | 2,636   | 2,966   | 3,232   | 2,993   | 2,904   | 2,952   | 3,025   | 3,123   | 2,490   | 3,135   | 2,433   | 3,191   | 3,381   | 2,998   | 3,269  |  |  |
| 39. " Raw materials .....                                 | "                              | 6,575           | 3,634   | 4,400   | 4,278   | 5,388   | 4,744   | 4,699   | 4,532   | 4,642   | 4,654   | 4,268   | 4,839   | 4,152   | 5,363   | 5,182   | 5,261   | 4,442  |  |  |
| 40. " Manufactures .....                                  | "                              | 47,899          | 23,031  | 27,411  | 28,410  | 33,737  | 30,448  | 28,963  | 23,905  | 26,066  | 30,448  | 30,344  | 32,664  | 27,430  | 32,743  | 30,466  | 30,997  | 28,544 |  |  |
| 41. " Total .....                                         | "                              | 60,779          | 30,419  | 35,493  | 36,721  | 43,466  | 39,240  | 37,470  | 36,331  | 39,099  | 39,840  | 38,032  | 43,519  | 35,149  | 42,273  | 39,893  | 40,355  | 37,079 |  |  |
| 42. Volume: Food (a) (d) .....                            | Avg. of 1935 = 100             | 126.7           | 90.0    | 100     | 102.6   | 117.2   | 111.1   | 111.1   | 111.1   | 111.7   | 102.3   | 104.3   | 102.5   | 102.5   | 102.5   | 102.5   | 102.5   | 102.5  |  |  |
| 43. " Raw materials (a) (d) .....                         | "                              | 130.4           | 82.0    | 100     | 102.8   | 103.1   | 106.9   | 111.1   | 111.1   | 111.7   | 102.3   | 104.3   | 102.5   | 102.5   | 102.5   | 102.5   | 102.5   | 102.5  |  |  |
| 44. " Manufactures (a) (d) .....                          | "                              | 142.1           | 83.0    | 100     | 102.1   | 112.3   | 98.7    | 105.0   | 105.0   | 105.0   | 105.0   | 105.0   | 105.0   | 105.0   | 105.0   | 105.0   | 105.0   | 105.0  |  |  |
| 45. " Total (a) (d) .....                                 | "                              | 140.3           | 84.0    | 100     | 101.5   | 111.1   | 98.6    | 6.053   | 6.417   | 5.495   | 5.047   | 4.543   | 5.291   | 5.225   | 6.147   | 6.887   | 6.568   | 6.618  |  |  |
| 46. Shipping: Tonnage entered .....                       | Thous. net tons                | 5,225           | 4,947   | 5,302   | 5,616   | 5,868   | 5,907   | 5,238   | 5,379   | 4,688   | 4,646   | 4,137   | 4,686   | 4,774   | 5,408   | 5,711   | 5,594   | 5,552  |  |  |
| 47. " Tonnage cleared .....                               | "                              | 5,723           | 4,620   | 4,777   | 4,735   | 5,114   | 4,907   | 4,522   | 4,522   | 4,522   | 4,522   | 4,522   | 4,522   | 4,522   | 4,522   | 4,522   | 4,522   | 4,522  |  |  |
| 48. " Tonnage laid-up (h) .....                           | "                              | 365             | 197     | 436     | 212     | 95      | 452     |         |         |         |         |         |         |         |         |         |         |        |  |  |
| 49. Freight rates, Economist Index .....                  | 1929 = 100                     | 100             | 77.9    | 76.8    | 87.3    | 132.5   | 100.8   | 98.4    | 98.8    | 95.8    | 95.8    | 96.1    | 94.0    | 94.8    | 98.8    | 95.0    | 93.4    | 94.4   |  |  |
| <b>EMPLOYMENT AND WAGES</b>                               |                                |                 |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |        |  |  |
| 50. Insured pers. employed (n) G.B. ....                  | Thousands                      | 10,220          | 9,348   | 10,377  | 10,912  | 11,496  | 11,406  | 11,413  | 11,447  | 11,452  | 11,284  | 11,419  | 11,586  | 11,685  | 11,838  | 11,969  | 12,064  | 12,053 |  |  |
| 51. Registered unemployed .....                           | "                              | 1,212           | 2,756   | 1,958   | 1,684   | 1,413   | 1,791   | 1,773   | 1,759   | 1,831   | 2,039   | 1,897   | 1,727   | 1,644   | 1,492   | 1,350   | 1,256   | 1,250  |  |  |
| 52. Per cent. unemployed .....                            | "                              | 10.2            | 29.1    | 19.3    | 13.0    | 10.6    | 12.8    | 12.9    | 12.6    | 12.7    | 14.1    | 12.6    | 12.0    | 11.3    | 10.3    | 9.5     | 8.8     | 8.8    |  |  |
| <b>Wholesale &amp; Retail Trade</b>                       |                                |                 |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |        |  |  |
| 53. Retail's at Exchanges, all ages .....                 | Thousands                      | 1,276           | 2,818   | 2,108   | 1,822   | 1,586   | 1,881   | 1,875   | 1,843   | 1,819   | 2,133   | 1,986   | 1,814   | 1,726   | 1,565   | 1,417   | 1,326   | 1,205  |  |  |
| 54. " London .....                                        | "                              | 118             | 906     | 203     | 179     | 171     | 226     | 209     | 203     | 245     | 279     | 262     | 236     | 226     | 207     | 186     | 175     | 163    |  |  |
| 55. " S.E. England .....                                  | "                              | 50              | 142     | 91      | 79      | 70      | 96      | 75      | 77      | 118     | 145     | 131     | 109     | 99      | 87      | 67      | 63      | 63     |  |  |
| 56. " S.W. ....                                           | "                              | 89              | 157     | 114     | 94      | 83      | 84      | 72      | 70      | 91      | 108     | 96      | 84      | 78      | 68      | 54      | 48      | 48     |  |  |
| 57. " Midlands .....                                      | "                              | 165             | 371     | 217     | 178     | 144     | 210     | 237     | 238     | 199     | 222     | 199     | 178     | 178     | 155     | 146     | 142     | 142    |  |  |
| 58. " N.E. England .....                                  | "                              | 280             | 602     | 452     | 304     | 165     | 208     | 217     | 215     | 200     | 231     | 204     | 183     | 181     | 169     | 150     | 137     | 137    |  |  |
| 59. " N.W. ....                                           | "                              | 285             | 562     | 439     | 374     | 304     | 398     | 384     | 395     | 377     | 409     | 355     | 359     | 342     | 317     | 301     | 272     | 272    |  |  |
| 60. " Northern (c) .....                                  | "                              | ...             | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...    |  |  |
| 61. " Scotland .....                                      | "                              | 156             | 378     | 314     | 277     | 246     | 259     | 259     | 259     | 263     | 288     | 187     | 187     | 157     | 144     | 131     | 123     | 123    |  |  |
| 62. " Wales .....                                         | "                              | 116             | 228     | 206     | 198     | 151     | 164     | 161     | 158     | 170     | 174     | 175     | 156     | 142     | 124     | 115     | 106     | 106    |  |  |
| 63. " N. Ireland .....                                    | "                              | 36              | 68      | 67      | 71      | 91      | 102     | 84      | 87      | 95      | 90      | 87      | 82      | 73      | 68      | 70      | 70      | 70     |  |  |
| 64. Industr. disputes, No. days lost .....                | "                              | 676             | 541     | 160     | 154     | 285     | 110     | 80      | 86      | 107     | 81      | 116     | 90      | 143     | 128     | 130     | 134     | 111    |  |  |
| 65. Wage rates, Min. of Labour (d) .....                  | 1929 = 100                     | 100             | 96      | 96      | 99      | 109     | 107     |         |         |         |         |         |         |         |         |         |         |        |  |  |
| <b>PRICES</b>                                             |                                |                 |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |        |  |  |
| 66. Agricultural Produce (Min. of Agriculture) (r) .....  | 1927-29 = 100                  | 99.0            | 80.5    | 81.0    | 82.5    | 90.5    | 90.0    | 96.0    | 89.0    | 86.0    | 89.0    | 88.0    | 90.0    | 94.0    | 91.0    | 88.0    | 93      |        |  |  |
| 67. Cereals and meat .....                                | 1929 = 100                     | 100             | 72.0    | 72.2    | 79.4    | 93.5    | 82.4    | 85.6    | 79.2    | 71.8    | 71.3    | 70.6    | 72.2    | 73.4    | 72.9    | 71.2    | 68.0    | 69.9   |  |  |
| 68. Other foods .....                                     | "                              | 100             | 73.0    | 70.6    | 71.2    | 78.6    | 68.4    | 67.0    | 67.0    | 67.1    | 67.8    | 69.8    | 70.0    | 73.3    | 72.4    | 72.2    | 71.9    | 71.9   |  |  |
| 69. Textiles .....                                        | "                              | 100             | 56.3    | 61.8    | 67.0    | 73.8    | 58.6    |         |         |         |         |         |         |         |         |         |         |        |  |  |

## UNITED STATES, FRANCE AND GERMANY

|                                                                        | Unit of Measurement | Monthly Average |            |            |            |            |            | 1938       |            |            | 1939       |            |            |            |            |            |            |            |     |
|------------------------------------------------------------------------|---------------------|-----------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-----|
|                                                                        |                     | 1929            | 1932       | 1935       | 1936       | 1937       | 1938       | June       | July       | Aug.       | Jan.       | Feb.       | Mar.       | Apr.       | May        | June       | July       | Aug.       |     |
|                                                                        |                     | 1929 = 100      | 1929 = 100 | 1929 = 100 | 1929 = 100 | 1929 = 100 | 1929 = 100 | 1929 = 100 | 1929 = 100 | 1929 = 100 | 1929 = 100 | 1929 = 100 | 1929 = 100 | 1929 = 100 | 1929 = 100 | 1929 = 100 | 1929 = 100 | 1929 = 100 |     |
| 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       | 64.7       | 69.7       | 73.9       | 84.0       | 82.4       | 82.4       | 77.3       | 77.3       | 82.4       | 85.7       | ...        |     |
| 2. Investment goods, F.R.B. (a)                                        | "                   | 100             | 27.0       | 62.2       | 81.1       | 87.7       | 53.3       | 41.0       | 47.5       | 52.5       | 72.1       | 68.0       | 65.6       | 62.3       | 58.2       | 67.2       | 73.0       | ...        |     |
| 3. Consumption goods, F.R.B. (a)                                       | "                   | 100             | 75.2       | 87.2       | 94.0       | 94.0       | 85.5       | 81.2       | 87.2       | 92.3       | 94.0       | 92.3       | 94.0       | 89.7       | 92.3       | 94.0       | 94.9       | ...        |     |
| 4. Coal                                                                | Million m. tons     | 46.0            | 27.2       | 31.6       | 36.5       | 37.0       | 29.2       | 24.3       | 23.5       | 28.5       | 36.7       | 34.5       | 35.3       | 14.5       | 20.8       | 29.1       | 29.4       | ...        |     |
| 5. Electricity generated                                               | Million kw. hrs.    | 8,113           | 6,842      | 8,283      | 9,461      | 10,083     | 9,400      | 9,197      | 9,596      | 10,246     | 10,641     | 9,654      | 10,567     | 9,952      | 10,339     | 10,523     | ...        | ...        |     |
| 6. Steel                                                               | Thous. m. tons      | 4,599           | 1,128      | 2,830      | 3,973      | 4,192      | 2,357      | 1,665      | 2,006      | 2,578      | 3,238      | 3,002      | 3,119      | 3,035      | 2,965      | 3,181      | 3,342      | ...        |     |
| 7. Index of machine tool orders                                        | 1929 = 100          | 100             | 12.6       | 55.5       | 87.7       | 120.0      | 65.9       | 45.1       | 57.5       | 78.0       | 96.8       | 107.0      | 119.0      | 99.9       | 141.1      | 135.8      | 148.1      | ...        |     |
| Building contracts awarded:                                            |                     |                 |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |     |
| 8. Residential                                                         | Million \$          | 159.6           | 23.3       | 39.9       | 66.8       | 75.5       | 82.2       | 85.7       | 88.0       | 99.7       | 80.2       | 79.0       | 125.2      | 114.4      | 133.8      | 111.9      | ...        | ...        |     |
| 9. Other                                                               | "                   | 319.6           | 88.9       | 114.1      | 156.1      | 184.4      | 184.2      | 165.3      | 151.8      | 213.4      | 171.3      | 141.2      | 175.4      | 174.7      | 176.4      | ...        | ...        | ...        |     |
| 10. Private cars                                                       | Thousands           | 382             | 88         | 271        | 306        | 328        | 167        | 137        | 107.9      | 58         | 280        | 240        | 300        | 273        | 238        | 24.8       | ...        | ...        |     |
| 11. Commercial vehicles                                                | "                   | 64              | 20         | 55         | 65         | 72         | 41         | 38         | 34         | 32         | 59         | 58         | 72         | 64         | 60         | 63         | ...        | ...        |     |
| 12. Activity in textile industry                                       | 1929 = 100          | 100             | 72.2       | 90.4       | 97.4       | 96.5       | 80.9       | 75.7       | 84.3       | 95.7       | 94.8       | 94.8       | 84.3       | 90.4       | 95.7       | ...        | ...        | ...        |     |
| TRADE AND TRANSPORT                                                    |                     |                 |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |     |
| 13. Index of Rly. car loadings (a)                                     | "                   | 100             | 52.8       | 59.4       | 67.9       | 74.7       | 59.2       | 54.7       | 57.5       | 58.5       | 65.1       | 63.2       | 62.3       | 56.6       | 58.5       | 63.2       | 65.1       | ...        |     |
| 14. Index of Dept. Store sales (a)                                     | "                   | 100             | 62.2       | 71.2       | 79.2       | 83.6       | 76.7       | 79.3       | 74.8       | 74.8       | 79.3       | 77.5       | 78.3       | 79.3       | 76.6       | 77.5       | 77.5       | ...        |     |
| 15. Retained imports                                                   | Million \$          | 362             | 110        | 170        | 202        | 251        | 163        | 147.8      | 147.8      | 171.0      | 169.3      | 152.5      | 191.2      | 185.8      | 194.2      | 178.4      | 168.9      | ...        |     |
| 16. Domestic exports                                                   | "                   | 430             | 131        | 187        | 202        | 275        | 255        | 229.6      | 224.9      | 224.9      | 210.3      | 216.0      | 264.6      | 227.6      | 245.9      | 236.1      | 229.6      | ...        |     |
| EMPLOYMENT AND WAGES                                                   |                     |                 |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |     |
| 17. Factory employment, F.R.B. (a)                                     | 1929 = 100          | 100             | 62.6       | 87.2       | 93.4       | 101.0      | 81.5       | 78.7       | 79.1       | 81.1       | 87.4       | 87.2       | 87.0       | 86.8       | 86.3       | 87.4       | ...        | ...        |     |
| 18. Pay rolls, Dept. of Lab.                                           | "                   | 100             | 42.6       | 67.9       | 78.4       | 93.5       | 78.5       | 64.9       | 64.7       | 69.3       | 76.5       | 78.4       | 79.6       | 77.8       | 77.4       | 79.1       | ...        | ...        |     |
| 19. Hourly earnings, N.I.C.B.                                          | "                   | 100             | 84.0       | 102        | 105        | 120        | 123        | 124.0      | 123.0      | 122.6      | 123.1      | 123.1      | 123.1      | 123.6      | 124.1      | ...        | ...        | ...        |     |
| 20. Av. hours of work, N.I.C.B.                                        | Number              | 48.3            | 34.8       | 37.2       | 39.7       | 39.3       | 34.5       | 33.1       | 33.8       | 35.2       | 36.6       | 36.8       | 36.9       | 36.9       | 36.8       | 37.2       | ...        | ...        |     |
| 21. Applicants for work                                                | Thousands           | ...             | ...        | 7,450      | 7,705      | 5,155      | 7,404      | 7,831      | 7,969      | 8,121.4    | 7,442      | 7,199      | 6,746      | 6,547      | 6,387      | 6,271      | ...        | ...        |     |
| PRICES                                                                 |                     |                 |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |     |
| 22. Cost of living, N.I.C.B.                                           | 1929 = 100          | 100             | 77.9       | 82.6       | 84.8       | 88.4       | 86.3       | 88.6       | 86.4       | 85.8       | 85.3       | 85.0       | 84.8       | 84.9       | 84.7       | 84.6       | 84.8       | ...        |     |
| 23. Wholesale prices, D. of Lab.                                       | "                   | 100             | 68.0       | 83.9       | 84.8       | 90.6       | 82.5       | 80.7       | 80.7       | 80.5       | 80.7       | 80.7       | 80.5       | 80.0       | 80.0       | 79.3       | 79.1       | ...        |     |
| 24. " raw materials                                                    | "                   | 100             | 56.5       | 79.1       | 82.0       | 86.9       | 73.8       | 73.2       | 74.2       | 73.2       | 72.7       | 72.7       | 71.9       | 70.3       | 70.7       | 69.5       | 69.5       | ...        |     |
| 25. " semi-manufactures                                                | "                   | 100             | 63.2       | 78.4       | 80.8       | 89.8       | 79.2       | 79.9       | 79.3       | 79.2       | 79.8       | 79.3       | 79.4       | 79.3       | 79.1       | 79.0       | 79.2       | ...        |     |
| 26. " Finished goods                                                   | "                   | 100             | 74.4       | 87.0       | 86.8       | 92.2       | 87.0       | 87.0       | 87.3       | 86.5       | 84.7       | 84.9       | 84.8       | 84.8       | 84.5       | 84.2       | 83.8       | ...        |     |
| 27. " Farm products                                                    | "                   | 100             | 45.9       | 75.1       | 72.2       | 82.5       | 65.3       | 65.5       | 68.9       | 64.2       | 64.1       | 64.1       | 62.7       | 60.7       | 59.5       | 59.5       | 60.0       | ...        |     |
| 28. 351 Indus. securit's, Stand. Stat.                                 | "                   | 100             | 24.4       | 48.0       | 67.3       | 69.0       | 62.6       | 47.3       | 56.0       | 64.2       | 57.7       | 56.1       | 56.4       | 49.7       | 51.6       | 52.6       | 53.6       | ...        |     |
| FINANCE                                                                |                     |                 |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |     |
| 29. Federal Exp. Total (i) (g)                                         | Million \$          | 320.7           | 439.5      | 602.1      | 722.2      | 703.5      | 635.5      | 7,652      | 7,652      | 7,652      | 5,215      | 5,877      | 6,756      | 7,543      | 8,288      | 9,261      | ...        | ...        |     |
| 30. Recovery and Relief (i) (g)                                        | "                   | ...             | ...        | ...        | ...        | ...        | ...        | 2,238      | 2,238      | 2,238      | 1,769      | 2,023      | 2,320      | 2,586      | 2,848      | 3,100      | ...        | ...        |     |
| 31. Federal Receipts (i) (g)                                           | "                   | 336.1           | 176.8      | 347.7      | 343.0      | 441.2      | 520.2      | 6,241      | 6,241      | 6,241      | 3,135      | 3,552      | 4,289      | 4,557      | 4,954      | 5,567      | ...        | ...        |     |
| 32. Total Res. Bank credit                                             | "                   | 1,459           | 2,077      | 2,475      | 2,481      | 2,554      | 2,600      | 2,596      | 2,589      | 2,585      | 2,607      | 2,598      | 2,587      | 2,595      | 2,573      | 2,579      | 2,488      | ...        |     |
| 33. Gold stock                                                         | "                   | 3,996           | 3,952      | 9,059      | 10,578     | 12,162     | 13,250     | 12,969     | 13,017     | 13,136     | 14,682     | 14,874     | 15,258     | 15,791     | 15,957     | 16,110     | 16,238     | ...        |     |
| 34. Money in circulation                                               | "                   | 4,476           | 5,328      | 5,585      | 6,101      | 6,475      | 6,510      | 6,461      | 6,452      | 6,504      | 6,653      | 6,731      | 6,817      | 6,905      | 6,967      | 7,047      | 7,049      | ...        |     |
| 35. Member Bank Res. Balances                                          | "                   | 2,358           | 2,114      | 5,001      | 5,989      | 6,830      | 7,935      | 8,024      | 8,164      | 8,179      | 9,215      | 8,536      | 9,157      | 9,900      | 10,029     | 10,018     | 10,507     | ...        |     |
| 36. " Excess Reserves                                                  | "                   | 43              | 256        | 2,469      | 2,512      | 1,220      | 2,522      | 2,875      | 3,002      | 2,941      | 3,644      | 3,387      | 3,559      | 4,098      | 4,220      | 4,410      | 4,553      | ...        |     |
| 37. Loans and investments                                              | "                   | 22,599          | 19,080     | 19,997     | 22,604     | 22,198     | 21,023     | 20,696     | 20,530     | 20,675     | 21,468     | 21,527     | 21,705     | 21,727     | 21,693     | 21,887     | 22,046     | ...        |     |
| 38. Deposits: Demand                                                   | "                   | ...             | ...        | ...        | ...        | ...        | ...        | 15,036     | 14,951     | 15,388     | 16,048     | 15,965     | 15,991     | 16,660     | 16,963     | 17,220     | 17,462     | ...        |     |
| 39. " Time                                                             | "                   | 6,788           | 5,666      | 4,883      | 4,999      | 5,202      | 5,202      | 5,239      | 5,193      | 5,210      | 5,183      | 5,202      | 5,217      | 5,248      | 5,235      | 5,237      | 5,243      | ...        |     |
| 40. Bank debits ex. N.Y. City                                          | "                   | 27,662          | 12,867     | 15,847     | 18,306     | 19,601     | 17,054     | 17,160     | 16,677     | 16,023     | 17,860     | 15,201     | 15,211     | 16,832     | 17,763     | 18,676     | 17,883     | ...        |     |
| 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       | 2.6        | 2.56       | 2.52       | 2.52       | 2.51       | 2.47       | 2.44       | 2.34       | 2.30       | 2.17       | 2.13       | 2.16       | ...        |     |
| 43. Capital issues, C.F. Chronicle                                     | Million \$          | 593             | 99         | 118        | 164        | 175        | 194        | 349        | 391        | 415        | 220        | 378        | 162        | 143        | 1,021      | 293        | 318        | ...        |     |
| FRANCE (Population 1936: 41,906,000; Area: 550,986 sq. kms.)           |                     |                 |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |     |
| PRODUCTION                                                             |                     |                 |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |     |
| 44. Industrial prod. S.G.F. (b) (f)                                    | 1929 = 100          | 100             | 53.3       | 75.6       | 88.1       | 92.2       | 72.3       | 64.7       | 69.7       | 73.9       | 84.0       | 82.4       | 82.4       | 77.3       | 77.3       | 82.4       | 85.7       | ...        |     |
| 45. Coal                                                               | Thous. met. tons    | 4,482           | 3,856      | 3,851      | 3,769      | 3,693      | 3,875      | 3,830      | 3,730      | 2,776      | 4,214      | 3,932      | 4,393      | 4,131      | 4,312      | 4,531      | 3,906      | ...        |     |
| 46. Electricity                                                        | Thous. met. tons    | 100             | 88.2       | 101.7      | 104.2      | 114.3      | 121.0      | 125.2      | 121.9      | 110.1      | 134.4      | 137.8      | 142.1      | 138.6      | 140.4      | 147.0      | ...        | ...        |     |
| 47. Steel                                                              | Thous. met. tons    | 808             | 470        | 522        | 559        | 680        | 514        | 480        | 436        | 419        | 585        | 575        | 668        | 625        | 739        | 766        | 745        | ...        |     |
| 48. Building activity                                                  | S.G.F. (a)          | 100             | 81.3       | 55.3       | 52.0       | 48.1       | 45.9       | 45.9       | 46.6       | 46.6       | 48.9       | 50.4       | 54.9       | 57.9       | 58.6       | 60.9       | 63.1       | ...        |     |
| TRADE AND TRANSPORT                                                    |                     |                 |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |     |
| 49. Rly. car loadings, daily                                           | Thous. cars         | 65.1            | 47.3       | 40.1       | 40.9       | 41.6       | 40.4       | 40.6       | 38.5       | 35.5       | 40.8       | 41.9       | 42.2       | 40.6       | 40.4       | 43.0       | 40.2       | ...        |     |
| 50. Imports                                                            | Mill. frs.          | 4,852           | 2,484      | 1,745      | 2,118      | 3,533      | 3,832      | 3,811      | 3,501      | 3,709      | 3,978      | 4,519      | 3,992      | 4,125      | 4,080      | 4,073      | 3,927      | ...        |     |
| 51. Exports                                                            | "                   | 4,178           | 1,642      | 1,289      | 1,288      | 1,995      | 2,649      | 2,291      | 2,286      | 2,486      | 2,802      | 3,036      | 2,880      | 3,034      | 3,063      | 3,207      | 2,884      | ...        |     |
| EMPLOYMENT AND WAGES                                                   |                     |                 |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |     |
| 52. Unemployed in receipt of benefit                                   | Thousands           | 0.9             | 273.4      | 426.9      | 431.9      | 350.3      | 375.7      | 362.9      | 344.5      | 338.4      | 416.0      | 414.8      | 395.3      | 386.2      | 375.5      | 349.0      | 320.4      | 302        | ... |
| 53. Hourly wage rates, Paris region                                    | 1929 = 100          | 100             | 100        | 101        | 116        | 173        | 192        | 193        | ...        | ...        | ...        | ...        | ...        | ...        | ...        | ...        | ...        | ...        |     |
| PRICES                                                                 |                     |                 |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |     |
| 54. Wholesale, index of S.G.F.                                         | "                   | 100             | 68.2       | 54.0       | 65.5       | 92.7       | 104.1      | 105.3      | 104.0      | 103.5      | 109.       |            |            |            |            |            |            |            |     |



# RAW MATERIALS AND CRUDE FOODSTUFFS GROUP I.—MONTHLY TABLE

| Commodity                             | Unit of Measurement       | Monthly Average |        |        |        |        |          | 1938   |        |        | 1939    |        |         |        |        |        |        |
|---------------------------------------|---------------------------|-----------------|--------|--------|--------|--------|----------|--------|--------|--------|---------|--------|---------|--------|--------|--------|--------|
|                                       |                           | 1929            | 1932   | 1935   | 1936   | 1937   | 1938 (a) | June   | July   | Aug.   | Jan.    | Feb.   | Mar.    | Apr.   | May    | June   | July   |
|                                       |                           |                 |        |        |        |        |          |        |        |        |         |        |         |        |        |        |        |
| <b>COAL</b>                           |                           |                 |        |        |        |        |          |        |        |        |         |        |         |        |        |        |        |
| 1. Production: Belgium                | Th. metric tons           | 2,245           | 1,785  | 2,207  | 2,323  | 2,473  | 2,465    | 2,405  | 2,233  | 2,234  | 2,665   | 2,357  | 2,724   | 2,452  | 2,569  | 2,682  | 2,321  |
| 2. " France                           | "                         | 4,482           | 3,856  | 3,851  | 3,789  | 3,693  | 3,875    | 3,830  | 3,730  | 2,776  | 4,214   | 3,932  | 4,333   | 4,131  | 4,312  | 4,531  | 4,531  |
| 3. " Germany: Coal(b)                 | "                         | 13,620          | 8,728  | 11,918 | 13,190 | 15,376 | 15,515   | 14,874 | 15,763 | 15,885 | 16,231  | 14,865 | 16,869  | 14,089 | 15,782 | 16,229 | 16,177 |
| 4. " Poland                           | "                         | 3,853           | 2,403  | 2,395  | 2,479  | 3,018  | 3,175    | 2,902  | 3,151  | 3,439  | 4,119   | 3,623  | 3,652   | 3,765  | 4,021  | 4,008  | 4,008  |
| 5. " U.S.A.                           | "                         | 21,837          | 17,717 | 18,377 | 19,349 | 20,421 | 19,323   | 17,392 | 17,096 | 17,323 | 20,684  | 19,481 | 22,179  | 17,989 | 20,199 | 19,602 | 19,602 |
| 6. " U.S.S.R.                         | "                         | 46,028          | 27,183 | 31,576 | 36,761 | 37,178 | 29,282   | 24,311 | 23,531 | 26,480 | 36,731  | 34,492 | 35,261  | 14,491 | 20,821 | 29,063 | 29,396 |
| 7. " All Principal countries          | "                         | 103,772         | 73,529 | 85,843 | 94,705 | 99,947 | 91,884   | 83,606 | 83,227 | 88,010 | 102,731 | 96,064 | 104,313 | 74,292 | 85,722 | 94,432 | 94,432 |
| 8. Price: Av. Br. expt. price         | sh. per ton               | 16-08           | 16-25  | 16-29  | 16-98  | 18-57  | 20-89    | 22-02  | 21-22  | 20-72  | 20-83   | 20-44  | 20-18   | 20-09  | 19-89  | 20-07  | 20-09  |
| <b>OIL</b>                            |                           |                 |        |        |        |        |          |        |        |        |         |        |         |        |        |        |        |
| 9. Production: Dutch East Indies      | Th. metric tons           | 437             | 424    | 507    | 536    | 605    | 617      | 614    | 606    | 597    | 648     | 608    | 660     | 654    | 691    | 671    | 671    |
| 10. " Mexico                          | "                         | 556             | 498    | 501    | 511    | 578    | 477      | 477    | 421    | 477    | 413     | 408    | 456     | 461    | 432    | 458    | 458    |
| 11. " Iran (Ang.-Ir. Oil)             | "                         | 402             | 543    | 577    | 628    | 871    | 904      | 798    | 767    | 890    | 850     | 661    | 928     | 960    | 920    | 918    | 918    |
| 12. " Roumania                        | "                         | 403             | 612    | 698    | 723    | 596    | 550      | 550    | 564    | 557    | 536     | 497    | 538     | 510    | 521    | 500    | 500    |
| 13. " U.S.A.                          | "                         | 11,509          | 8,370  | 11,388 | 12,550 | 14,597 | 13,861   | 12,925 | 13,922 | 14,364 | 13,867  | 12,647 | 14,446  | 14,275 | 14,956 | 14,153 | 14,153 |
| 14. " U.S.S.R.                        | "                         | 1,296           | 1,791  | 1,989  | 2,193  | 2,307  | 2,357    | 2,543  | 2,497  | 2,414  | 2,332   | 2,400  | 2,469   | 2,480  | 2,536  | 2,590  | 2,590  |
| 15. " All Principal countries         | "                         | 17,145          | 15,048 | 18,838 | 20,575 | 23,486 | 22,817   | 21,947 | 22,974 | 23,569 | 22,841  | 20,975 | 23,615  | 23,480 | 24,283 | 23,616 | 23,616 |
| 16. Stocks: U.S.A. end year           | million barrels           | 422             | 340    | 315    | 288    | 306    | 273      | 296    | 289    | 286    | 272     | 272    | 273     | 277    | 278    | 275    | 269    |
| 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   |
| <b>CRUDE STEEL</b>                    |                           |                 |        |        |        |        |          |        |        |        |         |        |         |        |        |        |        |
| 18. Production: Belgium               | Th. metric tons           | 342             | 238    | 252    | 265    | 322    | 190      | 180    | 185    | 182    | 210     | 199    | 225     | 219    | 288    | 305    | 296    |
| 19. " France                          | "                         | 808             | 470    | 523    | 559    | 660    | 514      | 480    | 436    | 419    | 593     | 573    | 666     | 625    | 742    | 766    | 745    |
| 20. " Germany (c)                     | "                         | 1,354           | 481    | 1,371  | 1,601  | 1,654  | 1,934    | 1,890  | 1,981  | 2,018  | 2,096   | 1,955  | 2,215   | 1,899  | 2,070  | 2,105  | 2,106  |
| 21. " Japan, ex. castings             | "                         | 191             | 209    | 375    | 419    | ...    | 120      | 110    | 110    | 113    | 138     | 136    | 146     | 149    | 181    | 188    | 167    |
| 22. " Luxembourg                      | "                         | 225             | 163    | 153    | 165    | 209    | 120      | 110    | 110    | 113    | 138     | 136    | 146     | 149    | 181    | 188    | 167    |
| 23. " U.K.                            | "                         | 816             | 445    | 833    | 990    | 1,098  | 880      | 789    | 694    | 669    | 825     | 987    | 1,190   | 1,075  | 1,233  | 1,194  | 1,172  |
| 24. " U.S.A., ex. castings            | "                         | 4,599           | 1,128  | 2,330  | 3,963  | 4,192  | 2,357    | 1,665  | 2,006  | 2,578  | 3,238   | 3,002  | 3,419   | 3,035  | 2,965  | 3,181  | 3,342  |
| 25. " U.S.S.R.                        | "                         | 407             | 490    | 1,034  | 1,362  | 1,485  | 1,545    | 1,552  | 1,462  | 1,462  | 9,256   | 9,107  | 10,109  | 9,143  | 9,757  | 9,976  | 10,083 |
| 26. " All Principal countries         | "                         | 9,492           | 3,890  | 7,620  | 9,595  | 10,453 | 8,256    | 7,406  | 7,703  | 8,177  | 9,256   | 9,107  | 10,109  | 9,143  | 9,757  | 9,976  | 10,083 |
| 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   | 4-95    | 4-95   | 4-95    | 4-95   | 4-95   | 4-95   | 4-95   |
| <b>GOLD</b>                           |                           |                 |        |        |        |        |          |        |        |        |         |        |         |        |        |        |        |
| 28. Production: Union of S. Africa    | Thous. fine ozs.          | 868             | 963    | 898    | 945    | 978    | 1,013    | 1,015  | 1,035  | 1,047  | 1,034   | 986    | 1,073   | 1,018  | 1,085  | 1,035  | ...    |
| 29. " U.S.S.R.                        | "                         | 90              | 163    | 375    | 450    | 417    | 417      | ...    | ...    | ...    | 411     | 391    | 412     | 407    | 432    | ...    | ...    |
| 30. " Canada                          | "                         | 161             | 254    | 274    | 310    | 341    | 390      | 391    | 421    | 412    | 411     | 391    | 414     | 407    | 432    | ...    | ...    |
| 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   | 140-68 | 141-18 | 142-51 | 149-25  | 148-49 | 148-33  | 148-51 | 148-45 | 148-51 | 15     |
| <b>WHEAT</b>                          |                           |                 |        |        |        |        |          |        |        |        |         |        |         |        |        |        |        |
| 34. World shipments, vt. ended July   | Mlns. of bushels          | 77              | 67     | 43     | 42     | 50     | 45       | 44     | 46     | 54     | 52      | 47     | 50      | 48     | 60     | 61     | ...    |
| 35. Stks.: World visible supplies (d) | sh. per cwt.              | 370-1           | 408-2  | 339-5  | 275-1  | 229-5  | 262-4    | 179-2  | 262-4  | 333-6  | 472-6   | 418-4  | 386-2   | 365-4  | 326-6  | 332-6  | 354-8  |
| 36. Average British import price      | £ per cwt.                | 10-33           | 6-15   | 6-02   | 7-53   | 9-28   | 7-73     | 8-31   | 7-76   | 7-14   | 4-92    | 5-11   | 5-07    | 5-05   | 5-11   | 5-23   | 5-71   |
| <b>COTTON</b>                         |                           |                 |        |        |        |        |          |        |        |        |         |        |         |        |        |        |        |
| 37. Mill consumption: U.K. (e)        | Thousands of actual bales | 233             | 182    | 209    | 228    | 240    | 180      | 179    | 179    | 190    | 190     | ...    | ...     | ...    | ...    | ...    | ...    |
| 38. " Japan (e)                       | "                         | 231             | 231    | 311    | 304    | 347    | 247      | 261    | 261    | 212    | 212     | ...    | ...     | ...    | ...    | ...    | ...    |
| 39. " U.S.A. (e)                      | "                         | 586             | 404    | 449    | 527    | 596    | 514      | 445    | 445    | 564    | 564     | ...    | ...     | ...    | ...    | ...    | ...    |
| 40. " World (e)                       | "                         | 2,157           | 1,860  | 2,035  | 2,116  | 2,383  | 2,213    | 2,006  | 2,066  | 2,284  | 2,284   | ...    | ...     | ...    | ...    | ...    | ...    |
| 41. Stks.: World Visible Supplies (d) | Thousands bales           | 2,736           | 7,682  | 3,983  | 4,297  | 3,875  | 7,069    | 7,177  | 7,069  | 6,958  | 8,754   | 8,218  | 7,552   | 6,977  | 7,510  | 6,157  | 6,046  |
| 42. Price: Mid. American              | d. per lb.                | 10-83           | 5-25   | 6-70   | 6-69   | 6-37   | 4-97     | 5-01   | 5-01   | 4-80   | 5-19    | 5-13   | 5-21    | 4-96   | 5-41   | 5-65   | 5-44   |
| <b>SUGAR</b>                          |                           |                 |        |        |        |        |          |        |        |        |         |        |         |        |        |        |        |
| 43. Stks.: World visible supplies (f) | Thous. tons               | 4,047           | 7,018  | 4,166  | 2,983  | 2,816  | 3,601    | 5,255  | 4,711  | 4,226  | 5,819   | 6,131  | 6,547   | 6,116  | 5,394  | 4,903  | ...    |
| 44. Av. Brit. import price, refined   | sh. per cwt.              | 9-68            | 7-70   | 6-38   | 6-71   | 8-62   | 7-92     | 6-87   | 6-20   | 6-19   | 9-24    | 8-37   | 8-22    | 8-30   | 8-22   | 9-15   | 9-30   |

## GROUP II (b).—BI-MONTHLY TABLE

| COPPER                                  |                   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
|-----------------------------------------|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1. Production: Belgian Congo .....      | Th. metric tons   | 11-3   | 4-5    | 12-1   | 8-1    | 12-0   | 12-0   | 9-0    | 9-0    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    |
| 2. (Smelter) Canada .....               | "                 | 6-1    | 8-0    | 14-7   | 15-7   | 17-2   | 22-5   | 22-0   | 22-5   | 22-4   | 21-9   | 18-7   | 23-6   | 22-6   | ...    | ...    | ...    |
| 3. " Chile .....                        | "                 | 25-5   | 8-1    | 21-6   | 20-4   | 33-1   | ...    | 27-5   | 25-3   | 24-8   | ...    | ...    | ...    | ...    | ...    | ...    | ...    |
| 4. " N. Rhodesia .....                  | "                 | 0-5    | 5-8    | 12-2   | 12-1   | 17-6   | 18-0   | 18-5   | 19-2   | 16-2   | 16-9   | 17-2   | 15-4   | 17-2   | 16-7   | ...    | ...    |
| 5. " U.S.A. .....                       | "                 | 88-2   | 23-2   | 39-3   | 55-4   | 74-2   | 48-6   | 34-7   | 28-4   | 40-4   | 62-6   | 54-9   | 56-1   | 56-9   | 53-1   | 53-8   | ...    |
| 6. " World .....                        | "                 | 157-9  | 70-6   | 115-6  | 128-5  | 176-2  | 146-6  | 130-5  | 115-9  | 134-5  | 159-6  | 146-7  | 149-1  | 145-4  | 149-7  | 146-8  | ...    |
| 7. Consumption: World .....             | "                 | 148-8  | 75-5   | 121-2  | 135-5  | 162-3  | 147-1  | 131-9  | 152-2  | 161-1  | 136-6  | 135-7  | 143-9  | 139-4  | 150-3  | 163-7  | ...    |
| 8. Stocks: U.K. (d) .....               | "                 | 6-6    | 37-3   | 88-7   | 47-0   | 32-0   | 33-4   | 38-1   | 37-3   | 37-6   | 32-7   | 31-8   | 35-9   | 33-6   | 31-8   | 30-5   | ...    |
| 9. (Refined) Stocks: World (h) .....    | "                 | 423-0  | 724-5  | 449-6  | 320-4  | 428-0  | 453-8  | 500-3  | 474-6  | 448-6  | 435-5  | 447-4  | 462-8  | 474-2  | 472-6  | 466-0  | ...    |
| 10. Price: Std. cash, London .....      | £ per ton         | 25-48  | 31-71  | 31-91  | 38-48  | 54-53  | 44-8   | 35-28  | 39-79  | 40-63  | 43-46  | 42-23  | 42-98  | 42-07  | 41-70  | 42-02  | ...    |
| LEAD                                    |                   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 11. Production: Australia .....         | Th. metric tons   | 15-0   | 15-8   | 18-2   | 16-6   | 19-5   | 18-9   | 18-8   | 18-8   | 19-7   | 22-2   | 17-9   | 20-5   | 18-7   | 21-6   | ...    | ...    |
| 12. (Smelter) Canada .....              | "                 | 11-5   | 9-6    | 12-4   | 13-7   | 15-7   | 15-4   | 15-2   | 13-1   | 15-3   | 14-3   | 13-0   | 14-2   | 13-7   | 14-9   | ...    | ...    |
| 13. " Germany .....                     | "                 | 8-2    | 7-9    | 19-2   | 11-6   | 13-5   | 15-4   | 14-0   | 15-5   | 16-3   | 15-7   | 16-0   | 17-0   | 14-8   | 14-2   | ...    | ...    |
| 14. " Mexico .....                      | "                 | 19-2   | 10-6   | 15-1   | 17-5   | 18-7   | 17-3   | 21-8   | 22-2   | 21-2   | 6-1    | 4-7    | 7-2    | 20-3   | 22-3   | ...    | ...    |
| 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   | 30-8   | 23-4   | 31-7   | 33-0   | 33-3   | 33-3   | 33-0   | ...    | ...    | ...    |
| 17. " World .....                       | "                 | 145-0  | 95-9   | 114-2  | 122-3  | 140-9  | 134-8  | 135-9  | 135-2  | 129-4  | 132-0  | 132-3  | 142-3  | 151-7  | 159-1  | ...    | ...    |
| 18. Stocks: U.K. (h) .....              | "                 | 2-0    | 20-6   | 7-1    | 6-2    | 7-0    | 11-2   | 9-4    | 9-9    | 9-7    | 12-5   | 14-0   | 13-4   | 13-5   | 12-9   | 12-1   | ...    |
| 19. " U.S.A. (h) .....                  | "                 | 49-7   | 15-4   | 20-6   | 15-3   | 7-1    | 9-9    | 14-1   | 139-9  | 127-7  | 106-3  | 110-8  | 110-6  | 112-0  | 112-7  | 117-4  | 11-8   |
| 20. Price: "Soft Foreign", London ..... | £ per ton         | 23-25  | 12-00  | 14-15  | 17-60  | 23-33  | 15-26  | 13-86  | 14-91  | 14-37  | 14-52  | 14-27  | 16-75  | 16-31  | 14-48  | 14-57  | 14-75  |
| SPELTER                                 |                   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 21. Production: Belgium .....           | Th. metric tons   | 2-1    | 1-3    | 1-1    | 1-3    | 2-3    | ...    | 19-1   | 18-4   | 18-1   | 19-1   | 17-3   | 18-8   | 17-9   | 19-0   | ...    | ...    |
| 22. (Smelter) Canada .....              | "                 | 16-5   | 8-0    | 15-3   | 16-8   | 18-0   | ...    | 15-1   | 16-3   | 17-0   | 17-4   | 14-8   | 15-7   | 16-9   | 18-1   | ...    | ...    |
| 23. " Mexico .....                      | "                 | 9-5    | 6-5    | 7-1    | 11-4   | 12-8   | ...    | 10-1   | 10-4   | 10-4   | 10-4   | 9-9    | 9-9    | 9-9    | 9-9    | ...    | ...    |
| 24. " Germany .....                     | "                 | 1-3    | 2-2    | 2-7    | 3-5    | 3-5    | ...    | 16-1   | 16-5   | 16-5   | 17-3   | 15-9   | 18-3   | 17-7   | 18-2   | ...    | ...    |
| 25. " Poland .....                      | "                 | 8-5    | 3-5    | 10-4   | 4-15   | 13-8   | ...    | 16-1   | 16-5   | 16-5   | 17-3   | 15-9   | 18-3   | 17-7   | 18-2   | ...    | ...    |
| 26. " Australia .....                   | "                 | 4-1    | 7-0    | 7-1    | 7-9    | 9-2    | ...    | 10-9   | 8-4    | 9-0    | 9-0    | 9-7    | 9-3    | 9-9    | 9-4    | ...    | ...    |
| 27. " U.K. .....                        | "                 | 4-4    | 4-5    | 5-7    | 6-0    | 5-6    | ...    | 10-6   | 10-7   | 11-5   | 9-7    | 9-9    | 9-9    | 9-9    | 9-5    | 9-9    | ...    |
| 28. " U.S.A. .....                      | "                 | 47-3   | 15-7   | 31-8   | 37-4   | 42-1   | 34-5   | 27-9   | 27-5   | 29-3   | 40-0   | 35-8   | 40-9   | 39-0   | 38-4   | ...    | ...    |
| 29. " World .....                       | "                 | 121-6  | 56-3   | 111-2  | 136-3  | 131-4  | 131-4  | 122-0  | 123-5  | 123-8  | 139-9  | 127-2  | 140-9  | 137-7  | 138-6  | ...    | ...    |
| 30. " U.S.A. (h) .....                  | "                 | 4-5    | 13-2   | 8-2    | 2-2    | 20-2   | 25-8   | 23-2   | 22-2   | 23-4   | 25-6   | 26-2   | 24-2   | 24-2   | 23-2   | 21-9   | 20-4   |
| 31. Stocks: U.K. (h) .....              | "                 | 70-1   | 113-2  | 76-1   | 40-5   | 116-3  | 116-3  | 135-8  | 132-6  | 128-9  | 116-3  | 116-3  | 116-1  | 118-3  | 120-6  | 122-6  | 118-6  |
| 32. " U.S.A. (h) .....                  | "                 | 24-88  | 13-58  | 14-08  | 14-90  | 22-25  | 21-98  | 12-73  | 14-14  | 13-42  | 13-67  | 13-52  | 13-73  | 13-13  | 13-72  | 14-03  | 14-27  |
| 33. Price: G.O.B., London .....         | £ per ton         | 24-88  | 13-58  | 14-08  | 14-90  | 22-25  | 21-98  | 12-73  | 14-14  | 13-42  | 13-67  | 13-52  | 13-73  | 13-13  | 13-72  | 14-03  | 14-27  |
| TIN                                     |                   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 34. Production: Bolivia .....           | Tons              | 3,862  | 1,715  | 2,264  | 2,006  | 2,085  | 2,114  | 1,829  | 1,663  | 1,647  | 2,088  | 1,407  | 1,296  | 1,227  | 1,304  | 1,604  | 1,584  |
| 35. (exports) .....                     | "                 | 2,993  | 1,307  | 2,060  | 2,640  | 3,315  | 1,750  | 1,899  | 1,418  | 1,406  | 2,199  | 1,417  | 1,759  | 1,258  | 2,631  | 1,133  | 1,698  |
| 36. " China .....                       | "                 | 617    | 789    | 889    | 871    | 937    | 1,187  | 1,187  | 892    | 1,018  | 945    | 982    | 948    | 1,062  | 862    | 950    | ...    |
| 37. " Belgian Congo .....               | "                 | 31     | 57     | 626    | 774    | 610    | 983    | 679    | 603    | 456    | 456    | 257    | 118    | 145    | 5,012  | ...    | ...    |
| 38. " British Malaya .....              | "                 | 5,781  | 2,476  | 3,830  | 5,567  | 6,874  | 3,604  | 2,781  | 3,539  | 2,852  | 1,920  | 1,920  | 1,803  | 4,691  | 1,481  | 5,973  | 493    |
| 39. " Nigeria .....                     | "                 | 895    | 555    | 586    | 784    | 674    | 3,604  | 1,322  | 646    | 339    | 571    | 671    | 247    | 398    | 535    | 172    | 603    |
| 40. " Thailand (Siam) .....             | "                 | 823    | 772    | 815    | 1,056  | 1,365  | 1,125  | 1,247  | 1,179  | 1,403  | 2,068  | 852    | 549    | 1,013  | 692    | 463    | 2,320  |
| 41. " World .....                       | "                 | 15,582 | 8,267  | 12,258 | 15,000 | 17,242 | 12,370 | 12,100 | 11,500 | 11,000 | 15,800 | 10,800 | 8,800  | 11,100 | 9,500  | 7,700  | ...    |
| 42. " Quota of restrg. countries .....  | % of std. quanty. | 42-8   | 58-8   | 92-5   | 107-5  | 53-8   | ...    | 45-0   | 45-0   | 45-0   | 45-0   | 45-0   | 45-0   | 45-0   | 40-0   | 45-0   | ...    |
| 43. Consumption: U.K. .....             | Tons              | 2,518  | 1,934  | 1,786  | 1,822  | 2,164  | 1,524  | 1,043  | 1,209  | 1,287  | 1,598  | 1,419  | 2,225  | 1,440  | 1,993  | 1,668  | ...    |
| 44. " World .....                       | "                 | 7,298  | 2,936  | 4,097  | 6,004  | 7,222  | 4,224  | 3,957  | 3,451  | 3,708  | 4,478  | 4,203  | 4,875  | 6,225  | 5,145  | 5,012  | ...    |
| 45. Stocks: World .....                 | "                 | 44,384 | 8,758  | 12,442 | 13,922 | 16,442 | 12,625 | 11,200 | 10,000 | 11,200 | 11,300 | 11,000 | 13,500 | 10,200 | 13,500 | 11,400 | ...    |
| 46. " U.S. annual cons. .....           | "                 | 27,229 | 58,422 | 26,110 | 26,711 | 36,344 | 34,003 | 49,731 | 52,503 | 54,370 | 52,003 | 49,512 | 50,885 | 50,146 | 43,823 | 39,387 | 39,812 |
| 47. " U.S. stock .....                  | "                 | 15     | 56     | 18     | 17     | 18     | 33     | 35     | 37     | 35     | 33     | 34     | 33     | 29     | 26     | 26     | ...    |
| 48. Price: U.S. spot .....              | £ per ton         | 203-9  | 136-0  | 225-7  | 204-6  | 242-3  | 189-6  | 177-6  | 192-7  | 193-1  | 215-8  | 214-0  | 215-5  | 218-5  | 225-7  | 227-6  | 226-6  |